ANNUAL REPORT 2020

TLG IMMOBILIEN

This document is a convenience translation of the Consolidated Financial statements of TLG IMMOBILIEN AG for the year ended 31 December 2020, published in German. In cases of doubt, the German version takes precedence. Deviations from the English language translation initially published on 15 April 2021 are of an editorial nature only.

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REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

TLG IMMOBILIEN AG was able to hold its ground in the 2020 financial year, which was heavily impacted by the coronavirus pandemic. In addition to intensifying the cooperation with Aroundtown SA to form a leading real estate company, TLG IMMOBILIEN AG responded to the changes in the market situation and streamlined its portfolio by successfully exploiting market opportunities as they arose.

A TRUSTING PARTNERSHIP WITH THE MANAGEMENT BOARD

In the 2020 financial year, the Supervisory Board fulfilled the role 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 policies, strategy and planning and the position of the company, including opportunities and risks, the course of business and risk management. Any deviations between actual and planned developments were also discussed, and significant transactions were coordinated between the Supervisory Board and the Management Board.

The Chairperson of the Supervisory Board and the other members of the Supervisory Board were also in frequent contact with the Management Board outside of the meetings of the Supervisory Board in order to discuss important matters. In particular, they discussed the strategic orientation and the development of the business of the company in detail. The merger with Aroundtown SA also occupied a central place in their close collaboration.

The Supervisory Board was quickly and directly involved in all decisions of fundamental importance to the company and in all transactions requiring approval.

MEETINGS OF THE SUPERVISORY BOARD

Of the 26 meetings of the Supervisory Board in the 2020 financial year, two were meetings in person and 24 were teleconferences. The Supervisory Board discussed current business developments, important individual transactions and transactions requiring its approval. Furthermore, resolutions were passed by circulation in ten cases.

The Supervisory Board passed the necessary resolution for each proposal after carrying out thorough examinations and holding detailed discussions in its meetings. All of the members of the Supervisory Board were present at 22 meetings in the 2020 financial year, or took part in passing resolutions by circulation. Jonathan Lurie was unable to participate in four meetings.

In the 2020 financial year, the work of the Supervisory Board focused on the business planning and development of TLG IMMOBILIEN AG, the merger with Aroundtown SA, various development projects and portfolio streamlining, as well as the changes to the Management Board and Supervisory Board.

The Supervisory Board regularly held in-depth consultations on the development of the office and retail portfolio as well as on the cash flows and liquidity of the Group.

On 22 January 2020, the Supervisory Board passed a resolution by circulation to amend the share capital in the Articles of Association in accordance with Sec. 201 of the German Stock Corporation Act (AktG) due to the utilisation of the company's Authorised Capital 2017/III in 2018.

On 23 January 2020, the Supervisory Board passed a resolution by circulation to approve the purchase of a portfolio in the Prenzlauer Berg district of Berlin.

On 11 February 2020, the Supervisory Board held its first meeting in person to discuss the status of the Aroundtown SA takeover bid and the annual general meeting scheduled for the 2020 financial year.

The stock exchange listing of TLG IMMOBILIEN AG was discussed in a Supervisory Board meeting held by telephone on 4 March 2020.

At its meeting held by telephone on 18 March 2020, the Supervisory Board addressed the initial impact of the COVID-19 pandemic.

On 27 March 2020, the annual and consolidated financial statements for 2019 were presented, discussed with the members of the Audit Committee and approved in a meeting of the Supervisory Board held by telephone. The appropriation of the net retained profit and the appointment of the auditor were also approved. The report of the Supervisory Board to the general meeting and the corporate governance report were approved. Furthermore, resolutions were passed on the agenda for the annual general meeting in 2020, on an amendment to the Articles of Association regarding the number of Supervisory Board members, and on the selection of a notary to conduct a proper general meeting.

In a resolution by circulation dated 20 April 2020, the Supervisory Board passed a resolution on the remuneration of the Management Board for 2019.

On 27 April 2020, the format and agenda for the 2020 annual general meeting were again discussed in a Supervisory Board meeting held by telephone.

In its following meeting held by telephone on 15 May 2020, the Supervisory Board approved the engagement of Ernst & Young regarding the audit of two projects.

On 11 June 2020, Management Board matters were discussed in a Supervisory Board meeting held by telephone.

In the Supervisory Board meetings held by telephone on 22 and 26 June 2020, the Supervisory Board approved the sale of two retail portfolios.

In a telephone meeting held on 21 July 2020, the Supervisory Board approved the change of issuer regarding certain financing instruments of TLG IMMOBILIEN AG to Aroundtown SA.

In the telephone meeting on 30 July 2020, Mr Ronny Schneider was appointed as a member of the Management Board.

In a meeting held by telephone on 26 August 2020, the Supervisory Board again discussed the upcoming virtual annual general meeting, the appropriation of profits, and possible restructuring measures, as well as resolving to appoint a notary. In addition, the Supervisory Board approved the engagement of Ernst & Young to audit a further project.

In three further telephone meetings held on 7, 24 and 30 September 2020, the Supervisory Board discussed the restructuring measures for TLG IMMOBILIEN AG and approved the continuation of planning.

On 2 October 2020, the Supervisory Board passed a resolution by circulation to dispose of a retail portfolio.

On 13 October 2020, the Supervisory Board held a telephone meeting to debrief the annual general meeting and reconstitute itself in its new composition.

On 26 October, the Supervisory Board approved by circular resolution the appointment of Eran Amir to the Management Board, effective 1 November 2020.

On 28 October, the Supervisory Board approved a termination agreement with Management Board member Mr Bar-Hen in a telephone meeting.

On 4 November 2020, the Supervisory Board passed a resolution by circulation to dispose of an office property.

On 19 November 2020, the Supervisory Board held a telephone meeting to discuss the status of cooperation with Aroundtown SA and the restructuring projects. The sale of an office property was also approved. A resolution was also passed to implement a share buyback program and to engage a law firm for the purpose.

On 20 November 2020, the Supervisory Board approved restructuring measures in a meeting held by telephone.

On 25 November 2020, the Supervisory Board approved the sale of a retail portfolio in a circular resolution.

On 27 November 2020, the Supervisory Board held an in-person meeting to discuss the key financial figures of TLG IMMOBILIEN AG and the results for the third quarter of 2020.

On 30 November 2020, the Supervisory Board elected Mr Frank Roseen to succeed Mr Sascha Hettrich as Chairperson of the Supervisory Board in a meeting held by telephone.

In a further meeting of the Supervisory Board held by telephone on 2 December 2020, the Board resolved to have Mr David Maimon appointed by court order as a member of the Supervisory Board to succeed Mr Sascha Hettrich, in accordance with Sec. 104 AktG.

A share buyback program was discussed again on 4 December.

On 7 December 2020, the Supervisory Board resolved in a telephone meeting on Management Board matters, and in another telephone meeting on the implementation of the share buyback program.

In each of the meetings on 8 and 15 December 2020, the Supervisory Board approved the sale of one office property in circular resolutions.

On 21 December 2020, the Supervisory Board resolved to amend the rules of procedure for the Management Board and the Supervisory Board, and adopted the report on the Corporate Governance Code.

On 29 December 2020, the Supervisory Board approved the sale of a hotel portfolio in a further circular resolution.

EFFICIENT WORK IN FOUR SUPERVISORY BOARD COMMITTEES

In order to efficiently fulfil its duties, the Supervisory Board initially formed four committees in the 2020 financial year and continuously evaluated their requirements and activities during the reporting year. As a result of the reduction in the size of the Supervisory Board to three members in accordance with the Articles of Association, the Supervisory Board no longer has any committees apart from an Audit Committee. The full Board of Management combines the necessary qualifications and independence required for committees to be formed.

Specifically, there were four committees in the reporting year – the Presidential and Nomination Committee, the Audit Committee, the Capital Market and Acquisitions Committee and the Project Development Committee – whose duties are described in more detail in the corporate governance report available at *https://ir.tlg.eu/corporategovernance*.

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

The **Presidential and Nomination Committee** did not meet in the 2020 reporting year; the relevant topics were discussed by the full board in each case due to their particular importance in the context of TLG IMMOBILIEN AG.

The **Audit Committee** held three telephone meetings in the reporting year and passed two circular resolutions (2 February, 19 February, 27 March, 26 May and 25 August 2020). In particular, the subjects discussed by the committee included the preliminary audit of the annual financial statements, consolidated financial statements and interim reports of TLG IMMOBILIEN AG. It provided the Supervisory Board with a recommendation on which auditor to appoint for the 2020 financial year, procured the independence declaration from the auditor and monitored the activities of the auditor. Furthermore, the Audit Committee approved the engagement of Ernst & Young Israel in connection with the audit of a project of Aroundtown SA. The members of the Audit Committee have particular knowledge and experience in the application of GAAP and internal control processes.

The **Capital Markets and Acquisitions Committee** did not meet in the 2020 reporting year; the relevant topics were discussed by the full board in each case due to their particular importance in the context of TLG IMMOBILIEN AG.

The P**roject Development Committee** met once in total, on 6 April 2020. The meeting focused on the project development measures of TLG IMMOBILIEN AG.

CORPORATE GOVERNANCE

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

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

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of TLG IMMOBILIEN AG and the consolidated financial statements as at 31 December 2020, including management reports, prepared by the Management Board were examined by the auditor appointed by the annual general meeting on 7 October 2020 and engaged by the Supervisory Board, the Berlin office of Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, (Ernst & Young) and given an unqualified opinion.

In addition, Ernst & Young audited the Management Board's report on relations with affiliated companies pursuant to Section 312 AktG (dependence report). Ernst & Young issued the following unqualified opinion on this report in accordance with Section 313 (3) AktG:

"Based on the results of our audit, the dependence report does not give rise to any reservations. We therefore issue the following auditor's report:
Based on our audit performed in accordance with professional standards and our professional judgment, we confirm that:

1. The factual statements contained in the report are correct.
2. The consideration paid by the Company for the legal transactions stated in the report was not excessive."

Once prepared, the annual and consolidated financial statements of TLG IMMOBILIEN AG, including management reports, the dependence report and the audit reports of the auditor, were issued to all members of the Supervisory Board without undue delay. The auditor attended the Audit Committee meeting held on 14 March 2021 and reported on the key results of the audit. After an in-depth discussion, the Audit Committee agreed with the results of the audit.

At the Supervisory Board meeting held on 15 April 2021, the Chairperson of the Audit Committee reported on the key results of the audit by the auditor. Additionally, the auditor reported on the key results of the audit, answered questions and provided more information to the members of the Supervisory Board. The Supervisory Board carefully examined the annual financial statements, the management report, the dependence report including the final declaration of the Management Board, the consolidated financial statements, the Group management report, the proposed appropriation of net retained profits and the audit reports prepared by the auditor. After reviewing the audit reports and based on the results of its own examinations, the Supervisory Board has no objections. Therefore, the Supervisory Board approved the annual and consolidated financial statements and the dependence report as at 31 December 2020 that had been prepared by the Management Board. The annual financial statements were, therefore, adopted.

The adopted annual financial statements report a net retained profit. The Supervisory Board accepts the proposal made by the Management Board as to the appropriation of the net retained profit. The proposal of the Management Board will remain subject to the further development of the market conditions relevant for TLG IMOBILIEN until the invitation to the annual general meeting is published. Therefore, the Supervisory Board and Management Board will likely add a resolution on the payment of a dividend of Euro 1.02 per no-par value share (Euro 108 million based on the number of shares as at 31 December 2020) to the agenda of the annual general meeting in 2021.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Mr Klaus Krägel stepped down from the Supervisory Board with effect from the end of the annual general meeting 2020 on 7 October 2020. Mr Jonathan Lurie and Mr Helmut Ullrich also resigned from office at their own request when the registration of the amendment to the Articles of Association of TLG IMMOBILIEN AG regarding the reduction of the Supervisory Board from six to three members became effective, i.e. on 16 November 2020.

On 7 October 2020, the annual general meeting of TLG IMMOBILIEN AG elected Mr Frank Roseen as a new member of the Supervisory Board. Mr Roseen was appointed as a member of the Supervisory Board until the end of the general meeting that resolves on the exoneration of the Supervisory Board for the fourth financial year after the start of his term of office, not counting the financial year in which his term of office started.

Mr Sascha Hettrich also stepped down from his office as Chairperson of the Supervisory Board on 30 November 2020 and from his office as a member of the Supervisory Board of TLG IMMOBILIEN AG on 31 December 2020. As a result, the Supervisory Board elected Mr Frank Roseen as its Chairperson on 30 November 2020.

Mr David Maimon was appointed as a new member of the Supervisory Board by the local court of Berlin Charlottenburg in January 2021 until the end of the annual general meeting 2021

Mr Gerald Klinck and Mr Jürgen Overath stepped down from the Management Board with effect from 31 March 2020 and 31 July 2020 respectively. With effect from the end of 31 October 2020, Mr Bar-Hen stepped down from his position as a member of the Management Board and as CEO.

Mr Ronny Schneider was appointed as a further member of the Management Board of TLG IMMOBILIEN AG with effect from 1 August 2020. Mr Schneider stepped down with effect from the end of 9 February 2021.

Mr Eran Amir was appointed as an additional member of the Management Board with effect from 1 November 2020. Finally, Mr Roy Vishnovizki was appointed as a member of the Management Board and CEO of TLG IMMOBILIEN AG with effect from 10 February 2021.

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

Berlin, March 2021

For the Supervisory Board
Frank Roseen
Chairperson of the Supervisory Board

CORPORATE GOVERNANCE REPORT AND DECLARATION ON CORPORATE GOVERNANCE

In this declaration, TLG IMMOBILIEN AG (hereinafter also referred to as: the Company), in accordance with section 289f of the German Commercial Code (HGB) on the principles of corporate governance and in accordance with section 161 of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (DCGK, hereinafter the Code), reports on the corporate governance of the Company. Besides a declaration of compliance with the Code, the declaration contains information on management practices as well as the composition and methods of the Management Board and Supervisory Board and Supervisory Board committees.

IMPLEMENTATION OF THE CODE

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

In the 2020 financial year, the Management Board and Supervisory Board worked carefully to meet the requirements of the Code. They took into account the recommendations of the Code from 7 February 2017 and 20 March 2020 and, pursuant to Sec. 161 AktG, they issued their declaration of compliance with the recommendations of the Code for the 2020 financial year accompanied by statements regarding the few deviations. The declaration is published on the company's website at *https://ir.tlg.eu/declaration-of-compliance*.

DECLARATION OF COMPLIANCE

In December 2020, the Management Board and Supervisory Board of the Company issued the following joint declaration of compliance pursuant to Sec. 161 of the German Stock Corporation Act (AktG):

The Management Board and Supervisory Board of TLG IMMOBILIEN AG declare that TLG IMMOBILIEN AG (hereinafter referred to as the "**Company**") has fulfilled the recommendations of the amended German Corporate Governance Code dated 7 February 2017 (published on 24 April 2017 and corrected on 19 May 2017, hereinafter referred to as the "**Code 2017**") since the last declaration of compliance in November 2019, subject to the following exceptions in section 1. TLG IMMOBILIEN AG also complies with all recommendations of the Code dated 16 December 2019 (entered into force on 20

March 2020, hereinafter referred to as "**Code 2020**"), with the exception of the following deviations in section 2, and shall continue to comply with these, subject to the stated exceptions.

1.

Recommendation 5.1.2 (2) sentence 3 of the Code 2017: Age limit for Management Board members

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

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

Recommendation 5.4.1 (4) sentence 1 of the Code 2017: Consideration for targets for the share of female members

According to Recommendation 5.4.1 (4) sentence 1 of the Code 2017, proposals by the Supervisory Board to the general meeting shall take the targets for the share of female members on the Supervisory Board into account.

In its meeting on 23 May 2017, the Supervisory Board set the target proportion of women on the Supervisory Board at 16.67 %. The Supervisory Board is not currently meeting this target and was unable to take these targets into account in its proposals to the general meeting due to a lack of available female candidates.

Recommendation 7.1.2 sentence 3 of the Code 2017: Publication dates for consolidated financial statements and interim financial reporting

Recommendation 7.1.2 sentence 3 of the Code 2017 recommends that Company reports should be published within 90 days (annual financial statements) or 45 days (interim financial statements) following the end of the relevant reporting period.

The Company has not complied with this specification regarding the annual and consolidated financial statements for the financial year 2019 and interim financial reporting for 2020 in light of the fact that following the considerable share taken by the Company in Aroundtown SA towards the end of 2019, there were many questions that needed to be answered in relation to the consolidation of Aroundtown SA in the Company's financial statements. Specifically, publication of the Company's financial statement before the publication of Aroundtown SA's financial statements was ruled out. The same applies to the Company's interim financial statements in 2020.

2.

Recommendation B.1 of the Code 2020: Diversity on the Management Board
In accordance with Recommendation B.1 of the Code 2020, the Supervisory Board should take diversity into account when assembling the Management Board.

Despite efforts to that effect, it was not possible to achieve diversity in the Management Board, which consists of two members, due to a lack of available candidates.

Recommendation B.5 of the Code 2020: Age limit for Management Board members
In accordance with Recommendation B.5 of the Code 2020, an age limit should be set for members of the Management Board and indicated in the declaration on corporate governance.

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

Recommendation C.1 of the Code 2020: Diversity on the Supervisory Board
According to recommendation C.1 of the Code 2020, proposals by the Supervisory Board to the general meeting shall take the targets for the composition of the Supervisory Board into account.

In its meeting on 23 May 2017, the Supervisory Board set the target proportion of women on the Supervisory Board at 16.67 %. The Supervisory Board is not currently meeting this target and was unable to take these targets into account in its proposals to the general meeting due to a lack of available female candidates.

Recommendation D.1 of the Code 2020: Rules of procedure of the Supervisory Board
According to Recommendation D.1 of the Code 2020, the Supervisory Board should set itself rules of procedure and publish them on the Company's website.

If the Company's Supervisory Board has set itself rules of procedure which govern processes within the Supervisory Board, including its approval requirements. This is, therefore, a significant instrument for the organisation of the work and functioning of the Supervisory Board. The Company and the Supervisory Board, therefore, take the view that the rules of procedure is an internal document pertaining to the Supervisory Board which is not suitable for publication.

Recommendation D.2 et seq. of the Code 2020: Committees of the Supervisory Board
According to Recommendation D.2 et seq. of the Code 2020, the Supervisory Board should form professionally qualified committees, depending on the specific circumstances of the business and the number of members.

In accordance with the Company's Articles of Association, the Company's Supervisory Board has consisted of three members since 16 November 2020. As a quorate Supervisory Board and a quorate committee consist of at least three members, the Supervisory Board takes the view that the formation of committees does not lead to more efficient performance of duties. Accordingly, in the view of the Company, there is no need to set up further committees apart from the establishment of an Audit Committee.

Recommendation F.2 of the Code 2020: Publication dates for consolidated financial statements and interim financial reporting

Recommendation F.2 of the Code 2020 recommends that Company reports should be published within 90 days (annual financial statements) or 45 days (interim financial statements) following the end of the relevant reporting period.

The Company has not complied with this specification regarding the annual and consolidated financial statements for the financial year 2019 and interim financial reporting for 2020 in light of the fact that following the considerable share taken by the Company in Aroundtown SA towards the end of 2019, there were many questions that needed to be answered in relation to the consolidation of Aroundtown SA in the Company's financial statements. Specifically, publication of the Company's financial statements before the publication of Aroundtown SA's financial statements was ruled out. The same applies to the Company's interim financial statements in 2020.

Recommendation G.8 of the Code 2020: Subsequent changes to target values

Recommendation G.8 of the Code 2020 recommends that subsequent changes to target values or comparative parameters be ruled out.

Agreements with regard to the "long-term incentive" (LTI) for the Company's Management Board members are linked to the development of the Company's "net asset value" (NAV) per share (NAV/Share). The NAV/Share is a common and widespread benchmark for measuring trends in property companies' performance. If the property portfolio is restructured in the Company or there are extensive divestitures of the property portfolio with the agreement of the Supervisory Board, this has a direct impact on the NAV/Share benchmark accordingly. This means that it must be possible for this benchmark to be subsequently readjusted in the interests of the Company and the Management Board members affected.

Recommendation G.10 of the Code 2020: Investment of variable remuneration amounts in Company shares

Recommendation G.10 of the Code 2020 recommends ensuring that the variable remuneration amounts awarded to the relevant member of the Management Board, taking into account the relevant tax burden, is mostly invested in shares in the Company or should be awarded on a shares basis accordingly.

In the context of the overwhelming concentration of Company shares in the hands of a single shareholder, the Company does not believe defining the use of remuneration components in this way to be advisable.

Recommendation G.13 of the Code 2020: Exit compensation cap
Recommendation G.13 of the Code 2020 recommends that payments to a member of the Management Board in the event of premature termination of Management Board activities should not exceed the value of two years' remuneration (exit compensation cap).

Agreements with the Company's Management Board members make provisions to limit remuneration in the event of early termination of their membership of the Management Board to only the remainder of the duration of their contract. There is an additional exit compensation cap. In light of the time limit on the Company's current Management Board membership terms prescribed in accordance with Recommendation B.3 of the Code 2020, it is not expected that the exit compensation cap shall be significantly exceeded, which is why there is no corresponding separate agreement.

MANAGEMENT PRACTICES

TLG IMMOBILIEN AG is managed in the following way:

WORKING PRACTICE OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

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

MANAGEMENT BOARD

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

The Management Board performs its management duties as a collegial body in which the members of the Management Board hold the same voting rights. The Board's overall responsibility for management notwithstanding, the members of the Management Board manage the divisions to which each has been assigned by the Management Board on their own authority. Mr Roy Vishnovizki is now the CEO of the Management Board, a position previously held by Mr Barak Bar-Hen. The divisions are divided between the members of the Management Board as set out in the rules of procedure for the Management Board and are adjusted in the event of a change in composition of the Management Board in accordance with the competences of the respective members of the Management Board.

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

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

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

SUPERVISORY BOARD

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

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

The work of the Supervisory Board takes place in plenary sessions. In line with its rules of procedure, the Supervisory Board must convene at least twice every six months. Otherwise, it convenes whenever the interests of the Company require it. Four Supervisory Board meetings are currently scheduled for the 2021 calendar year.

In accordance with the Company’s Articles of Association, the Company’s Supervisory Board has consisted of three members since 16 November 2020. As a quorate Supervisory Board and a quorate committee consist of at least three members, the Supervisory Board takes the view that the formation of committees does not lead to more efficient performance of duties. Accordingly, in the view of the Company, with the exception of the establishment of an Audit Committee, there is currently no need to set up any other committee. The Audit Committee was newly established on 19 March 2021.

In particular, the members of the Supervisory Board are selected by virtue of their expertise, abilities and professional suitability. In its rules of procedure and profile of skills and expertise, the Supervisory Board has set itself the objective of taking the following into consideration with regard to its composition and as part of the specific situation of the Company: shareholder structure, current and potential conflicts of interest and competitive relationships, other professional activities, the number of independent members, an age limit of 75, a regular limit of the term of office of 15 years or three terms and the diversity of the members of the Supervisory Board. Besides the statutory requirements (Sec. 100 AktG), the proposals of the Supervisory Board regarding the appointment of members of the Supervisory Board adhere to the regulations of the German Corporate Governance Code as amended concerning the personal requirements of Supervisory Board members and the composition targets set by the Supervisory Board. At least one member of the Supervisory Board must have expertise in the fields of accounting or auditing (Sec. 100 (5) clause 1 AktG). According to Sec. 100 (5) clause 2 AktG, the members of the Supervisory Board must also be familiar in their entirety with the sector in which the Company operates. The Company has followed the specific recommendations of the Code which concern the composition of the Supervisory Board under certain criteria (competence profile), 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.

The Supervisory Board conducted a self-assessment (efficiency review) in December 2019 and chose the self-evaluation via evaluation form with the support of an external service provider for this purpose. To this end, the external service provider first determined the requirements of TLG IMMOBILIEN AG and created a company-specific evaluation form. This evaluation form was completed by the members of the Supervisory Board and subsequently evaluated by the external service provider, and the results of the evaluation were presented to and discussed with the Supervisory Board.

PROPORTION OF WOMEN

In its meeting on 23 May 2017, the Supervisory Board set the target proportion of women on the Supervisory Board at 16.67 %. The Supervisory Board is not currently meeting this target and was unable to take these targets into account in its proposals to the general meeting due to a lack of available female candidates.

The minimum target proportion of women on the Management Board of TLG IMMOBILIEN AG is zero.

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

COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Pursuant to the Articles of Association, the Management Board consists of at least two people. The Supervisory Board specifies the number of members. In the 2020 financial year, the Management Board initially consisted of three persons: two members and a CEO. From April to October 2020, the Management Board consisted of only one CEO and one member. From November 2020 to February 2021, the Management Board then consisted of two members. Since February 2021, the Management Board has again had a CEO and a member of the Management Board.

Pursuant to the Articles of Association, the Supervisory Board has consisted of three members since November 2020. It is not subject to any employee participation. All of the members are elected by the general meeting as representatives of the shareholders.

Mr Klaus Krägel stepped down from the Supervisory Board with effect from the end of the annual general meeting 2020 on 7 October 2020. Mr Jonathan Lurie and Mr Helmut Ullrich also resigned from office at their own request when the registration of the amendment to the Articles of Association of TLG IMMOBILIEN AG regarding the reduction of the Supervisory Board from six to three members became effective, i.e. on 16 November 2020.

On 7 October 2020, the annual general meeting of TLG IMMOBILIEN AG elected Mr Frank Roseen as a new member of the Supervisory Board. Mr Roseen was appointed as a member of the Supervisory Board until the end of the general meeting that resolves on the exoneration of the Supervisory Board for the fourth financial year after the start of his term of office, not counting the financial year in which his term of office started.

Mr Sascha Hettrich also stepped down from his office as Chairperson of the Supervisory Board on 30 November 2020 and from his office as a member of the Supervisory Board of TLG Immobilien AG on 31 December 2020. As a result, the Supervisory Board elected Mr Frank Roseen as its Chairperson on 30 November 2020.

Mr David Maimon was appointed as a new member of the Supervisory Board by the local court of Berlin Charlottenburg in January 2021 until the end of the annual general meeting 2021.

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

The Supervisory Board developed a profile of skills and expertise in 2019.

Pursuant to Sec. 285 no. 10 HGB, more information on the members of the Management Board and Supervisory Board can be found in the notes to the annual financial statements of TLG IMMOBILIEN AG (pages 19 and 20).

COLLABORATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

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

The Management Board discusses the progress of the implementation of its strategy with the Supervisory Board at regular intervals. The Chairperson of the Supervisory Board is in regular contact with the Management Board and provides it with guidance on matters of strategy, planning, business development, the risk situation, risk management and compliance. The Management Board reports to the Chairperson of the Supervisory Board without undue delay on significant events that are of key relevance to an assessment of the situation and developments and to the management of the company and its Group companies. The Chairperson of the Supervisory Board then notifies the Supervisory Board and, if necessary, convenes an extraordinary meeting of the Supervisory Board. In the 2020 financial year, the work between the Management Board and Supervisory Board focused primarily on the strategy and business development of the Company, as well as the merger with Aroundtown SA.

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

The members of the Management Board must report any conflicts of interest to the Supervisory Board and their fellow Management Board members without undue delay. Significant transactions between members of the Management Board or related parties and the Company require the approval of the Supervisory Board, as does any secondary employment outside of the Company.

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

COMMITTEES OF THE SUPERVISORY BOARD

In the 2020 financial year, the Supervisory Board initially had four committees: the Presidential and Nomination Committee, the Audit Committee, the Capital Market and Acquisitions Committee and the Project Development Committee. Due to the reduction of the statutory size of the Supervisory Board to three members, the Supervisory Board no longer has committees, with the exception of an Audit Committee. The Management Board as a whole combines the required qualifications and the necessary independence specified for committees to be formed.

The Supervisory Board as a whole has the knowledge required of a company in the real estate sector and corresponds to the competence profile it has given itself. The members of the Supervisory Board are selected by virtue of their expertise, abilities and professional suitability. In its rules of procedure and profile of skills and expertise, the Supervisory Board has set itself the objective of taking the following into consideration with regard to its composition and as part of the specific situation of the Company: shareholder structure, current and potential conflicts of interest and competitive relationships, other professional activities, the number of independent members, an age limit of 75, a regular limit of the term of office of 15 years or three terms and the diversity of the members of the Supervisory Board. Besides the statutory requirements (Sec. 100 AktG), the proposals of the Supervisory Board regarding the appointment of members of the Supervisory Board adhere to the regulations of the German Corporate Governance Code as amended concerning the personal requirements of Supervisory Board members and the composition targets set by the Supervisory Board. At least one member of the Supervisory Board must have expertise in the fields of accounting or auditing (Sec. 100 (5) clause 1 AktG). According to Sec. 100 (5) clause 2 AktG, the members of the Supervisory Board must also be familiar in their entirety with the sector in which the Company operates.

PRESIDENTIAL AND NOMINATION COMMITTEE

The Presidential and Nomination Committee provides advice on its areas of expertise and prepares resolutions for the Supervisory Board, especially concerning the following matters:

a) Appointing and dismissing members of the Management Board;
b) Concluding, amending and terminating the employment contracts of members of the Management Board;

c) The structure of the remuneration system for the Management Board, including the key contractual elements and the total remuneration for each member of the Management Board;
d) Supervisory Board recommendations for the general meeting in connection with the election of suitable members of the Supervisory Board;
e) Principles of financing and investments, including the capital structure of TLG IMMOBILIEN AG Group companies and dividend payments;
f) Principles of acquisition and disposal strategies, including the acquisition and disposal of individual share- holdings of strategic significance.

In consultation with the Management Board, the Presidential and Nomination Committee regularly advises on long-term succession planning for the Management Board.

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

The Chairperson of the Audit Committee was independent and had particular knowledge and experience in the application of GAAP and internal control processes, and, therefore, met the requirements of Sec. 100 (5) clause 1 AktG. The members of the Audit Committee were experts in accounting and auditing, and the composition of the committee meets all independence requirements in terms of the European Commission Regulation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC), as well as the recommendations of the Code.

CAPITAL MARKET AND ACQUISITIONS COMMITTEE

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

PROJECT DEVELOPMENT COMMITTEE

The committee advises the Supervisory Board on development projects.

MANAGEMENT BOARD COMMITTEES

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

GENERAL MEETING AND SHAREHOLDERS

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

The general meeting takes place annually, usually within the first eight months of the financial year. In 2020, due to the special situation caused by the global coronavirus pandemic, the general meeting was not held until October and only as a virtual general meeting. The agenda of the general meeting and the reports and documents required for the general meeting are published on the Company's website at *https://ir.tlg.eu/agm*.

Fundamental resolutions are passed in general meetings. These include resolutions on the appropriation of profits, the exoneration of the Management Board and Supervisory Board, the election of members to the Supervisory Board, the appointment of the auditor, amendments to the Articles of Association and capital measures. The general meeting is an opportunity for the Management Board and Supervisory Board to come face to face with the shareholders and discuss the future course of the Company. Unfortunately, TLG IMMOBILIEN AG was only able fulfil its obligations with regard to the shareholders' right to ask questions to a limited extent in the context of the virtual 2020 general meeting.

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

OTHER MATTERS OF CORPORATE GOVERNANCE

REMUNERATION OF THE MANAGEMENT BOARD

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

The contracts of the members of the Management Board of TLG IMMOBILIEN AG contain fixed and variable remuneration components. For all members of the Management Board, the variable remuneration is adapted to the requirements of Sec. 87 (1) sentence 3 AktG. It is contingent on the achievement of economic targets and is predominantly based on multi-year assessment principles. The variable remuneration is only payable if the course of business was sufficiently positive. The remuneration structure has been designed to ensure sustainable corporate development, which optimises the effects of risks and rewards of the variable remuneration. The detailed remuneration report of TLG IMMOBILIEN AG for the 2020 financial year is published on the website of the Company at *https://ir.tlg.eu/remuneration-report*.

REMUNERATION OF THE SUPERVISORY BOARD

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

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

Additionally, the expenses of the members of the Supervisory Board are reimbursed. Additionally, the Company has added the members of the Supervisory Board to a D&O group insurance policy for corporate bodies.

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

REPORTABLE SECURITY TRANSACTIONS AND SHAREHOLDINGS OF THE MANAGEMENT AND SUPERVISORY BOARDS

Under Article 19 (1) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), the members of the Management Board and Supervisory Board of TLG IMMOBILIEN AG, including related parties, are obliged to disclose transactions involving shares of TLG IMMOBILIEN AG or financial instruments relating to said shares without undue delay, or within three working days of the date of the transaction at the latest. Pursuant to Article 19 (3) of the Market Abuse Regulation, the Company publishes these transactions without undue delay after having been informed of them, within three working days of the transaction at the latest. The disclosures are available on the Company's website at *https://ir.tlg.eu/directors-dealings*.

COMPLIANCE AS A SIGNIFICANT MANAGERIAL RESPONSIBILITY

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

REASONABLE RISK AND OPPORTUNITY MANAGEMENT

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

More detailed information on the risk monitoring system of the Company is available in the management report: The risk management system of TLG IMMOBILIEN AG is presented from page 39. Information on the Group accounting can be found on page 49.

COMMITTED TO TRANSPARENCY

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

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

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

FINANCIAL REPORTING

Once again, the Berlin office of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed auditor and Group auditor for 2020 by the general meeting. Before the general meeting, the auditor issued a declaration that there were no business, financial, personal or other relationships between the auditor, its bodies or audit managers and the Company or the members of its bodies which could bring the impartiality of the auditor into question.

MORE INFORMATION

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

MANAGEMENT REPORT ON THE POSITION OF THE COMPANY AND THE GROUP 2020

1. GROUP FUNDAMENTALS

1.1 BUSINESS MODEL, OBJECTIVES, STRATEGY

TLG IMMOBILIEN AG (hereinafter “TLG IMMOBILIEN” or “the company”), which has been listed on the Frankfurt Stock Exchange since 2014, is the ultimate parent company of the TLG Group (hereinafter “TLG”). It manages a number of own properties as well as those of its direct and indirect subsidiaries, including the listed company WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft, for which it performs all operational activities under service contracts.

TLG has been part of the Aroundtown Group since 19 February 2020, following a voluntary public takeover offer for the shares of TLG IMMOBILIEN AG by Aroundtown SA (“Aroundtown”). Aroundtown held a total of 77.8 % of the shares in TLG IMMOBILIEN after completion of the share swap and 79.45 % as of 31 December 2020.

As at 31 December 2020, TLG’s real estate portfolio comprised commercial properties throughout Germany, with a focus on office properties, particularly in Berlin and other major German cities.

TLG IMMOBILIEN’s activities to implement its strategy include the holistic management of its real estate portfolio, which it carries out with the support of external service providers:

- **Portfolio management**
  Portfolio management determines and monitors the strategic orientation of the portfolio with regard to regional markets and locations, the individual asset classes and general trends in the property market in terms of value preservation and improvement, and is responsible for property valuations.

- **Asset management**
  Asset management sets the strategy for each property and is responsible for implementing it through leases, conversions and modernisations.

- **Property management**
  Property management is responsible for all tasks related to ongoing property management. This includes the maintenance of tenant relations in the practical and commercial sense as well as the integration and management of service providers within the framework of property management.

The property management team is decentralised in order to ensure proximity to tenants and properties.

- **Development**
  Properties with previously unused potential are to be converted through fundamental development and construction measures in order to improve their structural quality, profitability and value development. A development team steers this transformation process from preliminary planning to structural realisation.

- **Transaction management**
  Transaction management proactively implements the portfolio strategy based on its market knowledge and networks in order to generate value through acquisitions and divestments. Transaction management controls acquisition and sales processes starting with the identification of potential transaction partners, through a due diligence phase, and then on to contract negotiations and execution.

Strategy
Our tenants' satisfaction, the quality of the properties and related services are key factors in the success of our business activities.

In addition, even during the COVID-19 pandemic, TLG IMMOBILIEN strives to manage its core portfolio, primarily consisting of office properties in top German cities, sustainably while also increasing its value. Furthermore, it continues to pursue its strategy of selling real estate which it has previously identified and declared as part of its non-strategic portfolio, primarily retail properties. A first retail portfolio was sold in 2019, followed by sales in 2020 with a total value of Euro 677.4 million.

TLG IMMOBILIEN continues to work on analysing the potential of the "Invest" asset class in depth as a basis for diverse innovative development projects.

In addition, the company is currently examining its structures in real estate management as well as administration in order to achieve synergies from the close collaboration with its parent company, Aroundtown.

1.2 CONTROL SYSTEMS

The objective of TLG IMMOBILIEN's control system is to ensure the continuous development of the property portfolio and to generate high and sustainable earnings from the management of the property portfolio in the interests of the shareholders, employees and business partners. The fully integrated annual business plan, which has to be prepared annually and which covers a medium-term planning horizon of five years, serves as the basis. The key components of the business plan are rental income, property management, capital expenditure and sales, administrative costs and financing. The sub-plans are reflected in the group's income, asset and financial planning.

Internal reports provide for internal transparency with regard to the performance of the company during the year, primarily by means of the key performance indicators. The focus here is particularly on the key performance indicators Funds from Operations (FFO), Loan to Value (LTV) and EPRA Net Tangible Assets (EPRA NTA), each of which is the subject of regular financial reporting.

The drivers of these three key performance indicators, such as rental income, weighted average lease term (WALT), vacancy rates and capital expenditure, are monitored and reported on continuously. Ongoing performance analyses serve to evaluate the current performance of the company and facilitate the timely initiation of controlling measures.

The calculation of the key performance indicators of the company is illustrated in the section concerning financial performance indicators in this management report.

The management of TLG IMMOBILIEN is the responsibility of the Management Board. The Supervisory Board monitors and advises the Management Board in the management of business in accordance with the company's rules of procedure, the expectations of the shareholders, and requirements of German corporate law. As at the reporting date, the Supervisory Board consisted of three members.

2. ECONOMIC REPORT

2.1 GENERAL ECONOMIC CONDITIONS AND PROPERTY MARKETS

2.1.1 General economic situation

In 2020, the per capita GDP in the Federal Republic of Germany amounted to Euro 40,070, which corresponds to an overall growth of 25 % or an annual growth rate of 2.3 % since 2010. In 2020, however, growth was affected by the consequences of the COVID-19 pandemic and the measures taken to contain it. For 2020, the decline was 3.4 %.

The debt-to-GDP ratio was 70 % in the third quarter of 2020, 19.8 % below the average of the 27 states within the EU ("EU (27)"). Germany has also had annual budget surpluses for a number of years. While the surplus in 2019 was still 1.5 %, the consequences of the COVID-19 pandemic were also evident here in 2020. In the third quarter of 2020, Germany, like the rest of the EU (27), also reported a budget deficit of 5.3 %.

In a sign of its economic strength, Germany had the fourth lowest unemployment rate in the EU (27) in January 2020 at 3.3 %, but this rose to 4.6 % by January 2021 due to the COVID-19 pandemic.

2.1.2 Development of the office property market

Germany benefits from a broadly diversified economy whose economic infrastructure is distributed evenly across the different regions. The regions not only have different industry focuses, but are also important centres of their respective markets in Europe. This applies, for example, to Berlin as a leading centre for fintech/start-up companies in Europe, to Hamburg as a centre for transport and supply chain companies, and to Frankfurt as one of the largest financial centres in the world.

In 2020, however, Germany's economic development was also affected by the impact of the COVID 19 pandemic. The total office letting volume of the “Big 7” cities in Germany (“Big 7”: Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart) amounted to 2.67 sqm in 2020, 33.8 % below the previous year's letting volume of 4.03 million sqm.

On the other hand, real estate developers increasingly postponed their new construction plans. In 2020, office completions in the “Big 7” amounted to almost 1.5 million sqm, up 29 % on 2019 volumes. 84 % of this volume was already let or owned by owner-occupiers at the time of completion in 2020. For the next few years, until 2022, a further 4.5 million m^2 are either under construction or in the planning phase; of these, 50 % have already been pre-let.

The average vacancy rate in the “Big 7” was 3.7 % at the end of 2020. Despite the decline in rentals in these real estate centers, rents have proven to be very stable and resilient. None of the “Big 7” cities saw a decline in rents in 2020, despite higher vacancy rates.

The average prime rent in the “Big 7” exceeded that of the previous year by 2 % at the end of 2020. Due to the strong demand for core properties, yields for office properties continued to fall by an average of 8 basis points despite the difficult economic environment in 2020. This reflects the unbroken interest of investors in Germany as a location, but also shows the strong investment pressure that drives the search for investments with an attractive risk-return profile.

2.1.3 Development of the retail property market

The German retail leasing market stabilised slightly in 2020, recording a result of 384,400 square metres. This means that the letting volume was approx. 25 % below the comparable period in 2019. The lockdown has led to a significant shift in sales from brick-and-mortar to online retail.

In 2020, the “Big 10” cities (“Big 10”: Berlin, Düsseldorf, Hamburg, Cologne, Leipzig, Frankfurt am Main, Munich, Stuttgart, Nuremberg and Hanover) account for around one third of the total letting volume (127,300 sqm), which has been declining for years. Despite the declining numbers, most major cities were able to improve their individual results, with Düsseldorf (23,700 sqm), Hamburg (22,700 sqm), Stuttgart (6,500 sqm) and Nuremberg (3,800 sqm) making the most gains. This is because international retailer chains continue to see the major German cities as attractive expansion targets.

While the availability rate for space in the “Big 9” cities (Munich, Hanover, Hamburg, Frankfurt, Stuttgart, Leipzig, Düsseldorf, Berlin and Cologne) averaged around 10 % in the second half of the previous year, it rose to 14.1 % as of the second half of 2020. However, there was no notable increase in vacancies in city centre locations. Prime rents in the “Big 10” cities remained stable in 2020. In contrast, they have fallen by around 2 % since the beginning of the year in the other 175 German cities surveyed outside the “Big 10”.

2.2 COURSE OF BUSINESS

General statement

In 2020, TLG again recorded a successful financial year with a net income of Euro 492,300 thousand. It was able to realise increases in the value of its properties despite the pandemic. Although these were considerably lower than in the previous year by Euro 276,529 thousand, the net income decreased by only Euro 86,019 thousand. Contributing to this were the successful property sales, only a slight decline in the net operating income from letting activities and the Euro 27,024 thousand increase in income from the investment in Aroundtown (additional Euro 53,098 thousand from consolidation efforts). TLG IMMOBILIEN successfully met the challenges of the pandemic by taking appropriate measures. The cooperation with its majority shareholder Aroundtown, with whom various service agreements were concluded in order to be able to exploit potential for increasing efficiency and reducing costs on the basis of a joint real estate platform, also contributed to this.

TLG IMMOBILIEN recorded property sales with a volume of Euro 1.1 billion in the past financial year. Euro 0.7 billion has already been disposed of from the portfolio, whereas Euro 0.4 billion remains in the assets held for sale. It, thus, followed its strategy of focusing on its core portfolio and, in particular, disposing of its retail portfolio. It was able to achieve a profit of Euro 75,044 thousand with the sales, some of which exceeded the book values. The lower reliance on retail and also hotel properties proved successful during the pandemic-related lockdown measures and the associated shop closures, so that the rent collection rate for 2020 was only slightly below the previous average at 96.6 %.

The inflow of cash resulting from sale of real estate further strengthened the liquidity and capital structure. In the third quarter, Aroundtown substituted TLG IMMOBILIEN as the issuer of corporate bonds in the amount of Euro 1.3 billion. TLG IMMOBILIEN, thus, took the first steps towards realising the targeted financial synergies.

Portfolio overview

TLG IMMOBILIEN divides its portfolio properties into the asset classes office, retail, hotel, other and invest. The asset class invest contains properties that represent key properties for future development measures. The properties in the office, retail and hotel asset classes primarily serve to generate sustainable income. However, some of them have potential that can be leveraged through active asset management and strategic investments to generate additional income and value. TLG IMMOBILIEN is divesting properties that do not fit into its long-term strategic portfolio composition. Market opportunities were increasingly used for sales during the reporting year.

As at 31 December 2020, the portfolio of TLG IMMOBILIEN (excluding properties held for sale) had a market value of Euro 4.2 billion (previous year: around Euro 4.7 billion). The following table contains further information on the portfolio:

Key performance indicators	Office	Retail	Hotel	Invest	Other	Total
Property value (Euro thousand)[1]	2,076,958	692,610	284,818	1,159,705	27,290	4,241,381
Property value (Euro/sqm)[2]	3,269	1,656	3,219	-	508	2,577
Annualised in-place rent (Euro thousand)[3]	90,965	45,680	14,324	18,595	2,962	172,526
Rental yield on actual rent (%)[2]	4.4	6.6	5.0	-	11.0	5.0
EPRA Vacancy Rate (%)	5.1	6.6	3.0	6.4	2.5	5.5
WALT (years)	4.6	4.7	9.2	2.4	3.9	4.7
Properties (number)	59	62	5	15	20	161

1 According to values recognised in the statement of financial position in accordance with IAS 40

2 This calculation is made without taking into account the invest asset class

3 The annualised in-place rent is calculated on the basis of the annualised rent agreed on the reporting date without taking into account rent-free periods

As at 31 December 2020, the real estate portfolio (excluding properties held for sale) consisted of a total of 161 properties (previous year: 350) with a property value (IFRS) of Euro 4,241,381 thousand (previous year: Euro 4,707,397 thousand). The Euro 466,016 thousand reduction is primarily the result of reclassifications as properties held for sale in the amount of Euro -1,043,373 thousand which were partially offset by purchases, investments in the portfolio as well as market adjustments (see chapter E.1). As at the reporting date, notarised purchase agreements have been concluded for all properties held for sale. Benefits and burdens have been transferred for around 65% of these sales in terms of value (including a company sale).

The annualised in-place rent for the portfolio excluding the properties held for sale was Euro 172,526 thousand at the end of 2020 (previous year: Euro 225,376 thousand). The annualised in-place rent of the sold properties of Euro 58,717 thousand is counteracted by rental income of Euro 2,696 thousand from acquisitions. As a result of the performance of TLG IMMOBILIEN’s Asset Management, the annualised in-place rent increased by Euro 3,171 thousand or 1.9 % on a like-for-like basis, namely without considering acquisitions and disposals. With the exception of the retail asset class, which recorded a slight decrease of 2.3 %, all other asset classes showed an increase. Office properties achieved the highest increase with 4.4 %.

The EPRA Vacancy Rate increased to 5.5 % (previous year: 3.1 %). On a like-for-like basis, this amounts to an increase of 2.3 percentage points to 5.6 %. The weighted average lease term (WALT) decreased from 5.5 years to 4.7 years. New lettings and rental contract extensions have led to a slight reduction of the WALT from 5.0 years to 4.8 years.

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

2.3.1 Financial performance

TLG IMMOBILIEN closed 2020 with a net income of Euro 492,300 thousand, compared to Euro 578,319 thousand in the previous year:

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019	Change	Change in %
Net operating income from letting activities	**199,597**	**209,331**	**-9,734**	**-4.7**
Result from the remeasurement of investment property	361,837	638,366	-276,529	-43.3
Result from the disposal of properties	64,620	20,533	44,087	214.7
Other operating income	64,120	1,756	62,364	3,551.4
Personnel expenses	-16,500	-18,720	2,220	11.9
Amortisation, depreciation and write-downs	-1,889	-1,728	-160	-9.3
Other operating expenses	-26,434	-22,997	-3,436	-14.9
Earnings before interest and taxes (EBIT)	**645,352**	**826,541**	**-181,189**	**-21.9**
Net income from companies measured at equity	76,841	49,817	27,024	54.3
Financial income	994	388	606	156.4
Financial expenses	-67,092	-44,257	-22,836	-51.6
Result from the remeasurement of derivative financial instruments	-7,031	-18,940	11,909	62.9
Earnings before taxes	**649,063**	**813,549**	**-164,486**	**-20.2**
Income taxes	-156,763	-235,230	78,467	33.4
Net income	**492,300**	**578,319**	**-86,019**	**-14.9**
Other comprehensive income (OCI)	-8,309	893	-9,202	-1,030.5
Total comprehensive income	**483,991**	**579,212**	**-95,221**	**-16.4**

The net operating income from letting activities decreased by Euro 9,734 thousand last year, primarily due to property sales, which led to a decline in rental income from Euro 229,767 thousand to Euro 216,943 thousand.

Despite the effects of the COVID-19 pandemic and taking into account the sales that took place, a positive result from property valuation of Euro 361,837 thousand (previous year: Euro 638,366 thousand) was achieved. This reflects the increase in values which can be observed on the market, in particular with regard to the asset classes Office and Invest and for the Berlin portfolio.

The significantly higher sales volume compared to the previous year caused the result from the sale in 2020 to rise to Euro 64,620 thousand (previous year: Euro 20,533 thousand).

Other operating income increased to Euro 64,120 thousand (previous year: Euro 1,756 thousand). This increase of Euro 58,656 thousand is primarily attributable to consolidation effects due to capital measures on the part of Aroundtown.

Personnel expenses fell from Euro 18,720 thousand to Euro 16,500 thousand year on year, primarily due to changes in the Management Board and the associated reduction in LTI expenses along with the decreasing number of employees. This decrease is mainly due to the conclusion of service agreements with Aroundtown to realise efficiency gains and synergies, as well as changes in organisational processes.

Other operating expenses increased by Euro 3,436 thousand to Euro 26,434 thousand. The increase of Euro 2,476 thousand is mainly due to expenses from deconsolidation in the course of a property sale, the sale of shares, deconsolidation effects due to the capital measures carried out by Aroundtown in the amount of Euro 5,558 thousand and (deferred) expenses for legal disputes in the amount of Euro 2,685 thousand. This increase is offset by costs in connection with the merger with Aroundtown, which were Euro 7,597 thousand less than in the previous year.

The result from at-equity investments increased to Euro 76,841 thousand. The previous year's figure of Euro 49,817 thousand only included the pro rata result for the period from the acquisition in September 2019.

The financial expenses for 2020 amount to Euro 67,092 thousand (previous year: Euro 44,257 thousand). The increase is due to the interest expenses for bonds issued in 2019, which were only included on a pro rata basis in the previous year and to the effect of the reversal of financing costs previously deferred over the total term, which were reversed due to the substitution of the bonds previously held by TLG IMMOBILIEN AG with shareholder loans from Aroundtown.

Income taxes decreased by Euro 78,467 thousand and are thus essentially in line with the decrease in earnings before taxes.

2.3.2 Cash flows

Cash flow statement

The following cash flow statement was generated using the indirect method under IAS 7. Cash remained at similar levels between 31 December 2020 and 31 December 2019 at Euro 524,025 thousand and Euro 523,950 thousand respectively.

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019	Change	Change in %
1. Net cash flow from operating activities	101,141	131,922	-30,780	-23.3
2. Cash flow from investing activities	370,731	-1,554,015	1,924,746	123.9
3. Cash flow from financing activities	-471,798	1,792,150	-2,263,947	-126.3
Net change in cash and cash equivalents	75	370,057	-369,982	-100.0
Cash and cash equivalents at beginning of period	523,950	153,893	370,057	240.5
Cash and cash equivalents at end of period	**524,025**	**523,950**	**75**	**0.0**

In 2020, a net cash flow from operating activities of Euro 101,141 thousand was generated, which decreased by Euro 30,780 thousand compared to the previous year. This is mainly due to the decrease in rental income of Euro 12,824 thousand and the reduction of liabilities.

Cash flow from investing activities was Euro 370,731 thousand in 2020, which was Euro 1,924,746 thousand higher than in 2019. The difference is mainly explained by reduced purchase and increased sales volumes. In total, the sales had an effect of Euro 612,272 thousand, which was offset by additions of Euro 72,501 thousand, while disposals of Euro 134,695 thousand were offset by additions of Euro 90,614 thousand in 2019. Furthermore, as a result of sales, Euro 99,030 thousand was reclassified to restricted cash in 2020.

Cash flow from financing activities was Euro -471,798 thousand, compared to a positive cash flow of Euro 1,792,150 thousand in 2019. The change is mainly due to the issuance of two bonds and one hybrid bond in 2019. In the financial year, TLG IMMOBILIEN repaid loans and bonds in the amount of Euro 401,929 thousand, compared with Euro 237,240 thousand in 2019. Dividend payments in 2020 amounted to Euro 107,694 thousand (previous year: Euro 94,140 thousand).

2.3.3 Net Assets

The following table shows the capital structure of the TLG IMMOBILIEN Group. Assets and liabilities due in more than one year have all been categorised as non-current.

in Euro thousand	31/12/2020	31/12/2019	Change	Change in %
Investment property/prepayments	4,241,381	4,709,615	-468,234	-9.9
Shares in companies measured at equity	1,303,838	1,580,641	-276,803	-17.5
Other non-current assets	24,811	34,880	-10,070	-28.9
Financial assets	14,995	18,098	-3,103	-17.1
Cash and cash equivalents	524,025	523,950	76	0.0
Assets classified as held for sale	378,178	3,018	375,160	12.430.8
Other current assets	158,994	32,107	126,887	395.2
Total assets	**6,646,222**	**6,902,309**	**-256,086**	**-3.7**
Equity	3,433,800	3,446,647	-12,847	-0.4
Non-current liabilities	2,093,121	2,606,254	-513,134	-19.7
Deferred tax liabilities	829,378	697,209	132,169	19.0
Current liabilities	289,923	152,199	137,725	90.5
Total equity and liabilities	**6,646,222**	**6,902,309**	**-256,086**	**-3.7**

The main assets of the company are investment properties, accounting for Euro 4,241,381 thousand or 64 % of the total assets. These decreased by Euro 468,234 thousand compared to the previous year. During the financial year, TLG IMMOBILIEN concluded sales of Euro 677,375 thousand and entered into agreements for further sales of Euro 378,178 thousand, which will be classified as properties held for sale as at 31 December 2020. In addition, there is a positive valuation effect from sales of Euro 75,044 thousand. This is offset by positive valuation results of Euro 361,837 thousand, additions of Euro 74,719 thousand and investments of Euro 65,027 thousand. Current assets now include restricted credit balances in the amount of Euro 115,398 thousand.

The value of investments accounted for using the equity method relates to the investment in Aroundtown. The decrease is mainly due to the elimination of treasury shares, which TLG IMMOBILIEN has held indirectly since 19 February 2020 due to the mutual shareholding of both companies. This is offset by the result from shares in companies measured at equity, which also affects Aroundtown, as well as an additional Euro 18,218 thousand attributable primarily to capital measures (e.g. acquisition of treasury shares, issue of scrip dividends, etc.) of Aroundtown.

The Group's equity amounted to Euro 3,433,800 thousand as at 31 December 2020, which corresponds to a decrease of Euro 12,847 thousand compared to the previous year. This is primarily due to changes in investments accounted for using the equity method (see above), despite the highly positive net income. Equity decreased further due to the dividend payment in 2020.

Non-current liabilities amount to Euro 2,093,121 thousand in 2020 and have, therefore, fallen by Euro 513,134 thousand compared to the previous year. This is primarily due to the partial repayment of a corporate bond, the early repayment of bank loans as well as the declaration of a shareholder loan under the current liabilities.

The following table shows the equity ratio of the TLG IMMOBILIEN Group:

in Euro thousand	**31/12/2020**	**31/12/2019**	**Change**	**Change in %**
Equity	3,433,800	3,446,647	–12,847	–0.4
Total equity and liabilities	6,646,222	6,902,309	–256,086	–3.7
Equity ratio in %	**51.7**	**49.9**	**1.7**	

As at 31 December 2020, the equity ratio is 51.7 %, 1.7 %-points higher than in the previous year. The equity remains almost the same as the previous year with a slight change. In contrast, the overall capital has decreased disproportionately, primarily as a result of the decline in the value of the investments measured at equity and the non-current liabilities. This reflects the company's conservative capital structure.

2.3.4 Financial performance indicators

FFO development

Funds from operations (FFO) is an important key performance indicator for the TLG IMMOBILIEN Group, but also for other property companies. It serves to assess their long-term earning power and performance in the capital market environment. The ratio is essentially derived from the result for the period, adjusted for the results from sales, property valuation, the valuation of derivative financial instruments as well as deferred taxes and extraordinary effects.

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019	Change	Change in %
Net income	**492,300**	**578,319**	**-86,019**	**-14.9**
Income taxes	156,763	235,230	-78,467	-33.4
EBT	**649,063**	**813,549**	**-164,486**	**-20.2**
Result from the disposal of properties	-64,620	–20,533	-44,087	-214.7
Result from the remeasurement of investment property	-361,837	–638,366	276,530	43.3
Result from the remeasurement of derivative financial instruments	7,031	18,940	-11,909	-62.9
Amortisation, depreciation and write-downs	1,889	1,728	161	9.3
Net income from companies measured at equity	-76,841	–49,817	-27,024	-54.3
Dividends from investments	39,317	17,167[3]	22,150	129.0
Attributable to non-controlling interests	-1,050	–1,146	96	8.3
Net income attributable to hybrid capital providers	-20,203	–5,049	-15,154	-300.2
Other effects[1]	-19,669	16,080	-35,749	-222.3
Income taxes relevant to FFO	-4,592	–4,577	-16	-0.4
FFO	**148,488**	**147,976**	**512**	**0.4**
Average number of shares issued in thousands[2]	102,198	107,811		
FFO per share in Euro	**1.45**	**1.37**	**0.08**	**5.8**

[1] Other effects include:
(a) Expenses from restructuring (including personnel and other effects) Euro 2,396 thousand (previous year: Euro 1,094 thousand),
(b) Transaction costs Euro 3,898 thousand (previous year: Euro 11,233 thousand),
(c) Valuation expenses and other expenses Euro 1,458 thousand (previous year: Euro 0 thousand),
(d) Refinancing costs/repayment of loan Euro 25,678 thousand (previous year: Euro 3,753 thousand), of which Euro 17,227 thousand attributable to the substitution of corporate bonds
(e) Consolidation-related effects within other operating income/expenses Euro -53,098 thousand (previous year: Euro 0 thousand).

[2] Total number of shares as at 31 December 2019: 112.1 million, as at 31 December 2020: 100.1 million. The number of shares for the 2020 financial year represents the number of shares reduced by the elimination of the mutual shareholding between TLG IMMOBILIEN and Aroundtown

[3] In December 2020, Aroundtown announced a dividend payment of Euro 0.14 per share. In January 2021, TLG IMMOBILIEN received a distribution from Aroundtown in the amount of Euro 25.8 million.

FFO for 2020 was Euro 148.5 m, a slight increase of Euro 512 thousand on 2019. Compared to the previous year, the main effect is an increase in the dividend from the Aroundtown investment, which is offset by a decline in the operating result and an increase in interest payments to hybrid capital providers.

The increase in FFO in 2020 is in line with the dividend forecast by Aroundtown for 2020 on a full-year basis, with only the pro rata value of the dividend taken into account due to the acquisition of Aroundtown shares in the third quarter of 2019. The change in the hybrid capital providers' share of net income for the year had the opposite effect.

As TLG was acquired by Aroundtown, it regards the share held by the latter as indirectly held treasury shares. Therefore, the average number of shares decreased compared to 2019. Thus FFO per share increased by 5.8 % to Euro 1.45 in 2020.

TLG IMMOBILIEN's FFO forecast for 2020 was in a range of Euro 153 million to Euro 157 million. This forecast was reduced in November 2020 to a range of Euro 143 million to Euro 150 million. The forecast was adjusted in view of the sales made during the year and Aroundtown's reduced dividend forecast. With FFO of Euro 148.5 million, the most recent forecast for 2020 was achieved.

Loan to Value (LTV)

As a ratio between net debt and real estate assets and investment assets, the LTV is another internal key performance indicator for the company.

in Euro thousand	31/12/2020	31/12/2019	Change	Change in %
Investment property (IAS 40)	4,241,381	4,707,397	–466,016	–9,9
Advance payments on investment property (IAS 40)	0	2,218	–2,218	–100,0
Owner-occupied property (IAS 16)	0	8,119	–8,119	n/a
Non-current assets classified as held for sale (IFRS 5)	378,178	3,018	375,160	12,430.8
Inventories (IAS 2)	734	734	0	0.0
Shares in companies measured at equity	1,303,838	1,580,641	–276,803	–17.5
Real estate assets and investment assets	**5,924,131**	**6,302,127**	**–377,996**	**–6.0**
Interest-bearing liabilities	2,248,298	2,621,574	–373,276	–14.2
Cash and cash equivalents	524,025	523,950	76	0.0
Net debt	**1,724,272**	**2,097,624**	**–373,352**	**–17.8**
Loan to Value (LTV) in %	**29.1**	**33.3**	**–4.2**	

As at 31 December 2020, the LTV of TLG IMMOBILIEN was 29.1 %, 4.2 percentage points lower than in the previous year and well within the long-term policy of the 45 % LTV cap. This is the result of a disproportionate decline in net debt in comparison to the real estate assets and the investment assets. The reduction in assets is primarily due to the decrease in investment property, which was only partially offset by the increase in assets held for sale, as well as the decrease in investments accounted for using the equity method.

On the liabilities side, TLG IMMOBILIEN repaid Euro 373,276 thousand in interest-bearing liabilities. Due to the extensive disposals in 2020, TLG IMMOBILIEN was able to repay loans while keeping cash and cash equivalents roughly at the previous year's level.

EPRA Net Asset Value (EPRA NAV)

Net asset value is an important key figure in the real estate industry, which TLG IMMOBILIEN also uses as an important management indicator.

In order to better reflect changed business models and financing strategies of real estate companies, the European Public REAL Estate Association (EPRA) redefined the previous EPRA Net Asset Value indicator in 2019. Three different indicators are now to reflect the individual starting position of the real estate companies, by means of Net Reinstatement Value (NRV), Net Tangible Assets (NTA) and Net Disposal Value (NDV). Their application will take place for the first time in the 2020 annual financial statements.

Accordingly, TLG IMMOBILIEN presents both the new and the previous Net Asset Value figures. The Company previously used EPRA NAV for corporate management purposes; it now considers **Net Tangible Assets (NTA)** as the relevant indicator for its business model.

The **NTA** reflects the fact that real estate companies actively restructure their real estate portfolio, and provides for a differentiated consideration of deferred taxes. The focus is on tangible assets, so goodwill and other intangible assets are not included in the valuation.

The **EPRA Net Reinstatement Value (NRV)**, on the other hand, reflects the business model of real estate companies that own properties but generally do not sell them. The ratio reflects the value that would be required to build up the company once again based on current market conditions and capital and financing structure. This includes intangible assets and incidental acquisition costs; deferred taxes are not deducted.

The EPRA Net Disposal Value (NDV) represents the value to shareholders in a disposal scenario where all assets are disposed of and/or liabilities are not held to maturity. Deferred taxes, financial instruments and certain other adjustments are taken fully into account, less any resulting taxes.

31/12/2020 in Euro thousand	EPRA NAV	EPRA NRV	EPRA NTA	EPRA NDV
Equity of the shareholders of TLG IMMOBILIEN	2,812,801	2,812,801	2,812,801	2,812,801
Fair value adjustment of owner-occupied properties held for sale	32,334	32,334	32,334	32,334
Fair value adjustment of real estate inventories (IAS 2)	1,182	1,182	1,182	1,182
Fair value of derivative financial instruments	32,027	32,027	32,027	0
Deferred taxes	847,443	910,746[1]	697,939	0
Intangible assets	0	0	-2,576	0
Market values of the fixed-interest loans	0	0	0	-97,638
Real estate transfer tax	0	258,439	64,042	0
Net Asset Value (NAV)	**3,725,787**	**4,047,529**	**3,637,749**	**2,748,679**
Number of shares in thousands	100,130	100,130	100,130	100,130
NAV per share in Euro	**37.21**	**40.42**	**36.33**	**27.45**

[1] incl. assets held for sale

31/12/2019 in Euro thousand	EPRA NAV	EPRA NRV	EPRA NTA	EPRA NDV
Equity of the shareholders of TLG IMMOBILIEN	2,833,787	2,833,787	2,833,787	2,833,787
Fair value adjustment of owner-occupied properties held for sale	26,658	26,658	26,658	26,658
Fair value adjustment of real estate inventories (IAS 2)	1,182	1,182	1,182	1,182
Fair value of derivative financial instruments	25,700	25,700	25,700	0
Deferred taxes	775,808	775,808	637,941	0
Intangible assets	0	0	-2,980	0
Market values of the fixed-interest loans	0	0	0	-54,086
Real estate transfer tax	0	261,863	68,544	0
Net Asset Value (NAV)	**3,663,135**	**3,924,997**	**3,590,831**	**2,807,541**
Number of shares in thousands	112,073	112,073	112,073	112,073
NAV per share in Euro	**32.69**	**35.02**	**32.04**	**25.05**

The EPRA NRV for the 2020 financial year amounts to Euro 4,047,529 thousand or Euro 40.42 per share and is, therefore, Euro 122,532 thousand above the previous year's figure. The increase can be attributed to the net income in the amount of Euro 492,300 thousand, which is partially compensated by a decline in the indirectly held treasury shares in connection with a mutual investment between TLG IMMOBILIEN and Aroundtown as well as the dividend payment for 2019.

As at 31 December 2020, the EPRA NTA were Euro 3,637,749 thousand or Euro 36.33 per share and are, therefore, Euro 46,918 thousand higher than the previous year. The primary differences between the EPRA NRV and the EPRA NTA are the deferred tax liabilities as well as the real estate transfer tax. As the NTA is calculated based on the assumption that a company acquires and disposes of part of its assets, TLG IMMOBILIEN assumes that the deferred tax liabilities will be incurred in connection with its properties held for sale as well as its retail properties (which are not regarded as strategic). In the case of the EPRA NRV, due to its conception as a performance indicator for a portfolio-holding company, it is assumed for the calculation that the deferred tax liabilities relating to the properties held for sale (Euro 63,303 thousand) are also not realized.

In addition, it takes into account the real estate held by special-purpose entities in each case at its gross value including real estate transfer tax, as they intend to exercise the option of selling their real estate in the future through the sales of shares. In the past, TLG IMMOBILIEN has already demonstrated in a number of cases its ability to sell real estate by disposing of company shares while optimising transaction costs. The total carrying amount of the properties held by SPEs amounts to Euro 1,144,960 thousand and the real estate transfer tax adjustment is Euro 64,042 thousand.

Portfolio	Market value in Euro million	Share of the overall portfolio	% of the calculated deferred taxes
Investment properties (IAS 40, IAS 2, excluding retail)	3,549.49	77 %	100 %
Retail properties	692.61	15 %	0 %
Non-current assets classified as held for sale (IFRS 5)	378.18	8 %	0 %
Total	4,620.28	100 %	

As at 31 December 2020, the EPRA NDV amounted to Euro 2,748,679 thousand or Euro 27.45 per share. Given that the EPRA NDV approach assumes complete property disposals, no adjustments to the deferred tax liabilities or real estate transfer tax are made.

TLG IMMOBILIEN forecast a slight increase in its EPRA NAV for the 2020 financial year. With EPRA NAV growth of 1.7 %, this forecast was achieved.

2.3.5 Non-financial performance indicators

TLG IMMOBILIEN only indirectly uses non-financial performance indicators to manage the company indirectly. The management is aware that the satisfaction of tenants and employees, as well as the company's good reputation as a reliable partner in the real estate sector, are extremely important factors for long-term success in the market.

As at 31 December 2020, TLG IMMOBILIEN employed 129 (previous year: 158) employees (excluding apprenticeships and dormant employment relationships). The decrease in the number of employees is primarily due to a streamlining of the personnel structure as a result of measures to increase efficiency and the use of synergies from the cooperation with Aroundtown within the framework of service contracts.

TLG IMMOBILIEN AG traditionally maintains good long-term relationships with its tenants. This is expressed in long-term rental contracts with stable rental income. Regionally responsible employees at TLG IMMOBILIEN AG have extensive market experience and also close contacts with a large number of private and institutional market participants. This allows TLG IMMOBILIEN AG to present itself consistently as a reliable partner to its existing tenants, potential tenants, investors and local authorities. Thanks to these good contacts, it was possible to maintain rental income at a level well above the market despite the coronavirus pandemic and to reach a variety of amicable solutions with tenants.

3. REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

3.1 RISK AND OPPORTUNITY REPORT

3.1.1 Risk management system

TLG IMMOBILIEN operates in an economic environment characterised by considerable dynamism and complexity. These tie in with frequently changing general economic, technological, political, legal and social conditions which can make it more difficult to meet targets or pursue long-term strategies. However, business opportunities can also arise. TLG IMMOBILIEN AG has a risk management system in place to enable early detection, monitoring and assessment of the risks typical for the industry. This meets the legal requirements (AktG, KonTraG) as well as the requirements of the Corporate Governance Code.

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

A uniform risk management system is in place throughout the TLG IMMOBILIEN Group. In this regard, the risks in the WCM sub-group are identified and assessed separately by the risk officers, making it possible to report and aggregate the risks for the WCM sub-group separately.

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

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

Risk identification

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

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

In terms of organisation and personnel, risk management is based within the Controlling department at the headquarters of TLG IMMOBILIEN. Nevertheless, the various departments of the Group are also involved due to the expertise required to deal with the major risk factors on a daily basis.

In addition to the risk officers, all employees of the company have the opportunity and the duty to submit an immediate risk report to risk management and the Management Board if extraordinary circumstances are identified, if necessary in connection with concrete proposals for action.

Risk analysis and quantification

All risks were assessed on a quarterly basis, based on the potential loss and probabilities of occurrence within a risk horizon of twelve months. The probabilities 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 Euro 0.3 million.
- Low: > Euro 0.3 million to Euro 1.0 million
- Medium: > Euro 1.0 million to Euro 5.0 million
- High: > Euro 5.0 million to Euro 10.0 million
- Very high: > Euro 10.0 million

The reference values for estimating the losses were derived as in the previous year.

The loss categories and probabilities of occurrence produce a 16-field matrix. This matrix converts the analysis into a specific amount of damage, the value at risk. Risk management determines the value at risk of TLG IMMOBILIEN is by aggregating the individual types of risk. Risks with a very high loss potential of over Euro 10.0 million are outside the 16-field matrix and are monitored particularly closely.

The development of aggregate total risk of TLG IMMOBILIEN (value at risk) is measured quarterly in accordance with IFRS on the basis of the equity of the TLG IMMOBILIEN Group as at the most recent quarterly or annual financial statements. Covenant agreements, which are part of many loan agreements of TLG IMMOBILIEN, are taken into account in this process. These agreements normally set out a minimum equity ratio which the company must maintain.

During the financial year, the aggregate value at risk was always lower than its reference value. There was no threat to the existence of the company during the entire 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. The reporting includes all risk types. Incoming risk reports are immediately brought to the attention of the Management Board.

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

Risk management

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

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

Risk control

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

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

A scheduled audit of the risk management system was carried out in the 2020 reporting year.

3.1.2 Risk report and individual risks

The business activity of TLG IMMOBILIEN has intrinsic risks of a general economic nature as well as risks specific to the real estate sector. In the environment of the capital and property markets, TLG IMMOBILIEN is exposed to risks over which it has no control. Such risks are dependent on various geopolitical and economic developments that might, for example, affect interest rates, inflation, general legal conditions, rents or demand in the transaction market. In turn, this can result in far-reaching changes to, among other aspects, property values, the letting situation, transaction volumes and liquidity. Risks arising from the COVID-19 pandemic are taken into account in the individual risks.

In the following, the individual risks that can have significant influence on the net assets, cash flows and financial performance of the Group will be described. The risks were divided into property-specific and company-specific risks.

Since the Group has a uniform risk management system, the risks of the financial year include risks that are attributable to both TLG IMMOBILIEN and the WCM subsidiary.

Property-specific risks

Transaction risk

Active portfolio management includes the strategic optimisation of the portfolio through purchases and sales. If planned property acquisitions do not come to pass, there is a risk of additional management or unplanned consequential costs. Additionally, risks can arise if purchase agreement obligations are not fulfilled or prove disadvantageous to TLG IMMOBILIEN in sales processes. Purchase agreements can give rise to a bad debt risk that may lead to procedural costs, for example, being incurred in connection with unwinding, or interest losses occur due to the delayed receipt of liquidity.

Risks in the context of real estate purchases can arise if hidden defects in the property are not recognised or contractual agreements are made that lead to additional expenses. Likewise, if the acquisition fails, there is a risk that the costs incurred in the acquisition process up to that point must be borne.

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

Bad debt

TLG IMMOBILIEN has a high-quality portfolio of properties and generates stable cash flows from rental income. Significant impairment of the cash flows and, thus, also the cash flows and financial performance of the company, can arise from a loss of payments from important anchor tenants or insolvency on their part. Contractual partners are selected carefully in order to minimise the payment risk in a preventive manner. Additionally, standard hedging instruments such as guarantees, fixed charges, suretyships, letters of comfort, deductions and deposits are used when necessary. A methodical claims management is used to counter potential bad debt. Rental loss risk generally has a high damage potential. Despite COVID-19, however, high and stable rental income that decreased only insignificantly compared to previous years (before the outbreak of the pandemic) has so far been recorded. Therefore, the probability of occurrence is considered low.

Lettings risk

The letting risk is that new rental agreements and extensions of rental agreements cannot be agreed at standard market rates. It is subject to economic fluctuations and market cycles which affect market rents and demand for space in particular. Such a development can have a negative effect on the letting situation and consequently on the planned development of the net operating income from letting activities as well as the funds from operations (FFO). TLG IMMOBILIEN minimises this risk by closely monitoring the market with extensive analyses of renting statistics (the preparation of market reports), continuously monitoring expiring rental agreements, regularly consulting real estate brokers and entering into as long-term rental agreements as possible. Measures designed to avoid or minimise the risk also include the punctual identification of expiring rental agreements and taking tenant requirements into consideration in order to achieve a contractual extension. Disposals of non-strategic properties are also intended to minimise the risk. As at the reporting date, the potential loss is high and the probability of occurrence is medium.

Environmental and contamination risks

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 additional unexpected expenses in connection with removing any danger to public order and safety in line with the current laws and regulations. This also includes the risk under Sec. 4 (6) of the German Federal Soil Protection Act (BBodSchG). Under the Federal Soil Protection Act, TLG IMMOBILIEN, as the previous owner of a plot of land, is obliged to redevelop the land if ownership thereof was transferred after 1 March 1999 and if TLG IMMOBILIEN was or had to have been aware of harmful soil changes or contamination (eternal liability). This is also the case if the current owner cannot be called on to redevelop the land due to a lack of assets. In general, there are public declarations of exemption for environmental contamination of land in the portfolio of TLG IMMOBILIEN caused before

1 July 1990; therefore, the company is not exposed to any significant risks. Environmental contamination caused after 1 July 1990 has either been factored into the measurement of the property (thus impairing its value) or is not considered significant. If an environmental or pollution risk should arise, this could potentially have a significant influence on the net assets, cash flows and financial performance of the company. The potential loss of the environmental risk and the risk of contaminated sites is still considered very high, yet the probability of occurrence is considered negligible.

Operational management

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

By continuously analysing contractual conditions with suppliers and service providers, TLG IMMOBILIEN strives to counter the potential risk of operating costs. In the reporting year, the company continues to consider both the potential loss and probability of occurrence medium.

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 financial performance of the company. To minimise this risk, the properties are regularly inspected by employees or technicians who can promptly identify any defects and hold a regular dialogue with each tenant. As at the reporting date, the damage potential is classified as medium and the probability of occurrence as low.

Risks from the responsibility to maintain safety arise if the owner of the property fails to fulfil its duty to secure local sources of danger that might illegally damage the life, health, freedom or property of another person. Regular inspections also allow TLG IMMOBILIEN to fulfil its duty to maintain safety on the premises. The potential loss is classified as medium and the probability of occurrence as low.

Investments

TLG IMMOBILIEN pursues an investment strategy which continuously optimises and increases the value of its property portfolio through renovations for tenants, modernisation measures and, to a certain extent, new builds. New and contemporary usage concepts that will remain consistent with the market in the long term also are being tested and selected development projects on land in the portfolio are being implemented on the basis of plots of land with the potential for development. Such investment activities can involve risks of overspending, delayed completion, structural defects and the loss of construction crew contractors. Furthermore, official requirements can pose a risk to the progress of development projects. TLG IMMOBILIEN counters these risks by continuously checking the creditworthiness and reliability of construction companies and business partners and by hedging with guarantees. The implementation entails extensive project management, regular inspections on site, consistent follow-up management, strict deadline management and regular meetings with the relevant authorities in order to ensure that the implementation remains on schedule.

The opportunity to claim subsidies (e.g. investment subsidies and grants) occasionally arises for investments in real estate. 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 materialises, it can have a negative impact on the net assets, cash flows and financial performance of the company.

The potential loss is estimated to be very high due to the current development projects. The probability of occurrence is low.

Property valuation

The market value of the property portfolio is subject to large fluctuations caused by external and property-specific factors. Key external factors with a significant influence on 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 primarily encompass the renting situation and the condition of the property. Even a small deviation from the previous market value of the property portfolio generates a very high potential absolute loss and can have a considerable impact on the statement of comprehensive income and significantly impair the net assets of the company.

The property portfolio is regularly and systematically valued by independent external experts. In order to reduce the valuation risk, TLG IMMOBILIEN also carries out tenant-oriented property management and performs necessary renovations and other technical measures for tenants.

The consequences of the COVID-19 pandemic on property valuation cannot be foreseen at present. Both increasing vacancies due to economic difficulties of existing or potential tenants and structural changes in demand due to changes in home office regulations are conceivable, but these are offset by prospects of a normalisation of the situation due to the increasing availability of vaccines. Taking into account the possible future impacts, the loss potential is assessed as very high and the probability of occurrence as medium.

Company-specific risks

Investment risk

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

For the first time, the investment in Aroundtown SA has given rise to risks that do not relate to companies within the TLG Group. A change in the value of the Aroundtown shares, for example due to the influence of the COVID-19 pandemic on parts of the real estate portfolio, can have a significant impact on the asset situation of TLG IMMOBILIEN due to its high share of the balance sheet total.

In this context, particular importance is attached to Aroundtown's financial performance indicators determined in accordance with IFRS and capital market standards, especially the EPRA NAV, which remain decisive for the assessment of the valuation even in the event of a temporarily lower stock market price. TLG IMMOBILIEN is monitoring these key figures as well as Aroundtown's communication to the capital market, both of which continue to indicate a stable development and the recoverability of the fairly valued shares. A representative of TLG IMMOBILIEN also holds a seat on the Board of Directors of Aroundtown. The potential loss of the risk remains very high and its probability of occurrence is considered medium.

Financing

TLG IMMOBILIEN may require additional loans or equity in the future. The conditions and the availability of financing depend significantly on the changes in interest rates and the general banking and market environments. Higher financing costs may arise in connection with debt financing instruments if, for example, fixed interest rates are agreed at the wrong time or not at all. Financing risks can result from the transaction costs of equity and debt financing instruments if, in spite of preparations, they fail to materialise or if the actual transaction costs are higher than 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. Changes in the general conditions of financing measures can negatively affect the cash flows and financial performance of the company.

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

The probability of financing risk occurrence is classified as medium; the potential loss is considered negligible due to the persistently low interest rate level. Due to the moderate gearing ratio in relation to the fair value of the properties, TLG IMMOBILIEN continues to consider itself fully able to finance even with more restrictive lending conditions.

Liquidity

The Group's management monitors the risk of not being able to meet payment obligations on time. In order to analyse future changes in liquidity, a liquidity forecast for at least six months is prepared for the expected cash flows and updated regularly. TLG IMMOBILIEN's liquidity was secured at all times during the reporting year. However, future liquidity bottlenecks – for example due to unfavourable developments in macroeconomic factors – cannot be completely ruled out, which could have a negative impact on the company's cash flows and financial performance. The company's liquidity reserves remained adequate due to its successful disposals during the financial year. Therefore, the probability of liquidity risk occurrence is assessed as low, and the potential loss of a possible liquidity bottleneck has been downgraded to negligible.

Tax risk

Tax risk results from the danger that unforeseen circumstances or incorrect tax documents will affect the company's tax burden and, thus, its result and liquidity. This applies in particular to turnover and income tax and includes the possible effects of the risk of tax law changes. The tax authorities have never found any omitted facts in previous audits that have increased the company's tax burden.

The utilisation of a tax option requires that TLG IMMOBILIEN meet certain legal requirements in future periods as well so as to profit from the positive tax effects. In the event of non-compliance with these legal requirements, the damage potential of tax risks, including the loss potential from changes to the Real Estate Transfer Tax Act (GrEStG) in the context of a real estate transfer tax reform with regard to share deals, was assessed as very high at the end of the financial year, and the probability of occurrence was assessed as 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 or in connection with the laws related to the corona pandemic, can lead to financial risks or increased expenses and, therefore, affect the cash flows and financial performance of the company.

The laws related to the corona pandemic stipulated, among other things, that in the event of state-ordered shop closures, etc. a cessation of the basis of business is to be assumed. Citing this regulation, tenants have sporadically demanded rent reductions. However, this new regulation only clarifies that the consequences of the corona pandemic represent an applicable case of Section 313 of the German Civil Code (BGB). Whether this truly gives rise to an entitlement to rent reduction is decided on the basis of a comprehensive individual review which requires tenants to disclose their financial situation and provide proof of having taken appropriate financial precautions as well as whether, after considering the interests of all parties, this represents an unreasonable situation for the tenant. Following the initial court and high court rulings in this context, the jurisdiction still tends to assign the usage and commercial risk to the tenant.

Therefore, these rulings do not indicate that resulting comprehensive risks are emerging from this situation beyond individual cases for which provisions have been established. As there are currently no concrete, quantifiable risks from upcoming or expected changes to laws, regulations or established case law, neither from this nor from other areas of law, this risk has been classified with a medium level of damage and a low probability of occurrence.

Personnel risk

Competent and motivated employees are an essential prerequisite for the success of TLG IMMOBILIEN. TLG IMMOBILIEN uses measures such as performance and potential analyses for the presentation of development prospects, a performance-based remuneration system and additional benefits, as well as further training opportunities, to strengthen its attractiveness as an employer and counter a possible risk due to insufficient staff.

Another risk is that additional personnel expenses occur if employees do not meet expectations in terms of quality or quantity or are absent for extended periods due to illness. The inability to find, train and retain qualified, committed and motivated employees and managers can have a negative effect on the development of the company.

On the one hand, the risk of unexpected staff turnover has increased for TLG IMMOBILIEN due to organisational changes aiming at the realisation of synergy effects. On the other hand, the cooperation with Aroundtown by means of service contracts helps to cushion unplanned staff departures. The company estimates the potential loss and the probability of occurrence as medium.

Costs of litigation and deadlines

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

As a result of the takeover of WCM, a legal challenge in connection with the control agreement entered into with WCM is ongoing. The expected expenses are included in the result for the financial year. Furthermore, the action was rejected by the court of first instance in the previous year. In light of this, the potential loss and probability of occurrence remain negligible.

Press and image

The business activities of TLG IMMOBILIEN can be so severely impaired by negative portrayals in the media that the results of the company are jeopardised. This can damage the TLG IMMOBILIEN brand and lower the price of its shares. The probability of damage to the image continues to be assessed as negligible, but the potential for damage is very high.

Data and IT risks

All aspects of business activity require the careful handling of data. As data is maintained in a variety of IT systems, it may be falsified, deleted or misinterpreted due to application errors, non-compliance with instructions, third-party intervention or external influences. IT system migration can also lead to significant errors during processing and, thus, to inaccurate statements for internal and external reports. These can cause massive disruptions in the business process and lead to wrong decisions. There is also a risk that the data in databases could fall into unauthorised hands and be used to the detriment of TLG IMMOBILIEN. The data risk concerns both confidentiality within the company and in relation to third parties, as well as the entirety of data protection regulations. To reduce this risk, access authorisations are regularly checked and plausibility checks are carried out.

Against the background of the use of a modern ERP system, the data quality risk has a high damage potential with a negligible probability of occurrence.

Following the entry into force of the European General Data Protection Regulation (GDPR) on 25 May 2018, data protection violations pose a very high potential loss due to the penalty of high fines. The probability of occurrence, however, is considered negligible because an information security management system (ISMS) is in place. Maintaining confidentiality is an essential part of this system. In connection with the introduction of the EPR system as part of the ISMS, the company has gradually introduced data protection measures such as secure passwords and structured processes for granting and revoking access authorisations and applies these consistently.

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 dual-control principle, which is applied to all transactions, and the company's internal approval and control system, the potential loss and probability of occurrence are still considered low to negligible. Employees are regularly trained in compliance issues.

Risks from force majeure

Instances of force majeure e.g. natural disasters, fires or flooding can cause damage to the property of TLG IMMOBILIEN which is not covered fully or in some cases at all by insurance. As protective measures in terms of fire prevention, burglary and theft prevention, regular data back-ups and insurance are in place to take this into account, the resulting risk is still considered negligible.

The risks arising from the COVID-19 pandemic were taken into account in the individual risks. Impacts such as high sick leave, quarantine measures or a site closure can affect business operations. However, the company has technical equipment that enables all employees to fulfil their tasks completely outside the office and is, therefore, comprehensively prepared for the aforementioned restrictions.

In addition, the COVID-19 pandemic could result in property-specific risks such as higher bad debt losses, the failure to conclude new rental agreements or changes in the market value of properties in the portfolio. In light of the vaccination campaign, which is already under way, TLG IMMOBILIEN does not anticipate a sustained impairment of its business and does not expect a decline in demand for commercial property or lettable space. Directly affected sectors such as the hotel industry, leisure industry, and non-food retail represent only a third of the annual rent. In addition, the Group has sufficient liquidity reserves and room to manoeuvre with regard to its covenants in order to be able to cope with partial rent defaults over a longer period of time.

So far, no significant effects of the pandemic on the business operations of TLG IMMOBILIEN have been identified. Overall, the Management Board does not see it as a threat to the company's continued existence.

3.1.3 Internal control and risk management system for the accounting process

The Management Board of TLG IMMOBILIEN is responsible for the proper preparation of the consolidated financial statements and the annual financial statements. An accounting-related internal control and risk management system is required to ensure their proper preparation. The internal control and risk management system is designed to ensure that business transactions are correctly and completely accounted for and disclosed in accordance with legal requirements, generally accepted accounting principles, the International Financial Reporting Standards (IFRS), and internal guidelines in order to give the readers of the consolidated financial statements and annual financial statements an accurate representation of the company. TLG IMMOBILIEN has set up an internal control system in compliance with relevant legal guidelines and standards typical for the industry and the company. 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, system-based controls, internal guidelines, the dual-control principle for high-risk business processes, and the documentation of all business transactions. Moreover, regular downstream checks are carried out in the form of internal reporting, analyses of significant items in the statement of profit or loss or the statement of financial position and budget checks.

All of the responsibilities as part of the accounting process are clearly defined. The accounting department is an expert in special topics and complex accounting issues and consults external expert advisers on individual topics as needed. A central element of the accounting process is the dual-control principle, which provides for a clear separation of the roles of approval and execution. The accounting process is supported by IT software that manages user authorisations in accordance with internal guidelines. The Group has a central accounting system and a central controlling system. Internal Group accounting and offsetting rules are reviewed regularly and adjusted if necessary.

The Group auditing department is an independent organisational unit and is not involved in the operative business activities. It monitors the regularity of the processes and the effectiveness of the internal control and risk management system. Both the accounting processes and the operational business activities are examined in topic-oriented audits.

The auditor examines the risk management system and parts of the accounting-related internal control system as part of the audit of the consolidated financial statements and the 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 findings of the annual auditor and the financial audit as a basis for monitoring the effectiveness of the internal control and risk management system, especially with regard to the accounting process.

3.1.4 Risk management in relation to the use of financial instruments

Dealing with risks as regards the use of financial instruments is regulated by guidelines at TLG IMMOBILIEN. In accordance with this policy, derivative financial instruments are only used to hedge floating rate loans. As a rule, there is an economic hedging relationship between the underlying transaction and the hedging transaction.

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

Due to the hedging of the variable cash flows, TLG IMMOBILIEN is exposed to a negligible liquidity risk.

3.1.5 General risk situation

The Management Board of TLG IMMOBILIEN considers the aggregate value at risk over the course of the 2020 financial year to be typical for the company. Compared to the previous year, the risk situation has increased, in particular due to the pandemic. However, this increase does not threaten the portfolio of TLG IMMOBILIEN.

Whenever risks with medium, high or very high potential losses and probability of occurrence were identified, appropriate preventive and, if necessary, countermeasures were taken.

None of the risks described threaten the portfolio of TLG IMMOBILIEN, neither individually nor in their entirety.

3.1.6 Opportunity report

In recent years, TLG IMMOBILIEN has increased the spread of its commercial property portfolio throughout Germany and has established itself as a leading company in the German commercial property market. As an active portfolio manager, the company has extensive networks in its core markets and possesses comprehensive market expertise. The deliberate proximity of the company's sites to each regional market allows for better access to tenants, institutional and private market participants, service providers and authorities. This paves the way for opportunities for the company to acquire and dispose of properties for the best possible prices with a view to optimising its portfolio.

With regard to renting, TLG IMMOBILIEN ensures that demand for space from long-term, creditworthy tenants remains high by managing its property portfolio with a focus on its clients. This involves building modernisation measures such as adaptation to higher technological standards which in turn can present new opportunities in terms of lowering the volume of vacant space. Likewise, modernisation measures and renovations for tenants in the portfolio serve to increase client satisfaction and tie tenants to the company for longer. The long-term rental agreements in the portfolio of TLG IMMOBILIEN have an average remaining term of approx. 5 years.

The portfolio of TLG IMMOBILIEN contains diverse properties with the potential for additional space and development which can be realised through extensions or new builds in order to increase both the current income from the property and its market value. Ongoing and other planned development projects demonstrate that TLG IMMOBILIEN is actively seizing the opportunities of its portfolio through strategic investments.

The merger with Aroundtown SA creates potential synergies in a range of areas which have a positive effect on the course of business and the economic development of both companies. The merger to form one platform will create one of the leading holders of commercial properties in Europe. In particular, an expected better rating for the merged company can lead to substantial annual savings in connection with financial expenses and in turn to a considerable increase in the company's value.

Additionally, the merger creates potential on the operational and property levels. Essentially, operating synergies concern economies of scale and scope resulting from a larger portfolio that can lead to cost advantages and, therefore, have a positive effect on the key performance indicator FFO. Property-specific opportunities primarily concern project development, as the larger platform, the funds at its disposal, and expertise may enable existing development potential to be realised more quickly and efficiently.

3.2 FORECAST REPORT

The forward-looking statements in the forecast report reflect expectations. The development of the TLG depends on a variety of factors that it can only partially influence. The forward-looking statements in the forecast report reflect the current estimates of the company and are, therefore, subject to uncertainty. The actual development of TLG may deviate considerably from this, both positively and negatively.

3.2.1 General economic conditions and property markets

Overall economy

For the German economy, GDP growth is expected to recover slowly, to around 2.8 % in 2021. Private consumption and exports are generally expected to recover faster during the year than demand for services. The latter is expected to recover much more slowly due to the ongoing measures to contain the pandemic.

It is to be expected that the existing uncertainties will initially also lead to restraint in investments as well as to further weak demand for capital goods exports before the comprehensive availability of vaccines sustainably strengthens the confidence of market participants. The instrument of short-time work has helped to dampen the rise in unemployment in Germany. However, a sustainable decline in the unemployment rate is not expected until after mid-2021, when the transition from short-time work to regular operations takes place within companies.

Property market

For 2021, increased demand for office space is expected again, in particular due to expected progress in vaccinating broad sections of the population. With a fundamental improvement in the overall economic situation, take-up should be higher again. Increased demand for space in 2021 would ensure a stable to slightly rising trend for both average and prime rents for office space in established locations in German office centres. Particularly due to the short supply of very high-quality, modern office space, it can be assumed that tenants will continue to be willing to pay market prices for this space in very good locations. However, in the current market situation, this could be more often linked to incentivisation measures.

On the other hand, it is not yet foreseeable whether so-called hybrid office solutions involving home office models will increase vacancies in conventional offices and possibly cause office rents to fall. For 2021, the five largest German office markets are expected to see a higher take-up than in the previous year.

The retail sector was already heavily affected by the COVID-19 pandemic measures in 2020, with online and grocery retailers being positive exceptions. The second lockdown with the mandatory closure for numerous sectors (e.g. non-food retail, catering, personal services) from December 2020 up to and including mid-March 2021 is also expected to leave significant marks on the retail sector. Despite extensive state support in the form of bridging aid or other measures, insolvencies are expected to increase after the expiry of corona-related special rules. Particularly in Germany's top cities, however, vacancies will only be noticeable in the short term. A rapid shift is assumed here, as foreign retail groups in particular continue to want to tap into the German market and its high purchasing power potential with their concepts.

3.2.2 Expected business development

In 2020, the impact on TLG IMMOBILIEN caused by the COVID-19 pandemic was limited, particularly with regard to rent collection and vacancy rates. Taking into account the findings to date, no significant impairment of the business development of TLG IMMOBILIEN can be assumed for the future.

On the other hand, the consequences cannot be fully assessed: While rising vaccination rates and the increasing availability of test kits will help to ease lock-down measures and the economy to pick up speed again, viral mutations can reverse these gains. It is also uncertain whether the demand for office space can decrease in the medium and long term due to the increasing spread of home office concepts. Furthermore, it cannot be ruled out that the currently very low number of insolvencies will increase significantly with the expiry of the corresponding special regulations for companies and especially the retail sector – this could lead to rent losses and vacancies, including weaker demand. Overall, however, TLG IMMOBILIEN only sees itself at risk to a limited extent, as the share of retail and especially hotel properties in the expected total rent is limited.

The Company will continue to manage its property portfolio with a view to increasing its value. Provided that no major unexpected measures become necessary, the company assumes that property management expenses will remain at a similar level as in the previous year (as a percentage of rental income).

If the opportunity arises to sell certain properties in the portfolio at the current book value or above, this would initially reduce the net operating income from letting activities. The overall result would only be affected to the extent that sales results and a corresponding adjustment of the fixed costs of the reduced portfolio could not fully compensate for this decline. However, FFO could be reduced by further sales if the decline in operating profit cannot be offset by savings. In addition, the economic development of TLG IMMOBILIEN is also highly dependent on the business success of Aroundtown due to the shares it itself holds in the latter; the expected dividend of Aroundtown, which it cannot influence, is included in its FFO forecast.

For 2021, FFO is expected to be in the range of Euro 108 million to Euro 116 million. As at 31 December 2020, the annualised in-place rent of the TLG portfolio, excluding assets held for sale on the reporting date, 31 December 2020, amounted to Euro 172 million.

TLG IMMOBILIEN also intends to optimise its loan portfolio. This includes early loan repayments, and refinancing measures as well as taking out new loans in acquisitions.

The improvement in creditworthiness due to the affiliation with the Aroundtown Group and the historically low interest rates lead us to expect that TLG IMMOBILIEN will also be able to raise debt capital at attractive conditions in the future, either directly or via its majority shareholder. In 2021, there is only a subordinate need for scheduled refinancing. TLG IMMOBILIEN will continue to adhere to its target of keeping the LTV below 45 %.

The EPRA Net Tangible Assets indicator is significantly influenced by the performance of the real estate portfolio. Without taking into account the effects of the ongoing coronavirus pandemic and future valuation effects, TLG IMMOBILIEN expects a slightly declining level of EPRA Net Tangible Assets by the end of the 2021 financial year. This will require the company to not incur any significant unforeseeable expenses. The expected slight decline in the EPRA NTA is connected to the share buybacks that are planned and carried out in 2021.

4. CORPORATE GOVERNANCE

4.1 DECLARATION ON CORPORATE GOVERNANCE

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

4.2 PROPORTION OF WOMEN AND DIVERSITY

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

Therefore, under Sec. 111 (5) AktG, the Supervisory Board must set the targets and implementation deadlines for the Management and Supervisory Boards of the company.

In its meeting on 23 May 2017, the Supervisory Board set the target proportion of women on the Supervisory Board at 16.67 % which must be met continuously until 30 June 2022. The Supervisory Board is not currently meeting this target

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

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

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

In addition to the diversity-related targets for the composition of the Management Board and Supervisory Board described in the declaration on corporate governance, the Supervisory Board prepared a profile of skills and expertise.

4.3 REMUNERATION REPORT

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

4.3.1 Foreword

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

Effective from the merger with Aroundtown SA, contracts with the Management Board members Mr Gerald Klinck and Mr Jürgen Overath were terminated prematurely in close collaboration with the Supervisory Board effective as at 31 March 2020 and 31 July 2020 respectively.

The Management Board contract of Mr Barak Bar-Hen was also terminated prematurely effective as at 31 October 2020; Mr Bar-Hen switched to the Management Board of Aroundtown SA effective from 1 November 2020.

By resolution of the Supervisory Board of 30 July 2020, Mr Ronny Schneider was appointed as a member of the Management Board with effect from 1 August 2020. The Management Board contract with Mr Schneider was terminated effective as at 9 February 2021 at the request of Mr Schneider himself.

In addition, Mr Eran Amir was appointed as a new member of the TLG IMMOBILIEN Management Board effective as at 1 November 2020 by resolution of the Supervisory Board on 26 October 2020.

4.3.2 Management Board remuneration system

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

The remuneration of the Management Board comprises a fixed remuneration component (base remuneration), a variable remuneration component with a short-term incentive (STI) and a variable remuneration component with a long-term incentive (LTI).

in Euro thousand	Barak Bar-Hen	Gerald Klinck	Jürgen Overath	Ronny Schneider	Eran Amir
Base remuneration	500	450	450	156	200
Short-term variable remuneration (STI)	300	250	250	20	20
Long-term variable remuneration (LTI)	400	300	300	30	30
Total remuneration	**1,200**	**1,000**	**1,000**	**206**	**250**

The members of the Management Board are encouraged to hold an agreed target number of shares in the company (at the very least) for the duration of their employment as members of the Management Board. In order to achieve this target, the company can pay 25 % of the annual STI and LTI as shares until the target number of shares has been reached.

Fixed remuneration component

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

On top of the base remuneration, the members of the Management Board receive contractually defined additional benefits1. Furthermore, the company has taken out a D&O insurance policy for the members of the Management Board. Under the German Corporate Governance Code, the D&O insurance policy features a statutory deductible which, if a claim is filed, consists of 10 % of the claim, up to 1.5 times the fixed annual remuneration of the member of the Management Board in question.

Short-term incentive (STI)

Every year, the members of the Management Board receive a short-term incentive (STI) which is calculated and determined by the Supervisory Board on the basis of the proportionate achievement of targets (target FFO per share and management targets) in each financial year starting with the year in which the person in question assumed the role.

The target FFO per share is defined by the Supervisory Board at the start of each financial year. The management targets are agreed with each member of the Management Board before the start of the financial year.

The STI is the product of (i) the target STI, (ii) the FFO per share factor and (iii) the performance factor; the maximum annual STI is Euro 36 thousand for the members of the Management Board and no STI will be paid at all in a financial year if the FFO per share is less than 75 % of the target FFO per share.

The FFO per share factor is 1.00 if the final FFO per share for the year corresponds to the target FFO per share. For every full percentage point of a difference between the final FFO per share for the year and the target FFO per share, the factor changes by 0.02 up to a maximum of 1.50 for the members of the Management Board.

[1] Essentially from the fixed compensation for use of a private car and for private pension funds.

The performance factor is defined by the Supervisory Board on the basis of progression towards management targets and is between 0.8 and 1.2.

At the end of each financial year, the Supervisory Board determines the rate of joint achievement for the members of the Management Board. The STI is payable along with the monthly instalment of the basic annual salary following the approval of the consolidated financial statements of the company.

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 (the performance period) and is determined by assessing the level of progress towards the targets.

Starting from 2018 (for Mr Klinck and Mr Overath in 2018, Mr Bar-Hen in 2019), the LTI is paid in the form of virtual shares (performance shares) which are converted into cash bonuses and paid out as such after the end of each LTI performance period with consideration for the achievement of LTI targets.

The key parameters for the LTI for the members of the Management Board are the performance of the EPRA NAV (target NAV per share) and the performance of the company’s shares (total shareholder return) by the end of the LTI performance period compared to the development of the total shareholder return of the LTI reference index, the capped version of the FTSE EPRA/NAREIT Europe Index (total shareholder return performance).

The target NAV per share for the performance period is defined by the Supervisory Board at the start of each financial year.

The parameters are weighted against one another in a ratio of 50 % (NAV per share development) and 50 % (total shareholder return performance factor).

At the start of each four-year period, the number of assigned virtual shares is defined by dividing the agreed target amount by the EPRA NAV per share calculated on the basis of the annual financial statements for the previous year.

The LTI is the product of the number of virtual shares allocated for the financial year, the share price at the end of every fourth year plus the sum of the dividend per share paid during the LTI performance period and the LTI target performance factor (the total LTI factor). The performance factor is based equally on progress on the NAV per share factor and the total shareholder return performance factor. Each performance factor can have a value of between 0 % and 200 %. If the NAV per share falls short of the target by more than 15 percentage points, the performance is scored as zero. Likewise, if the total shareholder return of the company‘s shares is at least 15 % poorer than the total shareholder return of the reference index, the total shareholder return performance factor is scored as zero.

The long-term incentive for each year of activity 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 LTI is capped at a maximum of Euro 750 thousand (for Mr Klinck and Mr Overath) and Euro 1,000 thousand (for the CEO Mr Bar-Hen), yet it is also capped in that the total remuneration including base remuneration and STI may not exceed Euro 1,500 thousand (for Mr Klinck and Mr Overath) or Euro 1,700 thousand (for the CEO Mr Bar-Hen) in any one financial year.

The LTI for Mr Ronny Schneider and Mr Eran Amir was amended so that the LTI is no longer granted in the form of virtual shares and NAV/share factor is the only relevant target. The LTI is, therefore, measured according to the agreed target multiplied by the NAV/share performance (as described above). The LTI is capped at twice the agreed target.

The following long-term incentives were provided to the members of the Management Board in 2020:

Long-term incentive

LTI 2020	Barak Bar-Hen[3]	Gerald Klinck[3]	Jürgen Overath[3]	Ronny Schneider	Eran Amir
Grant date	01/01/2020	01/01/2020	01/01/2020	01/11/2020	01/08/2020
Number of virtual shares	10,197	2,294	5,353	-	-
Allocated amount 1, 2 (Euro thousand)	333	75	175	5	13
Intrinsic value of the LTI as at 31/12 (Euro thousand)	-		-	9	23

1 Proportionate remuneration until resignation or from entry
2 To date no NAV/share target has been defined for the LTI due to changes in the EPRA NAV metrics. As a result, no fair value was available at the time of payment.
3 Outstanding LTI claims were settled in full for all Management Board members who resigned from the Management Board in the financial year.

All LTI entitlements of the retired members of the Management Board were paid out in the financial year in accordance with the termination agreements. There are no further claims to payments from the LTI. The provision amounts remaining after payment were released to income. Therefore, an income of Euro 931 thousand as recognised for the share-based payment for Mr. Bar-Hen in the financial year (previous year: expense of Euro 761 thousand) was recognised for Mr Bar-Hen, an income of Euro 375 thousand (previous year: expense of Euro 824 thousand) and income of Euro 751 thousand for Mr Overath (prev. year: expense in the amount of Euro 741 thousand) was recognised.

An expense of Euro 19 thousand was recognised for Mr Amir in the financial year (prev. year: Euro 0 thousand) and for Mr. Schneider an expense of Euro 41 thousand (prev. year: Euro 0 thousand).

There are no longer any provisions for LTI claims attributable to the members of the Management Board who resigned in the financial year as at 31 December 2020. LTI provisions of Euro 60 thousand were set aside for Mr Schneider and Mr Amir.

Total remuneration for the Management Board in 2020 and 2019

In the 2020 and 2019 financial years, the members of the Management Board did not receive any advances or credit.

Benefits received

in Euro thousand	Barak Bar-Hen[1]		Gerald Klinck[2]		Jürgen Overath[3,4]		Ronny Schneider[5]	Eran Amir[6]
	2020	2019	2020	2019	2020	2019	2020	2020
Fixed remuneration	417	289	113	450	207	439	65	33
Fringe benefits	100	89	21	135	86	65	5	8
Subtotal of fixed remuneration	**517**	**378**	**134**	**585**	**293**	**504**	**70**	**41**
Short-term variable remuneration (STI)	342	0	363	125	375	125	0	0
Long-term variable remuneration (LTI)	347	0	799	0	375	0	0	0
Subtotal of variable remuneration	**689**	**0**	**1,162**	**125**	**750**	**125**	**0**	**0**
Total remuneration	**1,206**	**378**	**1,296**	**710**	**1,043**	**629**	**70**	**41**

1 Proportionate remuneration until 31 October 2020
2 Proportionate remuneration until 31 March 2020
3 Proportionate remuneration until 31 July 2020
4 Proportionate remuneration due to illness
5 Proportionate remuneration from 1 August 2020
6 Proportionate remuneration from 1 November 2020

Bonuses paid

in Euro thousand	Barak Bar-Hen				Gerald Klinck				Jürgen Overath				Ronny Schneider			Eran Amir		
	2020	2020 min.	2020 max.	2019	2020	2020 min.	2020 max.	2019	2020	2020 min.	2020 max.	2019	2020	2020 min.	2020 max.	2020	2020 min.	2020 max.
Fixed remuneration	417	417	417	289	113	113	113	450	207	207	207	439	65	65	65	33	33	33
Fringe benefits	100	100	100	89	21	21	21	85	86	86	86	65	5	5	5	8	8	8
Subtotal of fixed remuneration	**517**	**517**	**517**	**378**	**134**	**134**	**134**	**535**	**293**	**293**	**293**	**504**	**70**	**70**	**70**	**41**	**41**	**41**
Short-term variable remuneration (STI)	342	342	342	175	362	362	362	250	375	375	375	250	8	0	15	3	0	6
Long-term variable remuneration (LTI)1	333	0	833	341	75	0	188	429	175	0	438	429	13	0	25	5	0	10
Subtotal of variable remuneration	**675**	**342**	**1,175**	**516**	**437**	**362**	**550**	**679**	**550**	**375**	**813**	**679**	**21**	**0**	**40**	**8**	**0**	**16**
Total remuneration	**1,192**	**859**	**1,692**	**894**	**571**	**496**	**684**	**1,214**	**843**	**668**	**1,106**	**1,183**	**91**	**70**	**110**	**49**	**41**	**57**

1 To date no NAV/share target has been defined for the LTI due to changes in the EPRA NAV metrics. As a result, no fair value was available at the time of payment. The pro rata target amounts (until retirement or from entry) are indicated.

Total earnings from the company according to the German Commercial Code (HGB)

	Barak Bar-Hen		Gerald Klinck		Jürgen Overath		Ronny Schneider	Eran Amir
in Euro	2020	2019	2020	2019	2020	2019	2020	2020
Fixed remuneration	417	289	113	450	207	439	65	33
Fringe benefits	100	89	21	85	86	65	5	8
Subtotal of fixed remuneration	**517**	**378**	**134**	**535**	**293**	**504**	**70**	**41**
Short-term variable remuneration (STI)	342	175	362	313	375	313	0	0
Long-term variable remuneration (LTI)	333	341	75	429	175	429	13	5
Subtotal of variable remuneration	**675**	**516**	**437**	**742**	**550**	**742**	**13**	**5**
Total remuneration	**1,192**	**894**	**571**	**1,277**	**843**	**1,246**	**83**	**46**

Current pensions were paid to two former managing directors in 2019 and 2020. The expenses totalled Euro 0.2 million (previous year: Euro 0.2 million). The provisions formed for the pensions amount to Euro 2.9 million (previous year: Euro 3.0 million).

Payments in the event of premature termination of employment

If the contract of a member of the Management Board is terminated prematurely, the company can exempt the Management Board member from further obligations while continuing to pay contractually agreed remuneration for the remainder of the contractual term. Payments to that member of the Management Board may not exceed the value of two years' worth of remuneration (the exit compensation cap) or the value of the remuneration for the remaining term of the contract. The exit compensation cap is calculated on the basis of the total remuneration for the past full financial year and if appropriate also the expected total remuneration for the current financial year (see recommendation 4.2.3 of the German Corporate Governance Code).

Mr Klinck received compensation of Euro 1,400 thousand for the premature termination of his Management Board contract. Mr Overath received compensation of Euro 250 thousand.

Mr Schneider received a lump-sum payment of Euro 60 thousand for his claims to STI and LTI.

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 heirs 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.

4.3.3 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 a 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 Euro 40 thousand. The Chairperson of the Supervisory Board receives three times this amount and the Vice-chairperson receives one and a half times this amount. Members of the Audit Committee receive fixed annual remuneration of Euro 10,000 and members of other committees of the Supervisory Board receive fixed annual remuneration of Euro 7,500. The Chairperson of each committee receives double this fixed amount. The members of the Supervisory Board are members of the following committees:

	Supervisory Board	Presidential and nomination committee	Audit Committee	Capital Market and Acquisitions Committee	Project Development Committee ***
Helmut Ullrich	M (1)		C (1)	M (1)	
Sascha Hettrich	M (3) C (2)	C (1)	M (1)	C (1)	M (1)
Jonathan Lurie	M (1)	M (1)	M (1)	M (1)	
Klaus Krägel	M (4)				C (4)
Ran Laufer	VC	M (1)			M (1)
Frank Roseen	M (5) C (6)				

(1) Until 16 November 2020; (2) Until 30 November 2020; (3) Until 31 December 2020; (4) Until 7 October 2020; (5) From 7 October 2020; (6) From 1 December 2020
C = Chairman; VC = Vice Chairman; M = Member

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

in Euro	Supervisory Board	Presidential Committee	Audit Committee	Capital Market and Acquisitions Committee	Project Development Committee ***	Cap (according to Sec. 13.3 of the Articles of Association, Group-wide)	VAT	Total
Helmut Ullrich[1]	36,667	0	18,333	6,875	0	0	9,900	71,775
Sascha Hettrich[2,3,4]	113,333	13,750	9,167	13,750	6,875	130,000	20,800	150,800
Jonathan Lurie[2]	36,667	6,875	9,167	6,875	0	0	0	59,583
Klaus Krägel[5]	33,333	0	0	0	12,500	0	7,333	53,167
Ran Laufer[2]	60,000	6,875	0	0	6,875	0	11,800	85,550
Frank Roseen[6]	16,667	0	0	0	0	0	0	16,667

1 Proportionate at 10/12, resigned in October 2020
2 Proportionate at 11/12; resigned in November 2020
3 Proportionate at 11/12; committee dissolved in November
4 Proportionate at 2/12; Chairperson from December 2020
5 Cap (according to section 13.3 of the Articles of Association, Group-wide, Euro 150 thousand, divided into Euro 130 thousand for TLG and Euro 20 thousand for WCM AG)
6 Proportionate at 11/12; Chairperson, regular Supervisory Board member from December

In addition, a D & O group insurance policy has been taken out for the members of the Management Board and the Supervisory Board, which includes a deductible for the members of the Management Board that complies with the requirements of Sec. 93 (2) sentence 3 AktG or the Code.

5. DISCLOSURES RELEVANT TO ACQUISITIONS

5.1 COMPOSITION OF SUBSCRIBED CAPITAL

As at 31 December 2020, the share capital was Euro 112,190,436.00, comprising 112,190,436 no-par value bearer shares with a proportionate amount of the share capital of Euro 1.00 per share. The share capital is fully paid-in. There are no other share types. All shares provide the same rights and duties. Every no-par value share grants one vote in the general meeting. This does not apply to any treasury shares held by the company; these do not grant the company any rights.

5.2 MAJOR SHAREHOLDINGS

As reported on 15 March 2019, Amir Dayan/Maria Saveriadou held 29.33 % of the voting rights of the company as at 31 December 2019 through their interest in the third-party company Ouram Holding S.à r.l. On that date, the total number of voting rights was 103,444,574.

On 20 February 2020, it was reported that Amir Dayan/Maria Saveriadou held 10.41 % of the voting rights of the company through their interest in the third-party company Ouram Holding S.à r.l. The total number of voting rights referred to by the voting rights notification was 112,073,731.

According to the voting rights notification dated 20 February 2020, Aroundtown SA holds a total of 77.76 % of the company's voting rights – essentially directly – due to the takeover offer. On that date, the total number of voting rights was 87,168,686. The call option described in section 3 of the announcement made by Aroundtown SA on 13 February 2020 in accordance with Sec. 23 (1) sentence 1 no. 3 of the German Securities Acquisition and Takeover Act (WpÜG) expired on 14 February 2020 upon the closing of Aroundtown SA's voluntary public takeover offer for all of the shares of TLG Immobilien AG.

TLG IMMOBILIEN AG has held 6,433,615 treasury shares since 20 March 2021.

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.

All publications by TLG IMMOBILIEN AG in connection with notifications of investments in the reporting year and beyond are available on the website of TLG IMMOBILIEN AG at INVESTOR RELATIONS > FINANCIAL NEWS.

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

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

5.4 AUTHORITY OF THE MANAGEMENT BOARD TO ISSUE NEW SHARES

By resolution of the extraordinary general meeting on 7 October 2020 and with the approval of the Supervisory Board, the Management Board was authorised to increase the share capital of the company by up to Euro 44,829,000.00 in exchange for cash contributions and/or contributions in kind (Authorised Capital 2020) by issuing up to 44,829,000 new shares by 6 October 2025.

As a rule, the shareholders must be granted subscription rights, although the subscription rights of the shareholders can be excluded under the conditions of the Authorised Capital 2020.

Furthermore, the share capital has been conditionally increased by up to Euro 44,829,000.00 by the issuance of 44,829,000 new shares (Contingent Capital 2020). The contingent capital increase will enable the company to issue new shares to the creditors of any convertible bonds or similar instruments that might be issued by 6 October 2025.

Furthermore, the share capital has been increased by up to Euro 3,338,385.00 by the issuance of up to 3,338,385 new shares (Contingent Capital 2017/III). The contingent capital increase will enable the company to provide the departing shareholders of WCM Beteiligungs- und Grundbesitz- Aktiengesellschaft with exit compensation consisting of shares in the company in accordance with the provisions of the control agreement concluded with WCM AG.

By resolution of the general meeting on 21 May 2019 and with the approval of the Supervisory Board, the Management Board is authorised to increase the share capital of the company by up to Euro 10,000,000.00 by 20 May 2024 by issuing up to 10,000,000 new shares in exchange for contributions in kind in order to pay out dividends in shares whereby shares of the company are issued (including partially and/or optionally) from the authorised capital (Authorised Capital 2019) in exchange for the surrender of the shareholders' dividend entitlements.

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

On 21 May 2019 and with the approval of the Supervisory Board, the general meeting of TLG IMMOBILIEN AG authorised the Management Board to acquire treasury shares to a value of up to 10 % of the share capital of the company as at the date of the resolution or – if this value is lower – when the authority is exercised, by 20 May 2024 and with consideration for the principle of equal treatment (Sec. 53a AktG).

At the discretion of the Management Board and subject to other prerequisites, the purchase can be (i) on the stock exchange, (ii) in the form of a public purchase offer submitted to all of the company's shareholders or a public invitation to the shareholders to submit offers for sale, or (iii) in the form of a public offer or a public invitation to submit an offer to swap liquid shares which have been admitted to trading on an organised market in the sense of the German Securities Acquisition and Takeover Act (WpÜG) in exchange for shares of the company.

Furthermore, the Management Board was authorised to utilise the shares acquired in this manner, subject to other conditions, especially (i) to withdraw shares, (ii) to offer to third parties in exchange for contributions in kind with the approval of the Supervisory Board, (iii) to sell to third parties in exchange for cash with the approval of the Supervisory Board (in which regard the selling price may not be significantly lower than the stock exchange price at the time of sale; Sec. 186 (3) sentence 4 AktG), and (iv) to service rights or duties to purchase shares arising from and in connection with convertible or warrant bonds issued by the company.

The Management Board exercised this authorisation and acquired around 6 % of its treasury shares effective as at 20 March 2021 within the scope of a public share buyback offer. We refer to our comments under chapter H.15 in the notes.

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

The main agreements of TLG IMMOBILIEN AG which are contingent on a change of control concern financing agreements. The main financing agreements of TLG IMMOBILIEN 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 do not contain provisions in the event of a change of control.

6. STATEMENT OF THE LEGAL REPRESENTATIVES OF THE PARENT COMPANY IN ACCORDANCE WITH SEC. 264 (2) SENTENCE 3 HGB, SEC. 289 (1) SENTENCE 5 HGB, SEC. 315 (1) SENTENCE 5 HGB

To the best of our knowledge and in accordance with the applicable reporting principles for financial reporting, the annual and consolidated financial statements give a true and fair view of the net assets, cash flows and financial performance 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, 31 March 2021

Roy Vishnovizki	Eran Amir
Chief Executive Officer (CEO)	Member of the Management Board

7. ADDITIONAL DISCLOSURES PURSUANT TO HGB

The business model and corporate strategy of TLG IMMOBILIEN AG are consistent with the approaches and objectives described under 1. Group fundamentals.

7.1 FINANCIAL PERFORMANCE – INDIVIDUAL FINANCIAL STATEMENTS

The financial performance as represented in TLG IMMOBILIEN AG's HGB separate financial statements is as follows:

	01/2020-12/2020 Euro thousand	**01/2019-12/2019** Euro thousand	**Change** Euro thousand	**Change** %
Revenue	717,319	252,287	465,032	184
Change in inventory	-439	7,122	-7,561	-106
Other own work capitalised	479	461	18	4
Total output	**717,360**	**259,871**	**457,489**	**176**
Operating expenses	395,608	193,960	201,648	104
Operating profit	**321,752**	**65,910**	**255,841**	**388**
Net income from investments	42,783	16,151	26,632	165
Financial result	-71,798	-42,271	-29,528	-70
Other operational effects	6,908	3,687	3,221	87
Operating result	**299,645**	**43,478**	**256,167**	**589**
Other operational effects	4,112	-2,806	6,919	247
Earnings before taxes	**303,757**	**40,671**	**263,086**	**647**
Income taxes	67,010	12,876	54,135	420
Net income	**236,746**	**27,796**	**208,951**	**752**

In the 2020 financial year, TLG IMMOBILIEN AG recorded net income of Euro 236,746 thousand and an operating result of Euro 299,645 thousand.

The significant change in net income compared to the previous year resulted mainly from the revenue from property sales of Euro 531,126 thousand (Euro 463,145 thousand higher compared to the previous year). Of the sales proceeds, Euro 167,755 thousand are allocated to sales to affiliates, from which a profit contribution totalling Euro 117,629 thousand was achieved. Despite property sales, TLG IMMOBILIEN recorded income from letting activities at the level of the previous year.

Operating expenses rose by Euro 201,648 thousand compared to the previous year, mainly due to an increase of Euro 215,931 thousand in book value disposals in connection with property sales. This was offset by lower personnel expenses, amortisation, depreciation and write-downs and expenses for letting activities.

The improvement in net income from investments by Euro 26,632 thousand compared to the previous year is mainly attributable to the significantly higher income from equity investments resulting in particular from the dividend claims of TLG Vermögensverwaltung AG & Co. KG toward Aroundtown SA.

The financial result was reduced by Euro 29,528 thousand, primarily due to the interest expenses for loan liabilities toward affiliates, which were Euro 22,424 thousand higher. In connection with the exchange of the corporate bonds for loans of the majority shareholders, there was a liquidation of the discounts that had formerly been recognised in the prepaid expenses, which did not affect liquidity but did affect expenses. This primarily resulted in an additional burden on the financial result of Euro 12,031 thousand compared to the previous year.

With earnings before taxes of Euro 303,757 thousand, which were Euro 263,086 thousand higher than the previous year's result, the result for 2020 forecast in the 2019 annual financial statements was exceeded, primarily due to the successful property sales.

7.2 CASH FLOWS – INDIVIDUAL FINANCIAL STATEMENTS

The following condensed cash flow statement of TLG IMMOBILIEN AG's HGB individual financial statements shows the changes in cash and cash equivalents (cash on hand and credit balances with banks) and the movements in funds that are the cause of these changes:

in Euro thousand	01/2020 – 12/2020	01/2019 – 12/2019	Change
Cash flow from operating activities	94,062	96,023	-1,961
Cash flow from investing activities	303,510	-1,641,240	1,944,751
Cash flow from financing activities	-415,289	1,870,740	-2,286,029
Change in cash and cash equivalents	-17,717	325,522	-343,239
Cash and cash equivalents at the beginning of the financial year	446,655	121,056	325,599
Cash and cash equivalents at the end of the financial year	**428,938**	**446,655**	**-17,717**

Cash flow from operating activities amounted to Euro 94,062 thousand in 2020, a decrease of Euro 1,961 thousand, and was almost at the level of the previous year. The change is essentially due to the property sales in 2020, which led to lower rental income.

Cash flow from investing activities increased by Euro 1.944,751 thousand compared to the previous year. The higher payments in from sales of property totalling Euro 363,367 thousand and of loans of Euro 65,000 thousand repaid by subsidiaries, and cash paid for investments in property, plant and equipment totalling Euro 49,698 thousand, and shares in affiliates of Euro 74,110 thousand, mainly explain the positive cashflow of Euro 303,510 thousand in 2020.

In 2020, Euro 415,289 thousand was spent on financing activities, resulting mainly from the early partial repayment of a corporate bond in the amount of Euro 261,085 thousand and the dividend distribution in the amount of Euro 107,694 thousand. Moreover, loans totalling Euro 106,400 thousand were paid off and new ones totalling Euro 59,890 thousand were taken out.

Overall, cash and cash equivalents fell by Euro 17,717 thousand to Euro 428,938 thousand due to the effects described above. They contain restricted credit balances totalling Euro 99,718 (previous year: Euro 16,368 thousand). The cash and cash equivalents consist entirely of liquid funds.

The company was solvent at all times in the 2020 financial year.

7.3 NET ASSETS – INDIVIDUAL FINANCIAL STATEMENTS

The net assets position of the HGB individual financial statements of TLG IMMOBILIEN AG is as follows, receivables and liabilities with a remaining term of more than one year are treated as non-current:

	31/12/2020		31/12/2019		Change	
	Euro thousand	%	Euro thousand	%	Euro thousand	%
Fixed assets	3,979,767	86.4	4,134,955	88.5	-155,189	-3.8
Non-current liabilities	8	0.0	67	0.0	-60	-88.4
Inventories	34,537	0.8	34,970	0.7	-433	-1.2
Current receivables	148,252	3.2	25,294	0.5	122,957	486.1
Cash and cash equivalents	428,938	9.3	446,655	9.6	-17,717	-4.0
Other assets	13,110	0.3	30,081	0.6	-16,971	-56.4
Total assets	**4,604,611**	**100.0**	**4,672,023**	**100.0**	**-67,413**	**-1.4**
Equity1	1,562,770	33.9	1,432,889	30.7	129,881	9.1
Non-current liabilities	2,669,151	58.0	3,019,136	64.6	-349,985	-11.6
Current liabilities	372,690	8.1	219,998	4.7	152,692	69.4
Total equity and liabilities	**4,604,611**	**100.0**	**4,672,023**	**100.0**	**-67,413**	**-1.4**

[1] Including the special item for investment subsidies in the amount of Euro 7,845 thousand (previous year: Euro 9,170 thousand).

The largest part of the assets of TLG IMMOBILIEN AG comprises fixed assets, which mainly include properties and shares in affiliates. As at 31 December 2020, the carrying amount of the fixed assets totalled Euro 3,979,767 thousand: Euro -155,189 thousand less than in the previous year. The decrease resulted primarily from disposals of properties with a carrying amount of Euro 252,610 thousand. In addition, amortisation, depreciation and write-downs and the early repayments of a loan issued to WCM AG contributed significantly to the reduction in fixed assets. This was offset by investments in real estate and the contribution of a property to a subsidiary in exchange for shares in the company.

The current receivables increased by Euro 122,957 thousand, mainly due to the deferral of the purchase price from the disposal of property to a subsidiary, and from higher receivables from affiliates in connection with profit-sharing claims for 2020.

The cash and cash equivalents decreased by Euro 17,717 thousand compared to the previous year. The change is described in the notes to the financial situation in accordance with the HGB.

As at 31 December 2020, the equity ratio of TLG IMMOBILIEN AG was 33.9 % (previous year: 30.7 %), non-current liabilities 58.0 % (previous year: 64.6 %) and the remainder is accounted for by current liabilities.

The decrease in non-current liabilities by Euro 349,985 thousand is mainly due to the early partial repayment of a corporate bond in 2020. And in March 2021, prematurely repaid shareholder loans of the majority shareholders as at 31 December 2020 were reclassified in the current liabilities.

7.4 RISKS AND OPPORTUNITIES – INDIVIDUAL FINANCIAL STATEMENTS

TLG IMMOBILIEN AG has a dominant weight in the Group. It is therefore subject to the same opportunities and risks as the Group. The risks of the subsidiaries affect TLG IMMOBILIEN AG in accordance with the respective shareholding. The individual risks of the Group are presented in the risk report (see section 3.1.2).

7.5 FORECAST REPORT – INDIVIDUAL FINANCIAL STATEMENTS

The comments on the general economic conditions in Section 3.2.1 and the assessment of the expected business development of the TLG IMMOBILIEN Group in Section 3.2.2, particularly with regard to the possible effects of the COVID-19 pandemic on the operating business, also apply to the forecast business development of TLG IMMOBILIEN AG.

Without taking into account the currently unforeseeable effects of the coronavirus crisis and possible purchase and sales transactions, positive business progress is still expected.

On this basis, an operating result at a level comparable to 2020 is expected for 2021, as the restructuring of assets previously held directly by TLG IMMOBILIEN and the sale of real estate properties are also planned for the 2021 financial year.

8. FINAL DECLARATION OF THE EXECUTIVE BOARD PURSUANT TO SECTION 312 (3) AKTG

From 19 February 2020 to 31 December 2020, TLG IMMOBILIEN AG was a dependent company, as defined under Sec. 312 AktG, of its major shareholder Aroundtown SA, Luxembourg. In line with Sec. 312 (1) AktG, the Management Board of TLG IMMOBILIEN AG has prepared a report on the relationships with affiliated companies, including the following declaration:

“We declare that, for the transactions and measures listed in the report on relationships with affiliated companies during the reporting period from 19 February 2020 to 31 December 31 2020, the company received appropriate consideration for each transaction, according to the circumstances known to us at the time the transactions were carried out or measures were taken or refrained from. The Company has not been disadvantaged by the fact that measures were taken or refrained from.”

Berlin, 31 March 2021

Roy Vishnovizki	Eran Amir
Chief Executive Officer (CEO)	Member of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2020

in Euro thousand	Reference	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Rental income		216,943	229,767
Income from recharged operating costs		47,437	47,850
Income from other goods and services		5,417	5,108
Income from letting activities		**269,796**	**282,725**
Expenses from operating costs		–58,232	–59,452
Maintenance expenses		–8,933	–10,454
Other services		–3,034	–3,488
Expenses relating to letting activities		**–70,199**	**–73,394**
Net operating income from letting activities	F.1	**199,597**	**209,331**
Proceeds from the disposal of properties		677,384	186,035
Carrying amount of properties disposed of		–677,375	–186,013
Change in value of properties held for sale		75,044	21,548
Expenses from the disposal of properties		–10,433	–1,037
Result from the disposal of properties	F.2	**64,620**	**20,533**
Result from the remeasurement of investment property	E.1	**361,837**	**638,366**
Other operating income	F.4	64,120	1,756
Personnel expenses	F.5	–16,500	–18,720
Amortisation, depreciation and write-downs	F.6	–1,889	–1,728
Other operating expenses	F.7	–26,434	–22,997
Earnings before interest and taxes (EBIT)		**645,352**	**826,541**
Net income from companies measured at equity	E.3	**76,841**	**49,817**
Financial income	F.8	994	388
Financial expenses	F.8	–67,092	–44,257
Result from the remeasurement of derivative financial instruments	F.9	–7,031	–18,940
Earnings before taxes		649,063	813,549
Income taxes	F.10	–156,763	–235,230
Net income		**492,300**	**578,319**
Other comprehensive income (OCI):	E.10		
thereof will not be classified to profit or loss			
Actuarial gains/losses, net of taxes		–85	–816
thereof will be reclassified to profit or loss			
Gain/loss from remeasurement of derivative financial instruments in hedging relationship, net of taxes		304	1,093
Share of other comprehensive income from companies measured at equity	E.3	–8,528	616
Total comprehensive income for the year		**483,991**	**579,212**
Of the net income, the following is attributable to:			
Non-controlling interests		1,251	1,542
Hybrid capital providers	E.10	20,203	5,049
The shareholders of the parent company		470,846	571,728
Earnings per share (undiluted) in Euro	F.11	**4.61**	**5.30**
Earnings per share (diluted) in Euro	F.11	**4.61**	**5.30**
Of the total comprehensive income for the year, the following is attributable to:			
Non-controlling interests		1,251	1,542
Hybrid capital providers		20,203	5,049
The shareholders of the parent company		**462,537**	**572,621**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

in Euro thousand	Reference	31/12/2020	31/12/2019
A) Non-current assets		**5,585,024**	**6,343,234**
Investment property	E.1	4,241,381	4,707,397
Advance payments on investment property		0	2,218
Property, plant and equipment	E.2	513	8,794
Intangible assets	E.2	2,576	2,980
Shares in companies measured at equity	E.3	1,303,838	1,580,641
Other non-current financial assets	E.4	14,995	18,089
Right-of-use assets	E.2	2,011	2,020
Other assets	E.6	19,712	21,086
B) Current assets		**1,061,198**	**559,075**
Inventories	E.7	734	734
Trade receivables	E.5	10,676	10,979
Receivables from majority shareholders	E.6	26,169	0
Receivables from income taxes		2,670	477
Other current financial assets	E.4	115,732	16,959
Other receivables and assets	E.6	3,013	2,958
Cash and cash equivalents	E.8	524,025	523,950
Assets classified as held for sale	E.9	378,178	3,018
Total assets		**6,646,222**	**6,902,309**

in Euro thousand	Reference	31/12/2020	31/12/2019
A) Equity	E.10	**3,433,800**	**3,446,647**
Subscribed capital		112,190	112,074
Capital reserves		1,124,078	1,148,041
Retained earnings		1,961,005	1,577,372
Other reserves		–12,610	–3,700
Treasury shares		–371,862	0
Equity attributable to the shareholders of the parent company		**2,812,801**	**2,833,787**
Equity of the hybrid capital providers		599,562	590,844
Equity attributable to the shareholders of the parent company and equity of the hybrid capital providers		**3,412,364**	**3,424,631**
Non-controlling interests		21,437	22,016
B) Liabilities		**3,212,422**	**3,455,662**
I.) Non-current liabilities		**2,922,499**	**3,303,463**
Non-current liabilities due to financial institutions	E.11	826,390	960,812
Corporate bonds	E.12	0	1,578,201
Pension provisions	E.13	8,839	8,994
Other non-current provisions	E.14	176	3,315
Non-current derivative financial instruments	H.1	34,973	27,307
Liabilities due to majority shareholders	E.17	1,200,000	0
Other non-current liabilities	E.17	22,743	27,625
Deferred tax liabilities	E.15	829,378	697,209
II.) Current liabilities		**289,923**	**152,199**
Current liabilities due to financial institutions	E.11	71,818	76,075
Corporate bonds	E.12	0	6,486
Trade payables	E.17	22,735	38,560
Liabilities due to majority shareholders	E.17	150,089	0
Other current provisions	E.14	5,557	4,050
Tax liabilities	E.16	18,168	9,514
Other current liabilities	E.17	21,556	17,514
Total equity and liabilities		**6,646,222**	**6,902,309**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 December 2020

in Euro thousand	Reference	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
1. Cash flow from operating activities			
Net income before taxes		649,063	813,549
Depreciation of property, plant and equipment and amortisation of intangible assets	D.4, E.2	1,889	1,728
Result from the remeasurement of investment property	E.1, F.3	–361,837	–638,366
Result from the remeasurement of derivative financial instruments	F.9	7,031	18,940
Increase/decrease (–) in provisions	E.14	–1,787	3,889
Change in value of properties held for sale	E.1	–75,044	–21,548
Other non-cash income/expenses	G.	–51,613	825
Net income from companies measured at equity	E.3	–76,841	–49,817
Gain (–)/loss from disposal of property, plant and equipment and intangible assets		–154	–250
Increase (–)/decrease in inventories	E.7	0	3
Financial income	F.8	–994	–388
Financial expenses	F.8	67,092	44,257
Increase (–)/decrease in trade receivables and other assets	E.5/6	2,723	194
Increase/decrease (–) in trade payables and other liabilities	E.17	-18,908	3,791
Cash flow from operating activities		**140,620**	**176,808**
Interest received		994	388
Interest paid		-34,832	–40,703
Income tax paid/received		-5,640	–4,571
Net cash flow from operating activities		**101,141**	**131,922**
2. Cash flow from investing activities			
Cash received from disposals of investment property	E.1/G.	533,197	67,973
Cash received from disposals of property, plant and equipment		155	232
Cash received from disposals of intangible assets		309	0
Cash paid for acquisitions of investment property	E.1	–141,247	–139,966
Cash paid for investments in property, plant and equipment		–215	–217
Cash paid for the deposit of restricted cash and cash equivalents	E.4	–99,030	–16,072
Cash paid for investments in intangible assets		–1,049	–1,309
Cash paid for investments in financial assets	E.3	0	–1,531,145
Cash received from disposals of consolidated companies and other business units	C.2	78,611	66,490
Cash flow from investing activities		**370,731**	**–1,554,015**
3. Cash flow from financing activities			
Cash received from issuing corporate bonds	E.12	0	1,182,755
Cash paid to settle liabilities for corporate bonds		–261,085	0
Cash received from equity contributions	E.10	0	220,046
Cash received from hybrid capital investors	E.10	0	590,260
Dividend payment	E.10	–107,694	–94,140
Cash paid to non-controlling interests		–1,056	–1,223
Cash paid to hybrid capital investors	E.10	–20,203	–5,049
Cash received from bank loans	E.11	59,890	142,796
Repayments of bank loans	E.11	–140,844	–237,240
Cash paid to settle liabilities for leases		–367	–414
Transaction costs associated with raising hybrid capital and corporate bonds		–438	–5,641
Cash flow from financing activities		**–471,798**	**1,792,150**
4. Cash and cash equivalents at end of period			
Change in cash and cash equivalents (subtotal of 1–3)		75	370,057
Cash and cash equivalents at beginning of period		523,950	153,893
Cash and cash equivalents at end of period		**524,025**	**523,950**
5. Composition of cash and cash equivalents			
Cash		524,025	523,950
Cash and cash equivalents at end of period		**524,025**	**523,950**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 31 December 2020

in Euro thousand	Reference	Subscribed capital	Capital reserves	Retained earnings	Accumulated other reserves: Reserve hedge accounting	Accumulated other reserves: Actuarial gains / losses	Accumulated other reserves: Share of other comprehensive income from companies measured at equity	Treasury shares	Hybrid capital providers	Non-controlling interests	Equity
01/01/2019		**103,385**	**1,011,381**	**1,023,751**	**–2,394**	**–2,199**	**0**	**0**	**0**	**23,315**	**2,157,239**
Net income		0	0	571,728	0	0	0	0	5,049	1,542	578,319
Other comprehensive income (OCI)		0	0	0	1,093	–816	616	0	0	0	893
Total comprehensive income for the year		**0**	**0**	**571,728**	**1,093**	**–816**	**616**	**0**	**5,049**	**1,542**	**579,212**
Adjustment for non-controlling interests		0	0	–711	0	0	0	0	0	–226	–937
Share capital increase in exchange for contributions in kind		189	4,757	–3,617	0	0	0	0	0	–1,329	0
Dividend payment	E.10	0	0	–94,140	0	0	0	0	0	0	–94,140
Guaranteed dividend	C.3	0	0	0	0	0	0	0	0	–1,218	–1,218
Share capital increase in exchange for cash contributions	E.10	8,500	213,592	0	0	0	0	0	0	0	222,092
Transaction costs associated with the share capital increase, after taxes	E.10	0	–1,513	0	0	0	0	0	0	0	–1,513
Issuance of hybrid capital	E.10	0	0	0	0	0	0	0	600,000	0	600,000
Transaction costs associated with the hybrid capital, after taxes	E.10	0	0	0	0	0	0	0	–9,156	0	–9,156
Distribution to hybrid capital providers	E.10	0	0	1,259	0	0	0	0	–5,049	0	–3,790
Withdrawal from capital reserves	E.10	0	–79,703	79,703	0	0	0	0	0	0	0
Capital contributions / redemptions in connection with share-based remuneration		0	–533	0	0	0	0	0	0	0	–533
Other		0	60	–602	0	0	0	0	0	–67	–609
Change during the period		**8,689**	**136,660**	**553,621**	**1,093**	**–816**	**616**	**0**	**590,844**	**–1,299**	**1,289,408**
31/12/2019		**112,074**	**1,148,041**	**1,577,372**	**–1,301**	**–3,015**	**616**	**0**	**590,844**	**22,016**	**3,446,647**

01/01/2020		**112,074**	**1,148,041**	**1,577,372**	**–1,301**	**–3,015**	**616**	**0**	**590,844**	**22,016**	**3,446,647**
Net income		0	0	470,846	0	0	0	0	20,203	1,251	492,300
Other comprehensive income (OCI)		0	0	0	304	–85	–8,528	0	0	0	–8,310
Total comprehensive income for the year		**0**	**0**	**470,846**	**304**	**–85**	**–8,528**	**0**	**20,203**	**1,251**	**483,991**
Treasury shares from the reinvestment with Aroundtown	E.3	0	0	0	0	0	0	-371,862	0	0	–371,862
Share capital increase in exchange for contributions in kind		116	2,037	–1,379	0	0	0	0	0	–775	0
Dividend payment	E.10	0	0	–107,694	0	0	0	0	0	0	–107,694
Guaranteed dividend	C.3	0	0	0	0	0	0	0	0	–1,056	–1,056
Substitution of hybrid capital	E.10	0	0	-9,156	0	0	0	0	–590,844	0	-600,000
Issuance of hybrid capital	E.10	0	0	0	0	0	0	0	600,000	0	600,000
Transaction costs associated with the hybrid capital, after taxes		0	0	0	0	0	0	0	–438	0	–438
Distribution to hybrid capital providers	E.10			5,039	0	0	0	0	-20,203	0	-15,164
Withdrawal from capital reserves	E.10	0	-26,000	26,000	0	0	0	0	0	0	0
Other		0	0	–22	0	0	–600	0	0	0	–621
Change during the period		**116**	**-23,963**	**383,634**	**304**	**–85**	**–9,128**	**-371,862**	**8,718**	**–580**	**–12,846**
31/12/2020		**112,190**	**1,124,078**	**1,961,005**	**–998**	**–3,100**	**–8,512**	**-371,862**	**599,562**	**21,437**	**3,433,800**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

A.1 INFORMATION ON THE COMPANY

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

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

TLG IMMOBILIEN AG became part of the Aroundtown SA Group (short: Aroundtown) registered in Luxembourg effective as at 19 February 2020. Aroundtown SA, Luxembourg, is the ultimate controlling company. The consolidated financial statements of Aroundtown SA are filed with and published in the Luxembourg Register of Commerce and Companies (Registre de Commerce et des Sociétés (RCS)).

A.2 PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The currency of the consolidated financial statements is the euro.

All values are rounded to thousands of euros (Euro thousand) unless otherwise stated. Tables and references may contain rounding differences compared to the precise mathematical figures.

The consolidated financial statements prepared for the 2020 financial year are based on the financial statements of TLG IMMOBILIEN AG, its fully consolidated subsidiaries and the investment in Aroundtown consolidated at equity. The financial statements of the subsidiaries are prepared using uniform accounting and measurement methods as at the same reporting date as the financial statements of the parent company. The consolidated financial statements were prepared by the Management Board by 31 March 2021. The Supervisory Board is expected to approve the consolidated financial statements in its meeting on 15 April 2021.

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

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. ACCOUNTING STANDARDS

B.1 NEW AND AMENDED STANDARDS APPLIED BY THE GROUP

Amendments to IFRS 3: Definition of a business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It also clarifies that a business may be a business even if the combination does not include all of the inputs and processes necessary to produce goods or services. These amendments did not have an impact on the consolidated financial statements, but could have an impact in future periods if the Group undertakes business combinations.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform

The amendments to IFRS 9 and IAS 39 *Financial Instruments*: *Recognition and Measurement* provide for various relief provisions that apply to all hedging relationships that are directly affected by the reference rate reform. Such hedging relationships can be identified by the fact that the reform leads to uncertainties regarding the timing and/or amount of the reference rate-based cash flows from the hedged item or hedging instrument. These amendments have no impact on the consolidated financial statements as the Group has not applied hedge accounting since 2017.

Amendments to IAS 1 and IAS 8: Definition of material

The amendments provide a new definition of the term “material”. By definition, information is material “if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments specify that materiality depends on the nature or extent of the information, either in isolation or in combination with other information, against the background of the financial statements as a whole. A misstatement is material if, under normal circumstances, it could be expected to influence the decisions made by the primary users of the information. These amendments have not had, and are not expected to have in the future, any impact on the consolidated financial statements.

Conceptual Framework for Financial Reporting, issued 29 March 2018

The Conceptual Framework for Financial Reporting is not a standard and none of the concepts in it take precedence over the concepts or requirements in the standards. The Conceptual Framework is specifically intended to assist the IASB in developing standards, preparers of financial statements in developing consistent accounting policies when the accounting treatment of a transaction is not governed by a standard, and all parties in understanding and interpreting the standards. This will affect those entities that have developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities, and clarifications to some important concepts. These amendments had no effect on the consolidated financial statements.

Amendments to IFRS 16: Rent concessions related to COVID-19

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – Amendment to IFRS 16 Leases Rent (Concessions Related to COVID-19). The amendments provide lessees with relief in applying the guidance in IFRS 16 on accounting for lease modifications due to rent concessions resulting from the coronavirus pandemic. As a practical expedient, a lessee may elect to defer the assessment of whether a pandemic-related lease concession from a lessor constitutes a lease modification. A lessee that makes this election accounts for any qualifying lease modification arising from the coronavirus pandemic lease concession in the same way as it would account for the modification under IFRS 16 if it were not a lease modification. These amendments had no material effect on the consolidated financial statements.

B.2 NEW ACCOUNTING STANDARDS

Published IFRS whose application is not yet obligatory

New and amended IFRS and interpretations whose application is not yet mandatory and which are not applied prematurely by the Group:

EU endorsement	Standards/ Interpretations	Content	Applications for financial years from/after	Anticipated effects
13/01/2021	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform	01/01/2021	none
not yet adopted	Amendments to IAS 37	Onerous contracts Cost of fulfilling a contract	01/01/2022	Currently none
not yet adopted	Amendments to IAS 16	Property, plant and equipment: Proceeds before intend use	01/01/2022	none
not yet adopted	Amendments to IFRS 3	Reference to Conceptual Framework	01/01/2022	none
not yet adopted	Amendments to IAS 41	Taxation in fair value measurements	01/01/2022	none
not yet adopted	Amendments to IFRS 1	Subsidiary as a first time adopter	01/01/2022	none
not yet adopted	Amendments to IFRS 17	Insurance contracts	01/01/2023	none
not yet adopted	Amendments to IAS 1	Classification of liabilities as current or non-current; disclosure of accounting policies	01/01/2023	Currently none
not yet adopted	Amendments to IAS 8	Definition of accounting estimates	01/01/2023	Currently none

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 are included in the consolidated financial statements of the TLG IMMOBILIEN Group. Subsidiaries are fully consolidated from the time TLG IMMOBILIEN AG gains control of them. Control is gained at the time the following conditions have been cumulatively fulfilled:

(1) TLG IMMOBILIEN AG has power over the relevant activities of the subsidiary.
(2) TLG IMMOBILIEN AG is exposed to variable returns from this subsidiary.
(3) TLG IMMOBILIEN AG has the ability to use its power over the subsidiary to affect the amount of its variable returns.

The financial statements of the subsidiaries are prepared in a uniform manner using the accounting and measurement methods 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 corresponding to the amount of the shareholding. In this process, the equity of acquired subsidiaries at the time of acquisition is determined under observance of the fair value of the identifiable assets, debts and contingent liabilities, deferred taxes and any goodwill at this point in time.

Non-controlling interests

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

Loss of control

If TLG IMMOBILIEN AG loses control of a subsidiary, the assets and liabilities of that subsidiary shall be derecognised along with the related non-controlling interests. The net income is recognised in the statement of profit or loss.

Associated companies

Associated companies are recognised using the equity method. An associated company is an entity over which the owner has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group's shares in an associated company or joint venture are recognised using the equity method. According to the equity method, the shares in an associated company or joint venture are measured at cost when they are first recognised. At subsequent reporting dates, the carrying amount will be adjusted by the share of net income/loss, the share of other comprehensive income, dividends received, the share of effective capital increases/decreases, and by the scheduled reversal of the hidden reserves/charges identified at the respective acquisition date. The carrying amount of the equity investment is adjusted in order to account for changes to the Group's share of the net assets of the associated company or joint venture since the date of acquisition. The goodwill relating to the associated company or joint venture is part of the carrying amount of the stake and is neither amortised nor tested for impairment. If an associated company holds shares in the company preparing the consolidated financial statements (known as "reverse shareholding"), these are to be deducted from the company's equity as own shares. If shares in an associated company are purchased during the year, then the new shares are recognised with the acquisition costs when first included in the financial statement.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment for its shares in an associated company. On each reporting date, it determines whether the objective indicators exist to show that the share in an associated company could be impaired. If such indicators exist, the amount of the impairment is determined on the basis of the difference between the recoverable amount of the share in the associated company and the carrying amount, and the loss is then recognised in profit or loss in the "Net income from companies measured at equity" item.

Transactions eliminated during consolidation

All intra-Group receivables and payables and income and expenses, as well as profit and loss from intra-Group transactions, are eliminated. Unrealised profits and losses from transactions between the Group and the associated company or joint ventures are eliminated in accordance with the share in the associated company.

C.2 SCOPE OF CONSOLIDATION

Number of fully consolidated subsidiaries	2020	2019
As at 01/01	**46**	**54**
Additions	15	2
Disposals	–1	–10
As at 31/12	**60**	**46**

With the purchase and assignment agreement of 9/10 November 2020, all shares in Triangel Frankfurt Immobilien GmbH, Berlin (previous year: Triangel Frankfurt Immobilien GmbH & Co. KG, Berlin) were sold when the transaction was closed on 17 December 2020.

A preliminary purchase price of Euro 81,489 thousand was agreed as consideration for the sold shares in the subsidiaries and for a sold shareholder loan of WCM AG. Less the sold net assets of Euro 82,651 thousand, including the upward revaluation of the subsidiaries' property totalling Euro 7,639 thousand, the transaction results in a preliminary loss of Euro 1,162 thousand; this was mainly due to valuation differences on financial liabilities which were included in the purchase price. In connection with the sale of the shares, further liabilities were recognised, among others, for consulting and brokerage services (Euro 1,063 thousand) at the expense of the result from the sale. Overall, a loss of Euro 2,476 thousand has resulted from the sale of the shares of the company. This is recognised under other operating expenses (see section F.7).

The disposal of the company resulted in the disposal of the following assets and liabilities from the consolidated statement of financial position:

in Euro thousand	17/12/2020
Assets	
Assets classified as held for sale	144,200
Other assets	512
Trade receivables	426
Other receivables and assets	31
Cash and cash equivalents	2,753
	147,922
Liabilities	
Non-current liabilities due to financial institutions	59,548
Other non-current liabilities	3,157
Deferred tax liabilities	199
Current liabilities due to financial institutions	1,695
Trade payables	295
Other current liabilities	376
	65,271
Net assets disposed of	**82,651**

Additional operating facilities worth Euro 200 thousand were sold to the buyer as part of the sale of the shares.

TLG PB1 GmbH, Berlin, TLG PB2 GmbH, Berlin and TLG PB3 GmbH, Berlin, were established as subsidiaries of TLG IMMOBILIEN AG on 22 January 2020 in order to expand operating activities. It was entered into the commercial register on 28 January 2020.

WCM BES Properties 1 GmbH, Berlin was established as a subsidiary of WCM Beteiligungs- und Grundbesitz-AG on 8 April 2020 in order to expand operating activities. It was entered into the commercial register on 17 April 2020.

On 6 October 2020, TLG Central Services GmbH, Berlin, TLG Development GmbH, Berlin, TLG Operations 1 GmbH, Berlin, TLG Operations 2 GmbH, Berlin, and TLG Operations 3 GmbH, Berlin, were founded as subsidiaries of TLG IMMOBILIEN AG. They were entered into the commercial register on 27/28 October 2020.

On 9 November 2020, TLG Vermögensverwaltung AG & Co. KG, Berlin, was founded as a subsidiary of TLG IMMOBILIEN AG. It was entered into the commercial register on 12 November 2020.

On 10 December 2020, TLG Spree-Etage GmbH & Co. KG, Berlin, and TLG Kapweg GmbH & Co. KG, Berlin, were founded as subsidiaries of TLG IMMOBILIEN AG. They were entered into the commercial register on 14/17 December 2020.

On 16 December 2020, TLG Properties 1 GmbH & Co. KG, Berlin, TLG Properties 2 GmbH & Co. KG, Berlin, and TLG Properties 3 GmbH & Co. KG, Berlin, were founded as subsidiaries of TLG IMMOBILIEN AG. They were entered into the commercial register on 17/18 December 2020.

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

C.3 NON-CONTROLLING INTERESTS

The following table presents information on the Group's subsidiaries with significant non-controlling interests prior to internal elimination.

	WCM Beteiligungs- und Grundbesitz Aktiengesellschaft, Frankfurt am Main	
in Euro thousand	31/12/2020	31/12/2019
Non-controlling interests	**6.98 %**	**7.47 %**
Non-current assets	494,349	737,007
Current assets	198,677	94,506
Non-current liabilities	-274,043	-466,515
Current liabilities	-66,733	-22,440
Net assets	**352,250**	**342,557**
Net assets of non-controlling interests	**24,587**	**25,589**
Income from letting activities	47,743	55,957
Expenses relating to letting activities	-18,280	-20,961
Earnings before taxes	30,869	29,016
Income taxes	-12,947	-9,337
Net income	**17,922**	**19,679**
Profit attributable to non-controlling interests	1,251	1,470
Dividend paid to holders of non-controlling interests	1,056	1,223
Cash flow from operating activities	12,767	19,588
Cash flow from investing activities	196,048	56,658
Cash flow from financing activities	-105,872	-10,749
Net increase (net decrease) in cash and cash equivalents	**102,943**	**65,497**

In the 2020 financial year, the percentage of non-controlling interests decreased by 0.49 percentage points as other shareholders of WCM AG accepted the swap offer of 9 February 2018 and swapped their shares for shares of TLG IMMOBILIEN.

D. EXPLANATION OF ACCOUNTING AND MEASUREMENT METHODS

D.1 INVESTMENT PROPERTY

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

TLG IMMOBILIEN holds properties which are partially owner-occupied and partially occupied by third parties, i.e. rented. These mixed-use properties are accounted for separately 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 there is a change in use, which is documented by the commencement of owner occupation or the commencement of development with the intention to sell.

At the time of initial recognition, the investment properties are entered in the statement of financial position with their acquisition or production costs. The properties are subsequently entered in the statement of financial position at their fair value applying the option 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 generally carried out 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 through profit or loss for the period.

The fair value of the investment property was determined as at the reporting date of 31 December 2020 on the basis of property valuations prepared by Savills Advisory Services Germany GmbH & Co. KG, Jones Lang LaSalle SE and apollo valuation & research GmbH. As at the reporting date of 31 December 2019, the property valuation was carried out entirely by Savills Advisory Services Germany GmbH & Co. KG. The external valuation experts operate independently from personal, financial and all other perspectives.

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 (portfolio properties with sustainable incomes) are 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 flows over a planning period – determined on the basis of customary practice – of ten years plus the residual value of the property at the end of the planning period is discounted to the valuation date, which is determined on the basis of the sustainable net cash flows from letting activities. The market value of investment properties regularly corresponds to their fair value.

Properties under construction are measured using the residual value method. When this method is used, the development/manufacturing costs including the developer's margin are subtracted from the notional market value based on the expected income from the intended conversion or development. The difference is the residual value or market value.

Likewise, portfolio properties with economically useful buildings already on the plot of land and with sufficiently certain development potential ("Concept of the highest and best use"; IFRS 13.27 et seq.) are measured using the residual value method.

The valuation of undeveloped plots of land is carried out using the comparable value method with consideration for official land values of the local property value committees. The residual value method is also used in individual cases in which the potential usage purpose has been assured under the building regulations.

Properties with negative cash flows (e.g. properties that have been vacant in the long term) and underused properties in specific cases (if their usage purpose has been assured under the building regulations) are measured using the liquidation value method. The land value is derived in the same way as for undeveloped land, although demolition expenses and any remaining net income are taken into account too.

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

In particular, the following significant uobservable inputs are considered for the valuation:

- Future rental income, based on the individual location, type, size and quality of the property, under consideration of the conditions of existing rental agreements, other contracts or external indicators such as normal market rents for comparable properties
- Estimates of vacancy rates, based on current and expected future market conditions after the expiry of existing rental agreements
- Discount rates for the planning period of ten years to reflect the current market estimations regarding uncertainty as to 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
- zCosts of construction work such as renovations for tenants in connection with future new rental agreements, measures designed to preserve the quality of the property, renovations, modernisations and development projects based on current and expected future market conditions

D.2 PROPERTY, PLANT AND EQUIPMENT

Assets included in property, plant and equipment are recognised at their acquisition or production costs and depreciated straight line over their expected useful life. Subsequent recognition occurs if this is associated with an increase in the useful value of the tangible asset. The useful life of an as-set is reviewed annually, as is any residual value, and adjusted if necessary.

Subsidies received are deducted during calculation of the acquisition costs..

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

Useful lives of property, plant and equipment in years	2020	2019
Owner-occupied properties	50–60	50–60
Technical equipment and machines	8–15	8–15
Other operating and office equipment	3–13	3–13

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

D.3 INTANGIBLE ASSETS

Intangible assets are capitalised at their acquisition cost. Acquisition costs comprise the purchase price including directly attributable incidental acquisition costs incurred in bringing the asset to its working condition for its intended use.

Amortisation of intangible assets is generally applied on a straight-line basis in accordance with their economic useful life. The useful lives and amortisation methods are reviewed periodically to ensure that the amortisation method and period are consistent with the expected pattern of economic benefits from the assets.

D.4 IMPAIRMENTS OF NON-FINANCIAL ASSETS

Every year, intangible assets and property, plant and equipment are tested for impairment in accordance with IAS 36 and companies measured at equity are tested for impairment in accordance with IAS 28. These tests determine if there are indications of a possible impairment. If this is the case, the recoverable amount for the asset in question is calculated as the higher value on the basis of the fair value less disposal costs or the value in use. If the recoverable amount of an asset is lower than the carrying amount, an impairment loss is immediately charged on the asset through profit or loss.

In the financial year, there was no occasion to carry out an impairment test on property, plant and equipment or intangible assets with a finite useful life as there were no indications of impairment or cases of damage.

In connection with the ongoing coronavirus pandemic, a decline in the share prices of listed property companies has been observed since March 2020. Aroundtown's share price also fell in the 2020 financial year and, at Euro 6.12 on 31 December 2020, stood below the carrying amount per share for the shares in Aroundtown accounted for using the equity method of Euro 9.11 (before adjustment for treasury shares). In light of this and in accordance with IAS 28.42, the carrying amount of the investment must be tested for impairment by comparing its recoverable amount with the carrying amount. We refer to the disclosures in section E.3.

D.5 OTHER FINANCIAL ASSETS

The other financial assets primarily consist of loans to minority shareholders of WCM as well as restricted credit balances. These are measured at amortised cost.

They also contain derivative financial instruments, which are measured at fair value through profit or loss on the reporting date or, if the fair value cannot be reliably determined, at cost.

D.6 RECOGNITION OF LEASES BY THE LESSEE

According to IFRS 16, a contract is a lease if it grants the right to use an asset for a period of time in exchange for consideration. From the date on which the lessor hands the asset over to the lessee for use, the lessee must recognise a liability and a corresponding right of use to the leased asset (a “right-of-use asset”). The liability for the lease is recognised as a liability equal to the present value of the future lease payments. The cost of the right-of-use asset consists of the liability for the lease and any other components. The right-of-use asset is amortised on a straight-line basis over the term of the contract or over its useful life if shorter. The current lease payments are split into an interest and a principal component and reduce the liability for the lease accordingly.

The right-of-use asset is recognised separately from other assets in the line item “Right-of-use assets”. Liabilities for leases are recognised in the line item “Other non-current liabilities” or “Other current liabilities”.

The TLG IMMOBILIEN Group utilises the recognition exemptions provided by IFRS 16.5 and, as such, does not recognise right-of-use assets or liabilities for leases for leases with a contractual term of twelve months or less or for leases (on a case-by-case basis) in which the underlying asset is of low value. The expenses resulting from such contracts are recognised through profit or loss when the leased objects are used.

D.7 RECOGNITION OF LEASES BY THE LESSOR

Under IFRS 16, rental agreements for the properties are to be categorised as operating leases as the significant risks and rewards in connection with the property remain with the TLG IMMOBILIEN Group.

The income from operating leases is recognised in the statement of comprehensive income as net operating income from letting activities on a straight-line basis over the term of each contract.

D.8 INVENTORIES

Inventories include land and buildings intended to be sold as part of the normal course of business. This can exceed a period of twelve months. Upon acquisition, inventories are measured at cost. On the reporting date, inventories are measured at the lower of 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 cost to complete 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 recognised in the statement of financial position. The subsequent measurement is at amortised cost.

The Group uses the simplified approach of IFRS 9 to determine the expected credit losses from trade receivables and other receivables from tenants. It, therefore, recognises an allowance equal to the lifetime ECL (expected credit loss) upon initial recognition and on every subsequent reporting date. IFRS 9 defines the lifetime ECL as the expected credit losses that arise if borrowers default on their obligations at some time during the expected life of the financial asset.

D.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried at amortised cost and include cash, demand deposits, other short-term highly liquid financial assets with original maturities of three months or less and bank overdrafts. Exploited overdrafts are recognised in the statement of financial position under current liabilities due to financial institutions.

Restricted credit balances are recognised under financial assets if they 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 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.

Liabilities which are being disposed of as part of the planned sale are a component of the disposal group or discontinued operation and are disclosed separately.

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

D.12 LIABILITIES DUE TO FINANCIAL INSTITUTIONS AND CORPORATE BONDS

When first recognised in the statement of financial position, liabilities due to financial institutions are recognised at fair value less the transaction costs directly linked to the loan. After initial recognition, interest-bearing loans are valued by using the effective interest rate method at amortised cost. Gains and losses are recognised through profit or loss 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 principal payments will result in the recalculation of the carrying amount of the liability in the amount of the present value and on the basis of the originally determined effective interest rate. The difference between this and the previous carrying amount of the liability is recognised through profit or loss.

If changes to rates lead to significantly different contractual conditions according to IFRS 9.B.3.3.6, the original liability is treated, in accordance with IFRS 9.3.3.2, as though it were completely repaid. Subsequently, a new liability is then recognised at fair value.

D.13 PENSION PROVISIONS

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

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

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

Actuarial gains and losses are recognised in the statement of financial position completely within the period of their origination under other reserves. The actuarial gains and losses are not recognised in profit or loss 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 for 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 benefit obligations.

D.14 SHARE-BASED PAYMENTS

As compensation for work performed and as an incentive to build long-term ties with TLG IMMOBILIEN, the Management Board and selected managers of the Group receive share-based payments in the form of a long-term incentive (LTI) scheme. The LTI entitles the beneficiary to an amount of remuneration determined by the EPRA NAV of the company. As such, it is a share-based payment transaction in the sense of IFRS 2.

Claims under the LTI plan are settled in cash, rendering it a cash-settled plan.

In accordance with IFRS 2.30, share-based compensation commitments with cash settlement require the recognition of a provision in the income statement over the vesting period. The expenses are recognised as personnel expenses. On every reporting date, a suitable measurement method must be used to measure the fair value of the liability and the provision must be adjusted to that value.

For a description of the LTI scheme, see section H.10 and the remuneration report in the management report.

D.15 OTHER PROVISIONS

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

D.16 DERIVATIVE FINANCIAL INSTRUMENTS

In the TLG IMMOBILIEN Group, derivative financial instruments are used to hedge against interest rate risks from real estate financing. TLG IMMOBILIEN only hedges cash flows resulting from future interest payments. Derivative financial instruments are recognised at fair value. Changes in the fair values of the derivative financial instruments are recognised through profit or loss as long as there is no hedging relationship in the sense of IFRS 9.

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

D.17 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

D.18 DETERMINATION OF FAIR VALUE

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

Level 1: The (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. the price) or indirectly (i.e. derived from the price)

Level 3: Measurement parameters based on unobservable inputs for the asset or liability

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

The company checks for transfers between the levels at the end of each financial year. In the 2020 financial year, just as in the previous year, there were no transfers between individual input levels.

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

In summary, the fair value hierarchy is as follows:

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

D.19 RECOGNITION OF REVENUE AND EXPENSES

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

The income from operating costs must be divided into separate lease components and non-lease components. Lease components are elements of the consideration for the rental relationship and, therefore, increase rental income. This applies to land tax and building insurance as types of operating costs. TLG IMMOBILIEN has the role of principal for all other types of operating costs as the inventory risk is always borne by TLG IMMOBILIEN, especially in the event of vacancies.

Income from the disposal of property is recognised once the significant risks and rewards associated with the property have transferred to the purchaser. The economic transfer of ownership can generally be assumed once the essential ownership rights, rights of use and power of disposal have transferred to the purchaser. Revenue is not recognised 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 profit or loss when the service is rendered or on the date they are incurred.

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

D.20 GOVERNMENT GRANTS

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

Investment subsidies are grants intended to facilitate the acquisition or creation of an asset. The TLG IMMOBILIEN Group deducts them from the cost of the asset on the assets side of the statement of financial position. As the resulting amount of depreciation is lower, the grants are spread proportionally over the useful life of the asset, provided that it is subject to depreciation or amortisation.

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

D.21 CURRENT AND DEFERRED TAXES

Income taxes represent the sum of current and deferred taxes.

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

Deferred taxes are recognised for the differences between the carrying amounts of the assets and liabilities in the consolidated financial statements and the corresponding taxable values as part of the calculation of taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences; deferred tax assets are recognised in so far as it is likely that taxable gains exist for which the deductible temporary differences can be used. Deferred tax assets also include reductions in tax resulting in subsequent years from the expected use of existing tax 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 assets 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 assets and liabilities reflects the tax consequences which could result from the way the Group expects to settle the liability or realise the asset on the reporting date.

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

Deferred tax assets 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 assets and liabilities concern income tax which will be collected by the same tax office and which concerns the same tax subject.

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

D.22 BORROWING COSTS

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

D.23 MAJOR DISCRETIONARY DECISIONS AND ESTIMATES

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

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

This applies to the following issues in particular:

- The measurement of investment property: The expected cash flows, the presumed vacancy rate, the discount rate and the capitalisation rate in particular represent significant measurement parameters. Items are measured using the discounted cash flow method, whereby future cash flows are discounted on the reporting date. These estimates contain assumptions as to the future. Given the number of properties in question and their geographical distribution, individual measurement uncertainties generally cancel one another out statistically. The measurements are made by an external valuation expert on the basis of publicly available market data as well as on the basis of the extensive knowledge of the TLG IMMOBILIEN Group in each regional sub-market. Due to the continued inability to assess the impact of the COVID-19 pandemic for 83 properties (7 office properties, 55 retail properties, 5 hotel properties, and 16 other), which together represent around 29 % of the portfolio value, the assigned appraisers performed their appraisals citing significant valuation uncertainty. Please see section E.1.
- Whether or not deferred tax assets can be recognised: These are recognised if it is likely that future tax advantages can be realised. The actual amount of taxable income in future financial years and the actual usefulness of deferred tax assets might deviate from expectations as at the date on which the deferred assets were capitalised. Please see section E.15.
- Measurement at equity: TLG IMMOBILIEN's share of the joint capital of Aroundtown (approx. 13.53 %) is measured using the equity method although TLG IMMOBILIEN held less than 20 % of the voting rights as at 31 December 2020. As the company was already promised a seat on the management board of Aroundtown as part of the share acquisition and as this has made it possible to

exercise significant influence, the interest in Aroundtown is measured using the equity method in accordance with IAS 28.6. Mr Ran Laufer was appointed officially as the member of the board of directors assigned by TLG IMMOBILIEN in the general meeting on 16 December 2019. There were no changes in this regard in the 2020 financial year. Please see section E.3.

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

The estimate regarding future business developments also factored in the realistically expected future economic environment in the sectors and regions in which the TLG IMMOBILIEN Group operates. Although the management assumes that the assumptions and estimates agreed are reasonable, any unforeseen changes to these assumptions can influence the net assets, cash flows and financial performance of the Group. This uncertainty not only affects the consequences of lockdown measures with regard to the solvency of tenants but may also involve changes to the demand for the various asset classes over the middle-term and long-term. In some cases, the valuers have also explicitly pointed out the existing uncertainties in their assessment. This applies in particular to the consequences of the COVID-19 pandemic, which is causing increased uncertainty in the assessment of future business development. The company takes a differentiated view of these consequences.

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 opportunities 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 commercial real estate portfolio.

Therefore, in line with the criteria of IFRS 8, only one reportable segment which encompasses all operating activities of the Group, including WCM, was identified. Reports on this segment are regularly submitted to the main decision-makers. The main decision-makers manage the allocation of resources for this 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. In the 2020 financial year, no one client generated more than 10 % of the total revenue. In the previous year, one client generated a revenue of Euro 26,795 thousand and, therefore, more than 10 % of the total revenue.

D.25 RECOGNITION OF NON-CONTROLLING INTERESTS

The limited liability capital of non-controlling shareholders is always recognised under other liabilities as liabilities to non-controlling interests in accordance with IAS 32.18(b) in conjunction with IFRS 9.4.2.1.

The other shares of non-controlling shareholders are recognised on the basis of whether the shares are to be presented within equity or liabilities in line with their contractual structures in accordance with IAS 1.54 (q). Primarily, this depends on the extent to which the non-controlling interests participate in the profit or loss of the company through their contractual structures (put options, guaranteed dividends, etc.).

E. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

E.1 INVESTMENT PROPERTY

In the 2020 and 2019 financial years, the carrying amount of the investment property developed as follows:

in Euro thousand	2020	2019
Carrying amount as at 01/01	**4,707,397**	**4,067,527**
Acquisitions	74,719	88,419
Capitalisation of construction activities and modernisation expenses	65,027	52,284
Change in value of properties held for sale	75,044	21,548
Reclassification as assets held for sale	–1,043,373	–155,947
Reclassification as property, plant and equipment	–1,050	0
Result from the remeasurement of investment property	361,837	638,366
Disposals	0	–4.800
Other	1,780	0
Carrying amount as at 31/12	**4,241,381**	**4,707,397**

The portfolio of investment property decreased by 10 % to Euro 4,241,381 thousand in the reporting year 2020 (previous year: Euro 4,707,397 thousand) in the 2020 reporting year. The main reason for this is the reclassifications to assets held for sale of Euro 1,043,373 thousand (previous year: Euro 155,947 thousand). The significant increase in reclassified properties is due to the fact that greater use was made of market opportunities for sale. The largest share of the reclassifications, some 60 % of the value, is accounted for by retail properties, followed by office properties (33 %) and hotels (7 %). For around 65 % of the reclassifications to properties held for sale, benefits and burdens had already been transfered as of the reporting date. The acquisitions, which concern four properties in Berlin and total at Euro 74,719 thousand, are only slightly below those of the previous year (Euro 88,419 thousand).

The additions from the capitalisation of building measures amounting to Euro 65,027 thousand (previous year: Euro 52,284 thousand) are divided into current measures of Euro 11,143 thousand (previous year: Euro 22,652 thousand), renovations of Euro 4,845 thousand (previous year: Euro 9,570 thousand) and development measures of Euro 49,040 thousand (previous year: Euro 20,062 thousand). Around 91 % (previous year: 61 %) of the capitalisations attributable to development measures took place for the two office projects under construction: “NEO” and “Annenhöfe” in Dresden in 2020. The other development measures mainly relate to preparatory measures for further construction projects.

In the 2020 reporting year, the result from the valuation of investment property and the change in value of real estate held for sale (together hereinafter referred to as market adjustment) totalled Euro 436,881 thousand (previous year: Euro 659,914 thousand). Of the market adjustment, 22 % related to objects reclassified to properties held for sale (sales) in 2020, 38 % to properties with development potential including the two properties under construction in 2020, and 40 % to the other properties.

The market adjustment of the properties sold in the amount of Euro 93,867 thousand (previous year: Euro 21,413 thousand) resulted in an increase in value of around 10 % (previous year: around 16 %) in 2020. In the case of retail properties, the increase in value is due in particular to the fact that predominantly food retail properties were sold, which proved to be crisis-proof in the COVID-19 pandemic. The increase in value of the office properties sold is due in particular to the very good locations of these properties, some of which are let long-term to tenants with strong credit ratings and low default risks. In the case of the sold hotels with the main tenant Motel One, it has become apparent that despite the uncertainties resulting from the COVID-19 pandemic, the market is primarily pricing in future opportunities.

For the properties with development potential, including the two office projects under construction in 2020, “NEO” and “Annenhöfe”, the market adjustment in the amount of Euro 166,635 thousand resulted in an increase in value in 2020 of around 29 %. Properties with development potential are those for which a higher-value use is possible on the basis of the “concept of Highest and Best Use” according to IFRS 13. The development sites are located exclusively in Berlin and Dresden, with Berlin properties predominating with a share of around 84% of the balance sheet value. The increase in value is mainly the result of project progress, slightly positive market developments and the letting of partial areas of the two office projects, of which the “NEO” office project was completed in December 2020.

The market adjustment of the investment properties as of the reporting date, excluding the development properties and the two properties under construction in 2020 amounting to Euro 176,378 thousand, resulted in an overall increase in value of around 6 %. Despite overall market dynamics having slackened somehow, the market valuation per 31 December 2020 resulted in several above-average value increases. These renewed estimates of properties’ potentials are based on fresh information being available, in particular due to market feedback in the context of the company’s intensified sales activities. Properties with above-average value increases are in particular those with long-term rental agreements with public sector tenants respectively with further development potential. The main reason for this market adjustment is the office property in the amount of Euro 192,184 thousand, which compensated for the negative effects of other usage types. The majority of the market adjustment is accounted for by Berlin office properties, with properties in central locations or leased to tenants with strong credit ratings in particular recording the highest increase in value. In particular, office properties in Dresden, Leipzig and Frankfurt am Main show similarly positive effects. The overall trend for retail properties is slightly negative in the amount of Euro 16,377 thousand. The positive market adjustment of individual Berlin retail properties (Euro 12,448 thousand), which is essentially due to the potential for a change of use or densification, cannot fully compensate for negative developments (- Euro 28,825 thousand) in the other locations. The negative market adjustment mainly affects large-scale retail properties, although the negative market effect is mitigated by the local supply character of these properties. Overall, the value of hotel properties remained stable in 2020, amounting to Euro 815 thousand. While the three hotel properties in Dresden and Leipzig show a negative market development of around 9 % (- Euro 11,116 thousand), which essentially reflects the industry-specific uncertainties resulting from the COVID-19 pandemic, there is a positive market adjustment of approximately 7 % (Euro 11,931 thousand) for the two Berlin hotel properties, which is due to the very good city centre locations combined with the positively assessed development opportunities.

As at the reporting date, the carrying amounts of the investment properties were determined on the basis of property valuations carried out by Savills Advisory Services Germany GmbH & Co. KG at around 65 %, Jones Lang LaSalle SE at around 26 % and apollo valuation & research GmbH at around 9 %.

Since 31 December 2020, TLG IMMOBILIEN AG has divided its portfolio into the asset classes office, retail, hotel, invest and other. There is no longer an overarching classification into a strategic or non-strategic portfolio. The properties allocated to the non-strategic portfolio as at 31 December 2019 are now allocated to the aforementioned asset classes.

The following overview presents the applied valuation techniques broken down by asset class. For comparative purposes, the overview of the values from the previous year has also been adapted to the new portfolio classifications.

As at 31/12/2020	**Office**	**Retail**	**Hotel**	**Invest**[1]	**Other**	**Total**
Discounted cash flow method						
Valuations [number]	58	61	5	6	8	138
Investment properties in Euro thousand	2,073,558	683,061	284,818	638,205	26,170	3,705,811
Liquidation/comparative value method (official land values)						
Valuations [number]	1	1	0	2	12	16
Investment properties in Euro thousand	3,400	9,549	0	34,700	1,120	48,769
Residual value method						
Valuations [number]	0	0	0	8	0	8
Investment properties in Euro thousand	0	0	0	486,800	0	486,800
Total						
Valuations [number]	**59**	**62**	**5**	**16**	**20**	**162**
Investment properties in Euro thousand	**2,076,958**	**692,610**	**284,818**	**1,159,705**	**27,290**	**4,241,381**

[1] One independently usable sub-area of a property otherwise valued using the discounted cash flow method has been valued using the residual value method. The proportional values have been allocated to the respective valuation method.

As at 31/12/2019	**Office**	**Retail**	**Hotel**	**Invest**[1]	**Other**	**Total**
Discounted cash flow method						
Valuations [number]	59	239	7	6	8	319
Investment properties in Euro thousand	2,088,967	1,258,562	345,542	560,208	26,359	4,279,639
Liquidation/comparative value method (official land values)						
Valuations [number]	1	2	0	4	19	26
Investment properties in Euro thousand	3,400	6,208	0	74,700	1,550	85,858
Residual value method						
Valuations [number]	1	0	0	5	0	6
Investment properties in Euro thousand	17,700	0	0	324,200	0	341,900
Total						
Valuations [number]	**61**	**240**	**7**	**15**	**28**	**351**
Investment properties in Euro thousand	**2,110,067**	**1,264,660**	**345,542**	**959,108**	**28,019**	**4,707,397**

[1] One independently usable sub-area of a property otherwise valued using the discounted cash flow method has been valued using the residual value method. The proportional values have been allocated to the respective valuation method.

As at 31 December 2020, twelve properties (previous year: 13) with a value of Euro 534,449 thousand (previous year: Euro 426,208 thousand) with development potential in which a higher use is possible in line with the IFRS 13 “Concept of the highest and best use”. One of these properties (previous year: 2) with a value of Euro 39,900 thousand (previous year: Euro 35,700 thousand) was under construction as of the reporting date. One property, which was valued using the residual value method during the construction phase in the previous year, was valued using the discounted cash flow method as of the reporting date after completion in December 2020.

With a value share of 87.4 % (previous year: 90.9 %), the vast majority of the properties have been valued using the discounted cash flow method. The liquidation/comparative value method based on standard land values at 1.1 % (previous year: 1.8 %) was applied to undeveloped plots of land, developed plots of land with negative cash flows (e.g. properties that had been vacant in the long term) and on underused properties. The residual value method was used for eight valuations with a value share of 11.5 % (previous year: 7.3 %). Use of the residual value method requires the future use to have been determined with sufficient certainty and there to be no significant obstacles preventing implementation. Properties under construction are generally measured using the residual value method. For the properties measured using the residual value method, the outstanding construction costs – including ancillary construction costs and costs of unforeseeable developments – have been estimated at an average of Euro 2,799 per square metre of gross floor area (previous year: Euro 3,147 per square metre of gross floor area) and the developer’s margin at between 5 % (previous year: 3 %) and 15 % (previous year: 15 %) for the measurement as at 31 December 2020. In the case of the property which is still in the construction phase, the developer’s margin, in line with the lower level of risk, is at the lower end of the scale for properties which are already under construction.

The result from the remeasurement of investment property in the amount of Euro 361,837 thousand (previous year: Euro 638,366 thousand) was mainly attributable to the dormant investment property portfolio, i.e. properties that were in the portfolio on both 1 January and 31 December 2020, without taking into account acquisitions and reclassifications to assets held for sale carried out in the financial year.

The following overview breaks down key measurement parameters for the dormant portfolio by region from year to year.

Dormant portfolio as at 31/12/2020 versus 31/12/2019	Unit	Berlin	Dresden/ Leipzig/ Rostock	Rhein-Main	Other sites	Total
Investment properties as at 31/12/2020[1]	Euro thousand	2,370,094	659,985	539,518	590,503	4,160,101
Change 31/12/2020 vs 31/12/2019	Euro thousand	294,247	84,416	28,645	–9,003	398,305
Change 31/12/2020 vs 31/12/2019	%	14.2	14.7	5.6	–1.5	10.6
Discount rate, weighted average as at 31/12/2020	%	3.99	4.73	4.90	5.24	4.41
Change 31/12/2020 vs 31/12/2019	points	0.24	0.05	0.30	0.30	0.22
Capitalisation rate, weighted average, 31/12/2020 [2]	%	3.93	5.35	4.80	6.00	4.61
Change 31/12/2020 vs 31/12/2019	points	–0.37	–0.74	–0.56	–0.05	–0.42
Annualised in-place rent 31/12/2020	Euro thousand	63,789	34,056	30,214	41,771	169,830
Change 31/12/2020 vs 31/12/2019	Euro thousand	1,403	1,964	–5	–191	3,171
Change 31/12/2020 vs 31/12/2019	%	2.3	6.1	0.0	–0.5	1.9
Average actual rent 31/12/2020 [3]	Euro/m²/month	12.87	9.06	13.52	9.82	11.02
Change 31/12/2020 vs 31/12/2019	Euro/m²/month	0.31	0.34	0.20	0.07	0.21
Change 31/12/2020 vs 31/12/2019	%	2.4	3.9	1.5	0.7	1.9
Average market rent 31/12/2020 [3]	Euro/m²/month	16.25	10.42	13.06	9.24	11.98
Change 31/12/2020 vs 31/12/2019	Euro/m²/month	0.35	0.48	0.02	0.05	0.22
Change 31/12/2020 vs 31/12/2019	%	2.2	4.9	0.2	0.6	1.8
EPRA Vacancy rate as at 31/12/2020	%	3.6	5.6	9.3	6.8	5.6
Change 31/12/2020 vs 31/12/2019	points	2.6	2.9	2.0	1.2	2.3
WALT 31/12/2020	years	5.3	5.8	3.1	4.4	4.8
Change 31/12/2020 vs 31/12/2019	years	–0.2	–0.6	–0.6	–0.2	-0.2

[1] Investment property as at 31 December 2020 without acquisitions 2020
[2] The capitalisation rate (weighted average) is only calculated for the properties measured using the discounted cash flow method.
[3] This calculation is made without taking into account the invest asset class

With regard to the dormant portfolio, the Euro 294,247 thousand or 14.2 % change in the value of the Berlin portfolio year over year reflects the ongoing dynamism – albeit slightly subdued year on year – of the local market that is underlined by the lower capitalisation rates as well as the higher market rent. The 14.7 % change in value at the Dresden/Leipzig/Rostock locations is influenced by the two properties under construction in 2020, one of which was completed in December 2020. The share of capitalisation of construction measures in the change in value for these locations is around 56 %. Adjusted for these capitalisations, the change in value is 6.4 %. In the Rhine-Main region, the 5.6 % change in value results primarily from the office properties at the Frankfurt am Main location. The decline in value in the other locations was essentially due to the negative performance of individual neighbourhood shopping centres. The dormant portfolio recorded a total increase in the annualised in-place rent of Euro 3,171 thousand or 1.9 % in 2020. The largest rent increase of 6.1 % resulted at the Dresden/Leipzig/Rostock locations and is almost entirely due to the completion of construction work on an office building in Dresden and its letting. The EPRA vacancy rate increased by 2.3 percentage points year on year to 5.6 %. The remaining term of the rental agreements (WALT) decreased only slightly by 0.2 years to 4.8 years.

The table below presents the fair values of the investment property by asset classes as at 31 December 2020. For comparative purposes, the overview of the values from the previous year has also been adapted to the new portfolio classifications.

As at 31/12/2020	Office	Retail	Hotel	Invest	Other	Total
Investment properties in Euro thousand	2,076,958	692.610	284,818	1,159,705	27,290	4,241,381
Discount rate, weighted average in %	4.43	5.27	5.49	3.36	7.72	4.41
Capitalisation rate, weighted average in %[1]	4.49	5.75	4.78	3.63	8.30	4.60
Average actual rent in Euro/m²/month[2,3]	11.94	9.81	14.05	-	4.69	11.03
Average market rent in Euro/m²/month[2,3]	13.98	9.42	15.54	-	3.97	12.05
EPRA Vacancy rate in %	5.1	6.6	3.0	6.4	2.5	5.5
Share of temporary rental agreements in %	97.4	96.6	99.5	94.0	99.7	97.0
WALT in years	4.6	4.7	9.2	2.4	3.9	4.7

1 The capitalisation rate (weighted average) is only calculated for the properties measured using the discounted cash flow method.
2 The average actual/market rent is calculated without taking into account parking spaces, other units and undeveloped areas.
3 This calculation is made without taking into account the Invest asset class.

31/12/2019	Office	Retail	Hotel	Invest	Other	Total
Investment properties in Euro thousand	2,110,067	1,264,660	345,542	959.108	28.019	4,707,397
Discount rate, weighted average in %	4.16	4.91	4.35	3,43	7,76	4.25
Capitalisation rate, weighted average in %[1]	4.98	6.32	5.32	3,82	9,19	5.22
Average actual rent in Euro/m²/month[2,3]	11.75	9.92	13.34	-	4,66	10.75
Average market rent in Euro/m²/month[2,3]	13.79	9.37	16.00	-	3,97	11.50
EPRA Vacancy rate in %	3.4	3.6	2.2	0,9	2,5	3.1
Share of temporary rental agreements in %	97.7	97.2	98.8	98,2	99,6	97.6
WALT in years	5.6	5.2	10.5	2,7	4,9	5.6

1 The capitalisation rate (weighted average) is only calculated for the properties measured using the discounted cash flow method.
2 The average actual/market rent is calculated without taking into account parking spaces, other units and undeveloped areas.
3 This calculation is made without taking into account the Invest asset class.

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

In addition to the calculation of market value, a analysis was carried out of the sensitivity to changes in the discount and capitalisation rates. If the discount and capitalisation rates on which the measurement of the properties was based had increased or decreased by 0.5 percentage points, the values as at 31 December 2020 would have been the following:

Investment properties as at 31 December 2020 – sensitivity analysis

As at 31/12/2020	Investment properties	Discount rate		
Values in Euro thousand		**–0.5 %**	**0.0 %**	**+0.5 %**
	–0.5 %	4,790,145	4,611,574	4,440,592
Capitalisation rate	0.0 %	4,402,493	**4,241,381**	4,088,888
	+0.5 %	4,099,515	3,952,896	3,813,253

Investment properties as at 31 December 2019 – sensitivity analysis

As at 31/12/2019	Investment properties	Discount rate		
Values in Euro thousand		**–0.5 %**	**0.0 %**	**+0.5 %**
	–0.5 %	5,302,434	5,098,664	4,904,904
Capitalisation rate	**0.0 %**	4,927,794	**4,707,397**	4,564,034
	+0.5 %	4,626,664	4,454,834	4,290,954

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 2020 or 31 December 2019:

in Euro thousand	Remaining term up to 1 year	Remaining term > 1 to 5 years	Remaining term > 5 years	Total
31/12/2020	164,822	436,252	240,882	**841,956**
31/12/2019	216,566	608,325	426,439	**1,251,329**

In the 2020 financial year, contingent rents in the amount of Euro 70 thousand (previous year: Euro 275 thousand) were collected.

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

E.2 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHTS-OF-USE

The decrease in property, plant and equipment is mainly attributable to an owner-occupied property, which was sold with a notarised purchase agreement and correspondingly reclassified to assets held for sale in the 2020 financial year. The possession, benefits and burdens were transferred in the first quarter of 2021.

The decline in intangible assets is primarily attributable to depreciation and amortisation.

The following table shows the rights-of-use accounted for in accordance with IFRS 16 and their development. See section H.13for more IFRS details.

Rights-of-use as at 31/12/2020 in Euro thousand	Property	Business and office equipment	Total
As at 01/01	**1,694**	**327**	**2,020**
Additions to rights-of-use	288	108	396
Disposals of rights-to-use	0	0	0
Amortisation	162	245	407
As at 31/12	**1,819**	**190**	**2,010**

Rights-of-use as at 31/12/2019 in Euro thousand	Property	Business and office equipment	Total
As at 01/01	**3,353**	**398**	3,752
Additions to rights-of-use	0	141	141
Disposals of rights-to-use	1,418	0	1,418
Amortisation	242	212	454
As at 31/12	**1,694**	**327**	**2,020**

E.3 SHARES IN COMPANIES MEASURED AT EQUITY

As at 31 December 2020, TLG IMMOBILIEN holds a 13.53 % stake in the joint capital of Aroundtown (as at 31 December 2019 15.03 %). In the 2020 financial year, various capital measures were carried out by Aroundtown that influenced the share of TLG IMMOBILIEN.

On 19 February 2020, shares offered as part of the takeover offer of Aroundtown SA were transferred to the shareholders of TLG IMMOBILIEN who had submitted their shares as part of the share swap. In this way, Aroundtown SA gained control over TLG IMMOBILIEN AG and its subsidiaries. As part of the merger, Aroundtown SA increased its share capital on 19 February 2020 by means of a capital increase in exchange for contributions in kind, excluding the subscription rights of shareholders, in which 312,688,188 shares were issued. Consequently, TLG IMMOBILIEN's stake in the share capital of Aroundtown SA decreased from 15.03 % to around 11.97 %. The reduction in shareholding resulted in gains of Euro 1,563 thousand from the disposal of shares in companies accounted for using the equity method, which are reported under other operating income. The share swap on 19 February 2020 created a reverse shareholding between Aroundtown SA and TLG IMMOBILIEN, which resulted in TLG IMMOBILIEN holding treasury shares indirectly via the at-equity investment in Aroundtown. In this context, the at-equity investment carrying amount was reduced by the amount of the treasury shares of Euro 330,193 thousand and deducted from equity without affecting profit or loss.

On 4 March 2020, TLG IMMOBILIEN's stake was further reduced to 11.76 % as a result of a further capital increase of Aroundtown relating to the issuing of obligatory convertible bonds. The reduction in shareholding led to losses from the disposal of shares from companies measured at equity amounting to Euro 5,604 thousand, which are reported under other operating expenses.

Furthermore, TLG IMMOBILIEN's share in Aroundtown's share capital increased by 1.77 percentage points during the 2020 financial year due to the treasury shares repurchased by Aroundtown (204,693,362 in total). The increase in shareholding was valued as if it were a notional purchase of shares. As the proportionate fair value of identifiable assets and liabilities attributable to the notional-ly acquired shares exceeded the share price of the acquired shares, a negative difference of Euro 56,539 thousand arose, which was reported in other operating income

As at 31 December 2020, TLG IMMOBILIEN, therefore, holds a 13.53 % stake in the share capital of Aroundtown. Due to the capital measures carried out in the 2020 financial year and the 1.8 % of the shares in TLG IMMOBILIEN additionally purchased by Aroundtown in the financial year, the treasury shares also increased by Euro 41,669 thousand to Euro 371,862 thousand.

In accordance with IAS 28, TLG IMMOBILIEN continues to exert a significant influence on Aroundtown and, as such, continues to measure the shares in Aroundtown according to the equity method.

The following table shows a reconciliation between the condensed financial information and the carrying amount of the Group's shares in Aroundtown:

in Euro thousand	01/01/2020 – 31/12/2020	01/09/2019 – 31/12/2019
Carrying amount as at 01/01 / as at initial consolidation	**1,580,641**	1,530,208
Proportionate consolidated net income	76,841	49,817
Proportionate other comprehensive income	-8,528	616
Income in connection with shares in Aroundtown measured at equity (in other operating income)	58,101	0
Expenses in connection with shares in Aroundtown measured at equity (in other operating expenses)	-5,604	0
Own shares from reverse shareholdin	-371,862	0
Reclassification to receivables from majority shareholders (dividend)	-25,751	0
Carrying amount as at 31/12	**1,303,838**	**1,580,641**

Determination of the proportionate remeasured equity in Aroundtown and the goodwill was finalised in the 2020 financial year:

in Euro thousand	01/09/2019
Acquisition costs	1,530,208
Proportionate remeasured equity in Aroundtown	-1,174,626
Goodwill	**355,583**

The following table shows condensed earnings and financial statement data of the Aroundtown Group (consolidated financial statements according to IFRS) as well as how they have been taken into account in the consolidated financial statements of TLG IMMOBILIEN:

in Euro thousand	31/12/2020	31/12/2019
Ownership share of TLG IMMOBILIEN in %	13.53	15.03
Non-current assets	26,240,500	21,701,900
Current assets	4,781,100	3,742,800
Non-current liabilities	-14,364,500	-11,209,200
Current liabilities	-1,074,100	-856,600
Net assets (100 %)	15,583,000	13,378,900
Less minority interests and hybrid capital investors	-5,158,200	-3,793,400
Group share in net assets	1,410,475	1,440,701
Reverse shareholdings	-207,232	0
Fair value step-up	-177,613	0
Goodwill (previous year provisional)	278,207	139,940
Carrying amount of the share in the company measured at equity as at 31/12	**1,303,838**	**1,580,641**

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Revenue	1,180,290	894,800
Net income	906,400	1,709,100
of which attributable to shareholders of Aroundtown SA	651,718	1,308,100
Other comprehensive income (OCI)	-73,201	9,500
Total comprehensive income for the year	833,199	1,718,600
of which attributable to shareholders of Aroundtown SA	578,500	1,317,600

Non-current assets consist primarily of investment property (Euro 21,172.4 million, previous year: Euro 18,127 million), which is recognised at fair value in accordance with IAS 40 in conjunction with IFRS 13. In particular, the following key assumptions are made to determine the fair value of investment property and sensitivity analyses are used for the measurement:

	31/12/2020	31/12/2019
Discount rate, weighted average in %	5.6 %	5.7 %
Capitalisation rate, weighted average in %	4.9 %	5.1 %
Market rent growth, weighted average in %	1.7 %	1.8 %
Administration costs in %	1.6 %	2.3 %

As a result, the portfolio of investment property of Aroundtown is as follows:

Investment properties as at 31 December 2020

Portfolio overview by asset classes As at 31/12/2020	Office	Hotel	Retail	Logistics/ Retail/Other	Land for development and other rights	Total
Investment Properties in Euro million	11,558	5,409	1,685	638	1,882	21,172
Average actual rent in Euro/m²/year	10.8	14.1	10.2	3.6	0	10.8
EPRA Vacancy rate in %	11.6	4.0	9.6	11.0	0	8.9
In-place rental yield in %	4.0	5.5	5.1	5.4	0	4.6
WALT in years	4.6	17.3	5.0	5.7	0	8.9

Investment properties as at 31 December 2019

Portfolio overview by asset classes As at 31/12/2019	Office	Hotel	Retail	Logistics/ Retail/Other	Land for development and other rights	Total
Investment Properties in Euro million	8,675	5,949	1,015	1,311	1,177	18,127
Average actual rent in Euro/m²/year	10.4	14.4	10.3	4.6		10.3
EPRA Vacancy rate in %	11.0	3.7	9.1	5.5		7.7
In-place rental yield in %	4.5	5.2	4.9	5.6		4.9
WALT in years	4.4	15.0	5.8	6.1		8.6

Essentially, the non-current liabilities comprise the bonds (Euro 10,386.4 million, previous year: Euro 9,138.9 million).

The carrying amount of the at-equity shareholding in the amount of Euro 1,303,838 thousand as at 31 December 2020 reflects the amortised cost of the shares (less treasury shares from the reverse shareholding) as determined on the basis of the Net Asset Value as at the acquisition date (Euro 8.30 per share). On 19 February 2020, a high of Euro 8.81 per share was reached in 2020. As at 31 December 2020, the proportionate market capitalisation of the shares was Euro 1,125,689 thousand. The share price at the balance sheet date was Euro 6.12 per share.

The NAV-based value of the shares corresponds to the value in use of the shares held in Aroundtown. It reflects the present value of the estimated future cash flows that will likely result from the investment's dividends and the final disposal of the investment. Against the background of Aroundtown's business activities, the EPRA NTA is to be used as the relevant indicator for determining the value in use as part of the EPRA NAV procedure in the 2020 reporting year. For the valuation of real estate companies, the EPRA NTA represents a suitable valuation benchmark for deriving the value in use of equity. The fair value of the shares of Aroundtown, derived from the share price, was lower than the value in use based on the EPRA NTA both on the acquisition date and as at 31 December 2020. Due to the current special market situation subject to the influence of the COVID-19 pandemic, the development of the share price has only limited informative value with regard to Aroundtown's long-term corporate development and profitability. Given the naturally limited time of the pandemic and the global roll-out of vaccination programmes, no negative economic or business impacts are expected in the long term. In general, COVID-19 effects on the share price are expected to be only temporary in nature, and not permanent. Aroundtown reported an EPRA NTA of Euro 9.50 per share as of 31 December 2020, resulting in an EPRA NTA for TLG IMMOBILIEN of Euro 1,747 million based on the shares held. This exceeds the carrying amount of the investment before adjustment of treasury shares in the amount of Euro 1,676 million, or approximately Euro 9.11 per share. As such, an unscheduled write-down to the lower fair value derived from the share price is not admissible.

E.4 OTHER FINANCIAL ASSETS

The other financial assets are classified as follows:

in Euro thousand	**31/12/2020**	**31/12/2019**
Other loans	9,027	11,690
Receivables from compensation claims	227	520
Restricted credit balances	115,398	16,368
Derivative financial instruments	2,946	1,607
Other financial assets	3,128	4,872
Total	**130,727**	**35,056**

The other loans essentially comprise loans to non-controlling shareholders of WCM.

The restricted credit balances are mainly funds that were temporarily pledged in connection with the exchange of collateral in existing loan agreements to avoid redemption costs. After the collateral exchange is completed, the funds will be released again. The increase compared to the previous year results mainly from the increased number of collateralised properties that were sold in the 2020 financial year.

The other financial assets are non-current up to the value of the other loans, derivatives as well as Euro 3,021 thousand (previous year: Euro 4,801 thousand) of the remaining assets; the rest are current.

E.5 TRADE RECEIVABLES

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

in Euro thousand	31/12/2020	31/12/2019
Trade receivables, gross	13,711	13,682
Allowances thereon	–3,035	–2,703
Total trade receivables	**10,676**	**10,979**
of which from rental and management	10,397	10,355
of which from the sale of properties	78	129
of which other trade receivables	201	494

All trade receivables are current.

For the development of allowances and the collateral received, please see section H.3.

E.6 OTHER RECEIVABLES AND ASSETS

Other receivables and assets can be broken down as follows:

in Euro thousand	31/12/2020	31/12/2019
Receivables from majority shareholders	26,169	0
Total other receivables and assets	22,725	24,044
Accruals and deferrals	3,660	4,367
Prepayments made	35	36
Accruals and deferrals from rent incentives granted	17,338	18,177
Other assets remaining	1,692	1,465
Total receivables and assets	**48,894**	**24,044**

Receivables from the majority shareholder Aroundtown are current and mainly include receivables from the dividend payment of Euro 25,751 thousand resolved at the annual general meeting on 15 December 2020.

The accruals and deferrals include negative start values from interest rate derivatives which are reversed over the term of the respective hedging instrument.

The accruals and deferrals from rent incentives granted essentially comprise rent-free periods, broker costs and subsidies for original hotel equipment.

Other receivables and assets amounting to Euro 3,013 thousand (previous year: Euro 2,958 thousand) are current; the rest are non-current.

E.7 INVENTORIES

Inventories are subdivided as follows:

in Euro thousand	31/12/2020	31/12/2019
Land with completed buildings	92	92
Undeveloped land	642	642
Total	**734**	**734**

More information on the inventories can be found in the table below:

in Euro thousand	2020	2019
Amount of inventories recognised as an expense in the reporting period	0	3
Amount of inventories with a retention period of more than one year	734	731

E.8 CASH AND CASH EQUIVALENTS

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

in Euro thousand	31/12/2020	31/12/2019
Bank balances	524,018	523,946
Cash and cash equivalents	7	4
Total cash and cash equivalents	**524,025**	**523,950**

Bank balances are subject to variable interest rates for callable loans. Short-term deposits are made for time periods of up to three months.

E.9 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The carrying amount of the assets held for sale developed as follows:

in Euro thousand	2020	2019
Carrying amount as at 01/01	**3,018**	**33,080**
Reclassification from investment property	1,043,373	155,947
Reclassification from property, plant and equipment	9,163	0
Disposal through sale of land and buildings	–677,376	–186,009
Carrying amount as at 31/12	**378,178**	**3,018**

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 property.

As of the reporting date, 47 (previous year: 2) properties were recognised as held for sale, mainly properties in the retail asset class (39 properties). With the exception of one property, for which the purchase agreement was signed in February 2021, all sales had been notarised as at the reporting date. For 32 of these properties, the transfer of benefits and burdens took place in the first quarter of 2021.

E.10 EQUITY

As at the reporting date, the subscribed capital of the company was Euro 112,190 thousand (previous year: Euro 112,073 thousand). The share capital is fully paid-in. There are no other share types.

Development of other components of equity

The capital reserves amount to Euro 1,124,078 thousand (previous year: Euro 1,148,041 thousand). In particular, the changes (Euro -23,963 thousand) are due to the share capital increase in exchange for contributions in kind in connection with the settlement offer to the outside shareholders of WCM AG and the withdrawal of Euro 26,000 thousand for allocation to the retained earnings under commercial law (revenue reserves).

The retained earnings of the Group have increased by Euro 383,633 thousand to Euro 1,961,005 thousand (previous year: Euro 1,577,372 thousand). This was due to the Euro 470,846 thousand in net income attributable to the shareholders of the parent company, the above-mentioned withdrawal from the capital reserves as well as the payment of a dividend of Euro 107,694 thousand to the shareholders in the financial year, which equates to Euro 0.96 per eligible no-par value share.

Accumulated other reserves include actuarial gains and losses of Euro 3,100 thousand (previous year: Euro 3,015 thousand accumulated fair value adjustments of derivatives in cash flow hedges of Euro 998 thousand (previous year: Euro 1,301 thousand) and other comprehensive income (OCI) from companies measured at equity in the amount of Euro 8,512 thousand (previous year: Euro -616 thousand).

The deferred taxes are attributable to the accumulated other reserves as follows:

01/01 – 31/12/2020 in Euro thousand	**Before deferred taxes**	**Deferred tax result**	**After deferred taxes**
Changes in the fair value of interest rate derivatives in cash flow hedges	438	–134	304
Actuarial profits and losses	–123	38	–85

01/01 – 31/12/2019 in Euro thousand	**Before deferred taxes**	**Deferred tax result**	**After deferred taxes**
Changes in the fair value of interest rate derivatives in cash flow hedges	1,577	–484	1,093
Actuarial profits and losses	–1,177	361	–816

The treasury shares result from the reverse shareholding between TLG IMMOBILIEN and Aroundtown SA, which was created by the share swap on 19 February 2020. The amount of treasury shares (Euro 371,862 thousand) held indirectly by TLG IMMOBILIEN via the at-equity investment in Aroundtown was deducted from equity without affecting profit or loss. In this context, the at-equity investment carrying amount was reduced by the same amount. For the development of the at-equity investment, please see section E.3.

Development of the equity of hybrid capital providers

On 23 September 2019, TLG IMMOBILIEN issued an unsecured, subordinated hybrid bond with a total nominal value of Euro 600 million through its subsidiary TLG Finance S.à r.l., Luxembourg (the issuer). The replacement of TLG Finance S.à r.l. as issuer by Aroundtown SA became effective with the corresponding amendment of the global certificate evidencing the hybrid bond on 29 September 2020. The replacement was previously the subject of a voting procedure of the hybrid bond holders in accordance with the applicable provisions of the German Bond Act, which was concluded on 20 August 2020. The original capital procurement costs of the hybrid bond were reclassified within equity to retained earnings without affecting profit or loss.

As consideration for the substitution, TLG Finance S.à r.l. issued two registered bonds (hybrid bonds), each in the amount of Euro 300 m, whose holder is Aroundtown, in order to preserve the previous capital structure of TLG IMMOBILIEN. Both hybrid bonds were issued without a fixed term. Until the first reset date on 20 December 2045 and 23 December 2024, respectively, the hybrid bonds provide for a fixed interest rate of 3.401 % p.a. each. Throughout the term of the hybrid bonds, the issuer can suspend interest payments, although postponed interest is not itself subject to interest.

Due to the contractual structures described above for the two hybrid loans, these must be classified completely as equity in accordance with IAS 32. The raised capital was recognised in equity, less the transaction costs and with consideration for deferred taxes. The interest payments to be made to the bond holders and income taxes attributable to them are recognised directly in equity.

E.11 LIABILITIES DUE TO FINANCIAL INSTITUTIONS

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

Loans totalling Euro 59,890 thousand were taken out in the 2020 financial year (previous year: Euro 142,796 thousand).

As at 31 December 2020, loans maturing in 2021 totalling Euro 61,081 thousand (previous year: Euro 65,352 thousand) and the scheduled repayments to be made in 2021 are reported as due within one year.

The liabilities were generally secured by the provision of physical securities, the assignment of rights arising from the rental agreements and the pledging of shareholdings, with the exception of WCM. Generally, the predominant majority of the properties in the portfolio serve as collateral.

Liabilities due to financial institutions have the following remaining terms:

in Euro thousand	31/12/2020	31/12/2019
Remaining term up to 1 year	71,818	76,075
Remaining term longer than 1 year	826,390	960,812

E.12 CORPORATE BONDS

The takeover of TLG IMMOBILIEN by Aroundtown SA on 19 February 2020 has activated change-of-control clauses in the bond conditions, which, in the event of a change of majority, entitle the bondholders to extraordinary rights of termination under certain circumstances. On the basis of the conditions that were published in the Federal Gazette on 24 February 2020, TLG IMMOBILIEN's Euro 400 million bond which matures in 2024 (ISIN XS1713475215) was reduced by around Euro 260 million on 4 May 2020.

In July 2020, TLG IMMOBILIEN agreed with Aroundtown on the substitution of TLG IMMOBILIEN as issuer and debtor of all corporate bonds issued by it, the majority shareholder Aroundtown, with TLG IMMOBILIEN continuing to act as guarantor. As consideration for the substitution, the corporate bonds were replaced by shareholder loans to Aroundtown. As at 31 December 2020, there are non-current liabilities in the amount of Euro 1,200,000 thousand and current liabilities in the amount of Euro 147,861. thousand

E.13 PENSION PROVISIONS

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

As at 31 December 2020, Euro 2,551 thousand (previous year: Euro 2,508 thousand) of the present value of the benefit obligation was attributable to the group of former scheme members and Euro 6,288 thousand (previous year: Euro 6,486 thousand) was attributable to the group of pensioners and survivors. The average term of the obligations towards the managing directors is 12.97 (previous year: 13.47) years. The company accrued payments for 2020 under pension schemes totalling Euro -335 thousand (previous year: Euro -328 thousand).

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 %	31/12/2020	31/12/2019
Interest rate	0.60	0.65
Pension trend[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 2018G mortality tables were used for the biometric assumptions.

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

in Euro thousand	2020	2019
Present value of obligations as at 01/01	**8,994**	**8,019**
Interest expenses	57	126
Pension benefits paid directly by employer	–335	–328
Actuarial losses	123	1,177
Present value of obligations as at 31/12	**8,839**	**8,994**

The actuarial losses resulting from the adjustment of the discount rate were recognised in other comprehensive income. Of this amount, a loss of Euro 66 thousand (previous year: Euro 136 thousand) is attributable to experience adjustments in the current year and a loss of Euro 57 thousand to changes in financial assumptions (previous year: Euro 1,040 thousand). Overall, accumulated other reserves comprise actuarial losses before deferred taxes of Euro 4,471 thousand (previous year: Euro 4,348 thousand).

Expenses of Euro 848 thousand (previous year: Euro 860 thousand) for defined benefit plans arose in the current year. These essentially consist of contributions to the statutory pension scheme.

Based on the obligations accounted for on the reporting dates, a change to the individual parameters would have had the following impact on the present value of the obligation if the other assumptions had remained constant.

Sensitivity analysis 2020 in Euro thousand	Change in assumption	Increase in assumption	Decrease in assumption
Interest rate	1.00 %	7,805	10,101
Pension trend[1]	0.50 %	9,256	8,455

Sensitivity analysis 2019 in Euro thousand	Change in assumption	Increase in assumption	Decrease in assumption
Interest rate	1.00 %	7,904	10,331
Pension trend[1]	0.50 %	9,441	8,584

[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, rate of pension progression or mortality do not cause the same absolute amount of difference in the calculation of the pension provisions. When multiple assumptions change at the same time, the resulting overall effect will not necessarily match the sum of each individual effect. Furthermore, the sensitivities only reflect a change in the pension obligations for the specific magnitude of each change to the assumptions (e.g. 0.5 %). If the assumptions change in a different order of magnitude, this will not necessarily have a linear impact on the amount of the pension provisions.

E.14 OTHER PROVISIONS

The other provisions developed as follows in the financial year:

in Euro thousand	As at 01/01/2020	Addition	Consumption	Reversal	As at 31/12/2020
Provisions from litigation risks	1,773	2,994	–709	–196	3,863
Other miscellaneous provisions	5,592	1,759	–3,288	–2,193	1,870
Total	**7,365**	**4,753**	**–3,997**	**–2,389**	**5,733**

The provisions for litigation risks concern the risks of ongoing court proceedings and were formed to match the expected claims. Some legal disputes were settled in the reporting year.

Miscellaneous other provisions mainly include provisions for risks in connection with severance claims.

E.15 DEFERRED TAXES

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

	31/12/2020		31/12/2019	
in Euro thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Investment property and owner-occupied property	0	856,848	0	780,699
Property, plant and equipment	979	0	0	1,611
Intangible assets	0	20	0	2
Other non-current financial assets	0	904	2,477	0
Other assets	1,107	6,974	7,192	10,123
Properties held for sale	0	63,303	0	0
Pension provisions	1,369	0	1,420	0
Other provisions	0	23	1,027	0
Financial liabilities	16,139	231	9,628	6,687
Other liabilities	1,988	0	1,143	1,871
Deferred taxes on taxable temporary differences	**21,582**	**928,302**	**22,887**	**800,992**
Loss carryforwards/interest carryforwards	77,342	0	80,897	0
Total deferred taxes before offsetting	**98,924**	**928,302**	**103,784**	**800,992**
Offsetting	98,924	98,924	103,784	103,784
Balance sheet disclosure after offsetting	**0**	**829,378**	**0**	**697,208**

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

in Euro thousand	31/12/2020	31/12/2019
Deferred tax assets		
- realised after more than 12 months	59,690	95,438
- realised within 12 months	39,234	8,345
Total deferred tax assets	**98,924**	**103,783**
Deferred tax liabilities		
- realised after more than 12 months	864,976	795,415
- realised within 12 months	63,326	5,577
Total deferred tax liabilities	**928,302**	**800,992**

Deferred taxes amounting to Euro 1,990 thousand (previous year: Euro 1,171 thousand) for outside basis differences in the amount of Euro 129,788 thousand (previous year: EUR 76,393) are not recognised.

There are unused tax losses of approximately Euro 64,000 thousand at WCM level (previous year: Euro 158,000 thousand) for corporate income tax, for which no deferred tax assets were recognised, as their usability is not sufficiently probable from today's perspective. As a result of the indirect takeover of WCM by Aroundtown, the trade losses that could still be carried forward in the previous year and a share of the losses carried forward for corporate income tax no longer exist.

E.16 TAX LIABILITIES

Tax liabilities are subdivided as follows:

in Euro thousand	31/12/2020	31/12/2019
Provisions for corporate income tax	8,142	4,492
Provisions for trade tax	10,026	5,021
Total tax liabilities	**18,168**	**9,514**

The increase in tax provisions compared to the previous year is mainly due to a higher result from the determination of taxable profits. We refer to the disclosures in section F.10.

E.17 LIABILITIES

The liabilities are classified as follows:

in Euro thousand	31/12/2020	31/12/2019
Trade payables	**22,735**	**38,560**
Liabilities due to majority shareholders	**1,350,089**	**0**
Total other liabilities	**44,300**	**45,139**
Liabilities to minorities	18,487	21,503
Miscellaneous other liabilities	17,434	13,445
Liabilities to WCM shareholders	2,622	2,622
Leasing liabilities	2,042	2,031
Liabilities to employees	1,419	2,472
Accruals and deferrals from derivative financial instruments	1,380	1,649
Investment subsidies	580	623
Other taxes	314	794
Advance payments received	22	0
Total liabilities	**1,417,124**	**83,699**

The liabilities have the following remaining terms:

in Euro thousand	31/12/2020	31/12/2019
Up to 1 year	194,381	56,074
1–5 years	601,692	1,675
Over 5 years	621,051	25,950
Total	**1,417,124**	**83,699**

The liabilities to majority shareholders mainly include the loans from Aroundtown due to the substitution of the corporate bonds in July 2020 as well as the accrued interest liabilities from these loans. We refer to the disclosures in section E.12.

The liabilities to non-controlling interests mainly concern the minority shareholders of the WCM subsidiaries as at the reporting date.

The liabilities to WCM shareholders are due to the guaranteed dividends for the 2020 and 2021 financial years.

The investment subsidies comprise received subsidies which are realised pro rata in profit or loss over the term of the rental agreement. Of the Euro 580 thousand in investment subsidies Euro 557 thousand is long term.

The accruals and deferrals from derivative financial instruments include positive start values from floor transactions which are reversed over the term of the hedging instrument.

Miscellaneous other liabilities mainly include debtors with credit balances and obligations in connection with the sale of shares in subsidiaries.

F. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

F.1 NET OPERATING INCOME FROM LETTING ACTIVITIES

In the 2020 financial year, the income from letting activities decreased by almost 5 %, due primarily to the properties sold in the 2020 financial year.

The ratio of expenses relating to letting activities to income from letting activities is stable.

In the financial year, rent guarantees totalling Euro 585 thousand (previous year: Euro 494 thousand) were accepted.

F.2 RESULT FROM THE DISPOSAL OF PROPERTIES

The result from the disposal of properties developed as follows in 2020 and in the previous year:

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Proceeds from the disposal of properties	677,384	186,035
Carrying amount of properties disposed of	–677,375	–186,013
Change in value of properties held for sale	75,044	21,548
Costs of the disposal of properties	–10,433	–1,037
Result from the disposal of properties	**64,620**	**20,533**

The change in the value of properties held for sale contains the upward revaluation of four properties which were disposed of through individual transactions and of a property which was disposed of as part of the disposal of a real estate company.

In addition, the change in value of properties held for sale includes a positive result of Euro 24,586 thousand (previous year: Euro 1,338 thousand), which resulted from the revaluation of properties for which purchase agreements had been concluded but the transfer of ownership had not yet taken place as at 31 December 2020. The transfer of benefits and burdens is planned for the properties in the first half of 2021.

F.3 RESULT FROM THE REMEASUREMENT OF INVESTMENT PROPERTY

The result from the remeasurement of investment property remained primarily positive in the 2020 financial year. This is reflected by the increase in value which can be observed on the market, in particular with regard to the office property asset class and also within the real estate portfolio for Berlin.

See section E.1 for more details.

F.4 OTHER OPERATING INCOME

The other operating income developed as follows:

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Income in connection with shares in Aroundtown measured at equity	58,656	0
Reversal of allowances	1,478	631
Income from previous years	866	591
Miscellaneous other income	3,121	534
Total	**64,120**	**1,756**

The item Income in connection with shares in Aroundtown measured at equity results from the effects of the capital increase and the share buyback programme of Aroundtown in the 2020 financial year. These capital measures reduced the share held by TLG IMMOBILIEN in Aroundtown by a total of 1.5 % during the year. See also section E.3.

Miscellaneous other income mainly includes income from the derecognition of time-barred liabilities and income from contractual penalties.

F.5 PERSONNEL EXPENSES

Personnel expenses were as follows in the 2020 and 2019 financial years:

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Salaries	10,478	11,072
Social security and pension costs	1,844	1,846
Bonuses	1,680	2,040
Exit compensation	3,304	1,278
Share-based remuneration component according to IFRS 2	–806	2,485
Total	**16,500**	**18,720**

Salaries have decreased by Euro 594 thousand due to the lower number of employees. Overall, personnel expenses decreased due to the release of provisions for share-based payment for the Management Board. This was offset by expenses in connection with severance claims.

See also section H.10.

F.6 DEPRECIATION AND AMORTISATION

Depreciation and amortisation developed as follows:

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Intangible assets	1,145	919
Land and land rights with buildings	342	464
Other equipment and business and office equipment	402	345
Total	**1,889**	**1,728**

F.7 OTHER OPERATING EXPENSES

The other operating expenses essentially comprise the following line items:

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Other	9,227	4,074
Expenses in connection with shares in Aroundtown measured at equity	5,558	0
Consultancy and audit costs	3,859	10,726
General IT and administrative costs	3,282	3,516
Depreciation and write-offs of receivables	3,028	2,763
Incidental costs of business premises	538	559
Corporate advertising	530	843
Other taxes	224	4
Vehicle and travel expenses	187	513
Total	**26,434**	**22,997**

The item Expenses in connection with shares in Aroundtown measured at equity results from the effects of the capital measures of Aroundtown, which reduced the share held by TLG IMMOBILIEN in Aroundtown by 0.2 % during the year and at the same time reduced the carrying amount of the investment accounted for using the equity method. See also section E.3.

The Other item mainly includes expenses in connection with the disposal of a subsidiary (Euro 2,476 thousand) as well as court and litigation costs, fees for fair value appraisals and Supervisory Board remuneration.

F.8 FINANCIAL RESULT

The financial result is broken down as follows:

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Net interest from bank balances	1	21
Net interest from default interest and deferrals	192	123
Other financial income	800	244
Total financial income	**994**	**388**
Interest expenses for interest rate derivatives	6,491	6,822
Interest from loans and bonds	27,951	28,412
Interest expenses from pension provisions	57	126
Other financial expenses	32,593	8,898
Total financial expenses	**67,092**	**44,257**
Financial result	**66,099**	**43,869**

The reason for the increase in other financial expenses is primarily fully amortised transaction costs due to the substitution of the corporate bonds in July 2020 (Euro 17,227 thousand) as well as expenses for the premature repayment of loans in connection with the optimisation of the financing structure, and from sales in the amount of Euro 6,987 thousand (previous year: Euro 3,753 thousand).

F.9 RESULT FROM THE REMEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

In the 2020 financial year there were expenses of Euro -7,031 thousand from the remeasurement of derivative financial instruments (previous year: Euro -18,940 thousand).

The negative result is due primarily to changing market interest rates and the resulting market valuation of interest rate hedges on the loans.

F.10 INCOME TAXES

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

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Current income taxes	22,146	9,072
Tax expenses on distribution to hybrid capital providers	5,039	1,259
Aperiodic current income taxes	–2,706	4,252
Deferred taxes	132,284	220,648
Tax expenses	**156,763**	**235,230**

Current income taxes have increased by Euro 13,074 thousand. The higher result from the determination of taxable profits is due to the significantly higher results from the sale of properties compared to the previous year.

The income taxes unrelated to the accounting period result from the successful conclusion of an appeal procedure and from the reassessment of tax options when preparing the tax returns for the previous year.

The reduction in deferred tax expense compared to the previous year is due to a lower volume of valuation gains on investment property.

The expected (notional) expenses for income taxes can be reconciled with the income taxes in the statement of comprehensive income as follows:

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
IFRS earnings before taxes	**649.063**	**813.549**
Group tax rate in %	30,68 %	30,68 %
Expected income taxes	**199.132**	**249.556**
Deviating tax rates for subsidiaries	-1.284	–514
Special trade tax regulations	921	729
Tax-exempt income	0	–27
Non-deductible expenses	539	509
First-time recognition or carryback of loss carryforwards	-3.070	–3.714
Utilisation of previously unrecognised loss carryforwards	-1.393	–1.769
Losses without recognition of deferred tax assets	816	1.003
Losses that cannot be offset	0	341
Tax-exempt income from companies measured at equity	-39.414	–15.281
Change in scope of consolidation	2.269	0
Deferred tax on capital adjustment costs	0	282
Actual taxes for previous years	-2.706	4.252
Deferred taxes for previous years	978	–347
Other tax effects	-26	210
Effective income taxes	156.763	235.230
Effective tax rate in %	**24,15 %**	**28.91 %**

The tax rate to be applied in determining the effective income tax takes into account the current tax rates for corporate income tax of 15.0 % (previous year: 15.0 %) and the solidarity surcharge of 5.5 % (previous year: 5.5 %), which are also expected in the future according to the current legal situation. The average trade tax factor for Berlin and the municipalities in which the parent company has business premises is approx. 424 % for the financial year (previous year: 424 %). Taking into account the trade tax factor and the trade tax assessment amount of 3.5 % (previous year: 3.5 %), the trade tax rate is, therefore, 14.85 % (previous year: 14.85 %).

The domestic tax rate on which the calculated deferred taxes and expected (notional) tax expenses of the Group are based is, therefore, still 30.68 %.

The effective tax rate resulting from the income tax expenses was 24.15 % in the reporting year (previous year: 28.91 %). The main reason for the reduction in the tax rate compared to the previous year is the higher share of the tax-exempt result from companies accounted for using the equity method in the overall result.

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

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Balance of deferred tax assets at the beginning of the reporting year	103,783	99,653
Change recognised in profit or loss	-4,762	1,210
Change in equity not affecting profit or loss	-97	2,920
Deferred tax assets at the end of the reporting period	**98,924**	**103,783**
Balance of deferred tax liabilities at the beginning of the reporting period	800,992	580,142
Change recognised in profit or loss	127,521	223,116
Change in scope of consolidation	-211	–2,266
Deferred tax liabilities at the end of the reporting period	**928,302**	**800,992**

Deferred tax assets which are recognised directly in equity result from actuarial losses for pension obligations, hedge accounting reserves and transaction costs for the hybrid bond.

For more details on the deferred taxes, see section E.15.

F.11 EARNINGS PER SHARE

The earnings per share are calculated by dividing the net income for the period attributable to the shareholders by the weighted average number of ordinary shares (adjusted for the reverse shareholding in Aroundtown) outstanding within the reporting period.

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Consolidated net income for the year attributable to shareholders in Euro thousand	470,846	571,728
Weighted average number of shares issued, in thousands	102,198	107,811
Undiluted earnings per share in Euro	**4.61**	**5.30**
Number of shares with a potential dilution effect, in thousands	102,198	107,811
Diluted earnings per share in Euro	**4.61**	**5.30**

G. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement reports the changes in the cash and cash equivalents recognised in the statement of financial position through cash inflows and outflows in accordance with IAS 7.

In this regard, cash flows are broken down into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. Cash flow from operating activities is derived from earnigs before taxes using the indirect method in accordance with IAS 7, paragraph 18 (b). The cash flow from investing activities and cash flow from financing activities are determined based on cash receipts and payments.

The cash and cash equivalents contain the recognised cash and cash equivalents, i.e. cash in hand and bank balances. Please see section E.8. In 2020, a net cash flow from operating activities of Euro 101,141 thousand was generated, which decreased by Euro 30,780 thousand compared to the previous year.

This is mainly due to the decrease in rental income of Euro 12,824 thousand and the reduction of liabilities. Other income/expenses affecting cash flow primarily resulted from the consolidation effects of the at-equity investment in Aroundtown (see section E.3).

Cash flow from investing activities was Euro 370,731 thousand in 2020, which was Euro 1,924,746 thousand higher than in 2019. The difference is mainly explained by reduced purchasing and increased sales volumes. In total, the sales had an effect of Euro 612,272 thousand, which was offset by additions of Euro 72,501 thousand, while disposals of Euro 134,695 thousand were offset by additions of Euro 90,614 thousand in 2019. Furthermore, as a result of sales, Euro 99,030 thousand was reclassified to restricted cash in 2020.

Cash flow from financing activities was Euro -471,798 thousand, compared to Euro 1,792,150 thousand in 2019. The change is mainly due to the issuance of two bonds and one hybrid bond in 2019. In the financial year, TLG IMMOBILIEN repaid loans and bonds in the amount of Euro 401,929 thousand, compared with Euro 237,240 thousand in 2019. Dividend payments in 2020 and in 2019 amounted to Euro 107,694 thousand (previous year: Euro 94,140 thousand).

Financial liabilities developed as follows:

in Euro thousand	31/12/2019	Cash flows affecting payments	Non-cash change	31/12/2020
Non-current liabilities	2,539,013	-261,085	-251,538	2,026,390
Current liabilities	82,561	-115,787	255,133	221,907
Total liabilities	**2,621,574**	**-376,872**	**3,595**	**2,248,298**

in Euro thousand	31/12/2018	Cash flows affecting payments	Non-cash change	31/12/2019
Non-current liabilities	1,442,829	1,179,573	–83,389	2,539,013
Current liabilities	136,613	–135,148	81,096	82,561
Total liabilities	**1,579,442**	**1,044,425**	**–2,293**	**2,621,574**

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. In this context, with regard to the reconciliation of the statement of financial position, the non-financial liabilities are accounted for even though they are not within the scope of IFRS 7:

31/12/2020 in Euro thousand	**Measurement category according to IFRS 9**	**Carrying amount as at 31/12/2020**	**Nominal value**	**Amortised cost**	**Fair value through profit or loss**	**No financial instruments according to IAS 32**	**Fair value as at 31/12/2020**	**Fair value hierarchy level**
Other non-current financial assets (other loans)	AC	12,049	0	12,049	0	0	12,049	3
Other non-current financial assets	FVTPL	2,946	0	0	2,946	0	2,946	2
Trade receivables	AC	10,676	0	10,676	0	0	10,676	3
Receivables from majority shareholders	AC	26,169	0	26,169	0	0	26,169	3
Other current financial assets	AC	115,732	115,732	0	0	0	115,732	1
Cash and cash equivalents	AC	524,025	524,025	0	0	0	524,025	1
Total financial assets		**691,597**	**639,757**	**48,894**	**2,946**	**0**	**691,597**	
Liabilities due to financial institutions	FlaC	898,209	0	898,209	0	0	903,197	2
Trade payables	FLaC	22,735	0	22,735	0	0	22,735	3
Liabilities due to majority shareholders	FVTPL	1,350,089	0	1,350,089	0	0	1,435,199	2
Derivative financial instruments	FLaC	34,973	0	0	34,973	0	34,973	2
Other liabilities		44,300	0	1,637	0	42,663	44,300	3
Total financial liabilities		**2,350,305**	**0**	**2,272,669**	**34,973**	**42,663**	**2,440,404**	
of which financial assets aggregated by measurement category								
AC		688,651	639,757	48,894	0	0	688,651	
FVTPL		2,946	0	0	2,946	0	2,946	
of which financial liabilities aggregated by measurement category								
FLaC		2,315,332	0	2,272,669	0	42,663	2,405,431	
FVTPL		34,973	0	0	34,973	0	34,973	

31/12/2019 in Euro thousand	**Measurement category according to IFRS 9**	**Carrying amount as at 31/12/2019**	**Nominal value**	**Amortised cost**	**Fair value through profit or loss**	**No financial instruments according to IAS 32**	**Fair value as at 31/12/2019**	**Fair value hierarchy level**
Other non-current financial assets (other loans)	AC	16,491	0	16,491	0	0	16,491	3
Other non-current financial assets	FVTPL	1,607	0	0	1,607	0	1,607	2
Trade receivables	AC	10,979	0	10,979	0	0	10,979	3
Receivables from majority shareholders	AC	16,959	16,959	0	0	0	16,959	1
Other current financial assets	AC	523,950	523,950	0	0	0	523,950	1
Cash and cash equivalents		**569,985**	**540,909**	**27,470**	**1,607**	**0**	**569,986**	
Total financial assets	FLaC	1,036,887	0	1,036,887	0	0	1,034,793	2
Liabilities due to financial institutions	FLaC	1,584,688	0	1,584,688	0	0	1,638,194	1
Trade payables	FLaC	38,560	0	38,560	0	0	38,560	3
Liabilities due to majority shareholders	FVTPL	27,307	0	0	27,307	0	27,307	2
Derivative financial instruments	FLaC	45,139	0	1,716	0	43,423	45,139	3
Other liabilities		**2,732,580**	**0**	**2,661,850**	**27,307**	**43,423**	**2,783,993**	
Total financial liabilities								
of which financial assets aggregated by measurement category		568,378	540,909	27,470	0	0	568,379	
AC		1,607	0	0	1,607	0	1,607	
FVTPL								
of which financial liabilities aggregated by measurement category		2,705,273	0	2,661,850	0	43,423	2,756,686	
FLaC		27,307	0	0	27,307	0	27,307	

For the most part, the carrying amounts of cash and cash equivalents, trade receivables, other financial assets, trade payables and other liabilities have short remaining terms, with the exception of non-controlling interests. The carrying amounts correspond to the approximate fair values as at the reporting date.

H.1.2 NET RESULTS BY MEASUREMENT CATEGORY

In accordance with IFRS 7.20 (a), the net gains and losses from financial assets or financial liabilities that are measured at fair value through profit or loss or at amortised cost are to be disclosed.

The net results from these financial instruments are as follows:

in Euro thousand	01/01/2020 – 31/12/2020	01/01/2019 – 31/12/2019
Financial assets measured at amortised cost	557	1,745
Financial assets and liabilities at fair value through profit or loss	7,031	18,940
Financial liabilities measured at amortised cost	60,543	37,284
Total	**68,131**	**57,968**

The net result from financial assets measured at amortised cost comprises net interest from cash, allowances and reversals of write-downs resulting from the reversal of allowances for rent receivable and the amortisation of rent receivable. Of this amount, Euro 994 thousand (previous year: Euro 388 thousand) is included in interest income.

The net result from assets and liabilities measured at fair value through profit or loss contains the result from the remeasurement of derivative financial instruments at market values.

The net result from financial liabilities measured at amortised cost mainly includes interest expenses for current debt service on loans and bonds of Euro 27,951 thousand (previous year: Euro 28,412 thousand), as well financial expenses for fully amortised transaction costs in connection with the substitution of the corporate bonds in the amount of Euro 17,227 thousand (previous year: Euro 0 thousand), and expenses for the early redemption of bonds and loans of Euro 6,987 thousand (previous year: Euro 3,753 thousand).

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 identification, monitoring, reporting, management and control in connection with the aforementioned risks. 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 Controlling.

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 debt servicing ability. Furthermore, the financial policies of the Group are designed to generate income for the shareholders and allow for the annual distribution of a dividend. The Group strives to increase its overall value. This holistic capital management strategy has not changed since the previous year.

As is standard in the sector, capital management is based on the Net Loan to Value (LTV) ratio. The LTV is the ratio between net debt and the fair value of the investment property. The net debt is determined by subtracting cash and cash equivalents from liabilities due to financial institutions and corporate bonds.

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

The gearing ratio as at 31 December 2020 compared to the previous year is calculated as follows:

in Euro thousand	31/12/2020	31/12/2019	Change	Change in %
Investment property (IAS 40)	4,241,381	4,707,397	–466,016	–9.9
Advance payments on investment property (IAS 40)	0	2,218	–2,218	–100.0
Owner-occupied property (IAS 16)	0	8,119	–8,119	n/a
Non-current assets classified as held for sale (IFRS 5)	378,178	3,018	375,160	12,430.8
Inventories (IAS 2)	734	734	0	0.0
Shares in companies measured at equity	1,303,838	1,580,641	–276,803	–17.5
Real estate assets and investment assets	**5,924,131**	**6,302,127**	**–377,996**	**–6.0**
Interest-bearing liabilities	2,248,298	2,621,574	–373,276	–14.2
Cash and cash equivalents	524,025	523,950	76	0.0
Net debt	**1,724,272**	**2,097,624**	**–373,352**	**–17.8**
Loan to Value (LTV) in %	**29.1**	**33.3**	**–4.2**	

The assets held for sale in the above table refer to investment properties and owner-occupied properties.

The LTV in the Group is 29.1 % and decreased 4.2 percentage points compared to the previous year. The shares in Aroundtown SA, also a company which holds properties, are merged with the real estate assets. The capital management goals were achieved in the reporting year.

As such, it was within the long-term ceiling of 45 % for the LTV announced most recently in the 2019 annual report.

H.3 DEFAULT RISKS

The risk that a contractual partner – essentially tenants and purchasers of property – will be unable to meet its contractual payment obligations, thus causing the TLG IMMOBILIEN Group to suffer a loss, is known as the risk of default. Credit checks are carried out in order to control the risks of default.

Default risks exist primarily for trade receivables. The TLG IMMOBILIEN Group does not consider itself exposed to a significant credit risk from any individual contractual partner. The credit risk is limited by the broad, heterogeneous customer base. The risks of bad debt are minimised by carefully selecting contractual partners and professional credit checks. Additionally, standard credit protection instruments such as guarantees, fixed charges, suretyships, letters of comfort, deductions and deposits are used.

The creditworthiness of contractual partners is also 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 and not enter into any new positions.

The bank balances of TLG IMMOBILIEN are fully protected against default risks by the protection schemes of German banks. TLG IMMOBILIEN regularly checks its membership in, and the coverage of, the deposit protection schemes.

The highest possible default risk is the carrying amount of the financial assets, not taking into account received collateral or other risk-reducing agreements. No guarantees were issued for subsidiaries or associated companies.

The following table shows the financial assets which were impaired on the reporting date:

31/12/2020 in Euro thousand	**Carrying amount before impairment**	**Impairment**	**Net book value**
Trade receivables	13,711	–3,035	10,676
Other financial assets	130,757	–31	130,726
Total	**144,468**	**–3,066**	**141,402**

31/12/2019 in Euro thousand	**Carrying amount before impairment**	**Impairment**	**Net book value**
Trade receivables	13,682	–2,703	10,979
Other financial assets	35,080	–24	35,056
Total	**48,762**	**–2,727**	**46,035**

There is collateral (mainly rent deposits of around Euro 5.8 million (previous year: Euro 5.3 million) for the gross trade receivables which can be offset against outstanding receivables if the legal requirements are met.

The impairments were as follows in the 2020 financial year:

31/12/2020 in Euro thousand	**As at 01/01**	**Addition**	**Consumption**	**Reversal**	**Other change**	**As at 31/12**
Trade receivables	2,703	2,454	–447	–1,478	–197	3,035
Other financial assets	24	7	0	0	0	31
Total	**2,727**	**2,461**	**–447**	**–1,478**	**–197**	**3,066**

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

31/12/2019 in Euro thousand	**As at 01/01**	**Addition**	**Consumption**	**Reversal**	**Other change**	**As at 31/12**
Trade receivables	1,913	2,079	–581	–609	–98	2,703
Other financial assets	46	0	–1	–21	0	24
Total	**1,959**	**2,079**	**–581**	**–631**	**–98**	**2,727**

Additionally, the table below presents the age structure of the financial assets that were overdue as at the reporting date and their individual impairment.

			Trade receivables			
				Overdue in days		
31/12/2020	**Total**	**Other financial assets**	**Not overdue**	**< 90 days**	**90 - 180 days**	**> 180 days**
Expected loan default rate in %		0 %	2 %	7 %	51 %	65 %
Gross carrying amount in Euro thousand	144,469	130,758	7,605	1,694	598	3,815
Expected credit loss in Euro thousand	3,066	31	138	116	302	2,479

			Trade receivables			
				Overdue in days		
31/12/2019	**Total**	**Other financial assets**	**Not overdue**	**< 90 days**	**90 - 180 days**	**> 180 days**
Expected loan default rate in %		0 %	2 %	1 %	36 %	60 %
Gross carrying amount in Euro thousand	48,763	35,080	8,142	976	666	3,899
Expected credit loss in Euro thousand	2,727	24	128	10	239	2,326

H.4 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following financial assets and financial liabilities are subject to offsetting:

Financial assets

in Euro thousand	**Gross amount of financial assets**	**Gross amount of financial liabilities offset in the statement of financial position**	**Net amount recognised within financial assets in the statement of financial position**
31/12/2020			
Trade receivables	55,645	–53,375	5,713
31/12/2019			
Trade receivables	51,982	–50,322	5,002

Financial liabilities

in Euro thousand	Gross amount of financial liabilities offset in the statement of financial position	Gross amount of financial assets	Net amount recognised within financial liabilities in the statement of financial position
31/12/2020			
Advance payments received operating costs	–53,375	55,645	–3,443
31/12/2019			
Advance payments received operating costs	–50,322	51,982	–3,343

The offsetting concerns receivables from tenants for operating costs which have been offset against the corresponding prepayments by tenants towards operating costs.

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 Corporate Finance/Treasury department continuously monitors and plans the liquidity requirements of the Group in order to ensure its liquidity. Enough cash to meet the obligations of the Group for a given period of time is always kept available.

Additionally, the Group has a short-term credit line of Euro 500 thousand which, if necessary, can be utilised. The credit line is unsecured.

The following table contains the contractually agreed (undiscounted) interest payments and repayments of the primary financial liabilities of the TLG IMMOBILIEN Group with a negative fair value. The maturities are based on the contractually defined fixed interest rates of the financial liabilities.

31/12/2020	Carrying amount			Due dates
in Euro thousand		< 1 year	1–5 years	> 5 years
Liabilities due to financial institutions	898,209	75,725	462,476	390,491
Derivative financial instruments	34,973	6,787	21,672	3,540
Trade payables	22,735	22,735	0	0
Liabilities due to majority shareholders	1,350,089	150,089	600,000	600,000
Other liabilities	42,258	21,279	1,056	19,924
Leasing liabilities	2,042	279	637	1,127
Total	**2,350,305**	**276,893**	**1,085, 841**	**1,015,082**

31/12/2019	Carrying amount			Due dates
in Euro thousand		< 1 year	1–5 years	> 5 years
Liabilities due to financial institutions	1,036,887	85,679	462,544	587,543
Corporate bonds	1,584,688	16,750	1,062,500	618,000
Derivative financial instruments	27,307	5,941	17,205	2,732
Trade payables	38,560	38,560	0	0
Other liabilities	43,108	17,514	1,218	24,376
Leasing liabilities	2,031	0	457	1,574
Total	**2.732,580**	**164,444**	**1,543,924**	**1,234,225**

All instruments for which payments were contractually agreed as at the reporting date have been included. Planned figures for new liabilities in the future are not included. The variable interest payments from financial instruments are determined on the basis of the last specific interest rates before the reporting date. Financial liabilities that can be repaid at any time are always allocated to the earliest repayment date.

The financial liabilities either have fixed interest rates or are safeguarded by interest rate hedges. The combined volume for both variants is 94.9 % (previous year: 99.6 %). The average effective interest rate is around 1.74 % (previous year: around 1.58 %). The future prolongation structure for the loans and bonds on the basis of the current residual debt is as follows:

in Euro thousand	Carrying amount	Nominal value	up to 1 year	1–5 years	over 5 years
Prolongation structure 31/12/2020	898,209	897,245	68,579	440,884	387,783
Prolongation structure 31/12/2019	2,621,574	2,641,877	82,120	1,378,639	1,181,118

Some financing contracts provide for financial covenants (essentially concerning the Group's equity ratio, LTV, interest coverage ratio, debt service coverage ratio and vacancy and WALT covenants) whereby the bank could exercise a right of termination without notice if the covenants are not adhered to. The company covers the risk of a breached covenant by regularly inspecting the covenants and, if necessary, taking steps to adhere to the covenants. A breached covenant can also be remedied by means of unscheduled repayments, for example. No covenants were breached in 2020.

H.6 MARKET RISKS

Increased interest rates can result in growing financing costs. The company accounts for this interest rate risk by concluding interest rate hedges for loans with variable interest rates and by concluding agreements with fixed interest rates and terms spanning a number of years. The interest rate hedges consist of interest rate derivatives such as interest rate swaps and floors. The use of such interest rate derivatives is governed by guidelines. Under the guidelines, derivative financial instruments are only used for the purposes of hedging and never for trading. In general, there is an economic 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 2020, the portfolio contained the following derivative financial instruments whose maturity periods are determined according to the situation on the reporting date.

in Euro thousand	Fair value	< 1 year
Derivative assets held for trading	**2,946**	**0**
of which floors	2,946	0
Derivative liabilities held for trading	**34,973**	**0**
of which interest rate swaps	34,973	0

As at the reporting date in the previous year, the portfolio contained the following derivative financial instruments:

in Euro thousand	Fair value	< 1 year
Derivative assets held for trading	**1,607**	**0**
of which floors	1,607	0
Derivative liabilities held for trading	**27,307**	**0**
of which interest rate swaps	27,307	0

The derivative financial instruments were used as hedging instruments under IAS 39 until the end of March 2017. Hedge accounting was discontinued at the start of the second quarter of 2017. All changes to market values have since been recognised in the “Result from the remeasurement of derivative financial instruments”-item.

The changes in market value that have been presented as other comprehensive income and allocated to an equity reserve in prior periods will be reversed on a pro-rata basis over the remaining term of each underlying transaction.

The following table shows the amount recognised directly in other comprehensive income during the reporting period.

in Euro thousand	2020	2019
Opening balance as at 01/01	–1,877	–3,454
Reversal from equity into the statement of profit or loss	438	1,577
Closing balance as at 31/12	**–1,439**	**–1,877**

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 interest income and expenses, trading profit and losses, and on the equity on the reporting date.

The sensitivity analysis also factors in the impacts on equity and the statement of comprehensive income of TLG IMMOBILIEN that would result from a simultaneous fluctuation in the euro yield curve by +/– 50 basis points (previous year: +/– 50 basis points). If the yield curve were to decline by 50 basis points, the interest rate would fall to 0.0 % at the lowest, provided that this has been contractually agreed. The cash flow effects from fluctuations in the yield curve merely concern the interest income and expenses for the next reporting period.

Based on the financial instruments held or issued by TLG IMMOBILIEN as at the reporting date, a hypothetical change – quantified by sensitivity analyses – in the interest rates on which each instrument was based on the reporting date would have had the following effects (before taxes).

Financial instruments as at 31.12.2020

	Effects on earnings	
in Euro thousand	+ 50 BP	– 50 BP
Financial liabilities	–3,411	3,411
Interest rate derivatives	16,521	–17,118
Floors	–1,796	2,443

Financial instruments as at 31.12.2019

	Effects on earnings	
in Euro thousand	+ 50 BP	– 50 BP
Financial liabilities	–3,116	3,116
Interest rate derivatives	18,614	–19,354
Floors	–1,115	1,852

H.8 NUMBER OF EMPLOYEES

As at 31 December 2020, the Group had 129 employees (previous year: 158).

	31/12/2020	Average number of employees in the current year	31/12/2019	Average number of employees in the previous year
Permanent employees	112	133	153	139
Temporary employees	17	10	5	5
Total	**129**	**143**	**158**	**144**

As in the previous year, the number of full-time employees is not reported due to the low proportion of part-time employees.

H.9 TOTAL AUDITOR’S FEE

The following fees have been recognised as expenses for the services rendered by the auditor of the consolidated financial statements in the financial year:

in Euro thousand	2020	2019
Audit services	734	466
Other assurance services	32	194
Other services	10	24
Total fee	**776**	**684**

The audit services of Euro 734 thousand comprise the auditor's services in connection with the audit of the financial statements and the audit of the consolidated financial statements of WCM AG totalling Euro 188 thousand. Euro 35 thousand of which relate to the previous year.

The increase in other assurance services in the previous year essentially resulted from services of the auditor in connection with the preparation of various comfort letters for the issuance of corporate bonds.

H.10 IFRS 2 PROGRAMMES

H.10.1 SHARE-BASED PAYMENTS TO EMPLOYEES

In the 2020 financial year, no new remuneration component was granted to senior executives analogous to the Management Board's long-term incentive programme described below. Expenses in the amount of Euro 436 thousand (previous year: Euro 159 thousand) were recognised in the 2020 financial year for LTI tranches granted to senior executives in previous financial years. The grant date fair value of the share-based payments is Euro 118. thousand

With regard to its targets and payment criteria, this remuneration component shares its structure with the long-term incentive scheme for the Management Board, which is described below.

H.10.2 LTI MANAGEMENT BOARD CONTRACTS

The employment contracts of the members of the Management Board include a long-term incentive programme for each financial year from 2020 to 2022.

Each 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. The key performance target here is NAV development.

The contracts of the members of the Management Board cannot be duly terminated. The contract will end if a member of the Management Board becomes permanently unable to work during the term of the contract. The member of the Management Board will receive 100 % of his LTI if he was actively employed during the calendar year in which the LTI commitment existed. If the member of the Management Board was not employed for the full calendar year, the LTI shall be disbursed at a proportional rate.

The scheme is being treated as share-based payments in a cash-settled plan in accordance with IFRS 2.

The members of the Management Board Gerald Klinck, Jürgen Overath and Barak Bar-Hen left TLG IMMOBILIEN in 2020, meaning that their LTI remuneration was only taken into account on a pro rata basis. The same applies to the members of the Management Board Ronny Schneider and Eran Amir, who were appointed to the Management Board during the year. The provisions recognised as at 31 December 2020 were Euro 60 thousand (previous year: Euro 2,823 thousand).

Previously, no NAV/share target was defined for the LTI due to changes in the EPRA NAV metrics. As a result, no grant date fair value is currently available. See the disclosures regarding the remuneration of the Management Board in the remuneration report.

H.11 RELATED PARTIES

Related parties are defined as companies and persons which have the ability to control the TLG IMMOBILIEN Group or exercise significant influence over it, or which the TLG IMMOBILIEN Group controls or exercises significant influence over.

Accordingly, the members and close relatives of the Management and Supervisory Boards of TLG IMMOBILIEN AG and the TLG IMMOBILIEN Group's subsidiaries are considered related parties and companies. This also includes Aroundtown SA, which holds a controlling majority in TLG IMMOBILIEN, its Management Board as well as all companies affiliated with Aroundtown.

Furthermore, Ouram Holding S.à r.l. also counts as a related company according to IAS 24.9(b)(ii).

Related companies
Since 18 November 2019, a Business Combination Agreement ("BCA") has existed between TLG IMMOBILIEN AG and Aroundtown SA, which was concluded in order to govern the merger itself and the framework of the cooperation between the two companies. The agreement also governs the future organisational structure of the new corporate group, the membership of the boards as well as a financing commitment in the event that change-of-control clauses would take effect with regard to TLG IMMOBILIEN. Some agreements set out in the BCA have been implemented (such as the membership of the executive committees) and some have been postponed or have not yet been implemented due to the ongoing pandemic.

After the takeover of the majority by Aroundtown SA on 19 February 2020, diverse agreements regarding the exchange of information and data protection were concluded. Furthermore, a Service Contract was concluded with Aroundtown SA in October 2020, which covers the mutual provision of services in the (de facto) corporate group. The collaboration includes numerous operative and administrative services, which are described in the individual appendices and priced "at arm's length". These range from support with operative real estate issues, asset and property management, transaction support, and administrative tasks as well as loan management, investor relations and communication.

As of 31 December 2020, there are current liabilities to majority shareholders for services rendered by Aroundtown in the amount of Euro 2,228 thousand (previous year: Euro 0 thousand). For its part, TLG IMMOBILIEN reports current receivables from majority shareholders for services rendered to Aroundtown in the amount of Euro 357 thousand (previous year: Euro 0 thousand). Income of Euro 307 thousand from the service agreement described above is offset by expenses of Euro 2,228 thousand.

In July 2020, TLG IMMOBILIEN agreed with Aroundtown on the substitution of TLG by Aroundtown as issuer and debtor of all publicly listed corporate bonds issued by the former, with TLG IMMOBILIEN continuing to act as guarantor towards bondholders. TLG Finance S.à r.l., Luxembourg, was also replaced by Aroundtown as the issuer and debtor of the hybrid loan it had issued. The creditors of this hybrid loan agreed to the substitution with Aroundtown by way of a vote without meeting held in accordance with the terms of the German Act on Debt Securities. Due to the replacement of the original issuer, the guarantee for the hybrid loan by TLG IMMOBILIEN was also revoked. The substitution process for the hybrid loan was concluded with the adjustment of the global certificate and its submission to Clearstream on 29 September 2020.

As consideration for the substitution, Aroundtown and TLG IMMOBILIEN have agreed that the bonds issued by TLG IMMOBILIEN and TLG Finance S.à r.l will be replaced by intra-group equity and debt instruments. In the process, the previous capital structure of TLG IMMOBILIEN was retained. The conditions of the shareholder financing by Aroundtown reflect the contractual conditions of the original bond financing. Liabilities for Aroundtown shareholder loans amount to Euro 1,200,000 thousand (previous year: Euro 0 thousand) non-current and Euro 147,861 thousand (previous year: Euro 0 thousand) current. Interest expenses for these Aroundtown shareholder loans in the amount of Euro 5,768 thousand were accrued in the financial year 2020 (previous year: Euro 0 thousand). In accordance with the agreement, transaction costs incurred as part of the substitution will be passed on by TLG IMMOBILIEN to Aroundtown in the amount of Euro 33 thousand; these claims are reported under current receivables from majority shareholders. As TLG IMMOBILIEN continues to remain the guarantor for the bonds it has issued itself, it receives reasonable compensation. The arm's length principle was also adequately taken into consideration through the inclusion of external consultants. In the 2020 financial year, TLG IMMOBILIEN received compensation for guarantees assumed in the amount of Euro 124 thousand. Of this amount, Euro 96 thousand had been paid as of 31 December 2020; the remaining claims are reported under current receivables from majority shareholders.

Effective as at 1 March 2018, TLG IMMOBILIEN AG concluded an agency agreement with its subsidiaries and their direct and indirect subsidiaries. It undertook to assume and perform all services necessary to the operation of the companies and the management of the properties held by the companies in exchange for customary remuneration. TLG IMMOBILIEN AG has taken charge of all operating and management activities of all of the companies in the TLG IMMOBILIEN Group since that time. More subsidiaries joined this agency agreement in the 2020 financial year.

In the first half of 2020 a partial repayment of Euro 65,000 thousand was made for the loan issued by TLG IMMOBILIEN to WCM AG on 21 December 2017 for a total of Euro 194,100 thousand (final maturity on 31 October 2024).

All outstanding balances with the parent company were agreed at standard market rates. None of the balances is secured. No expenses were recognised as irrecoverable or doubtful receivables with regard in the amounts owed by the parent company in the current year or in the previous year.

Related parties

At the beginning of 2020, the company concluded a consulting contract with Golden Route GmbH with the approval of the Supervisory Board. The managing director is Mr Klaus Krägel, who was also a member of the Supervisory Board and Chairperson of the Committee for Project Development at TLG IMMOBILIEN in 2020. The consulting agreement, which was concluded under market conditions, primarily pertains to consulting of the Management Board beyond the scope of the Supervisory Board duties with regard to specific operative issues and support with the planned integration of the company into Aroundtown. In the 2020 financial year, consulting services totalling Euro 226 thousand (net) were provided. There were no open items as at 31 December 2020.

In addition, at the end of November 2020, with the approval of the Supervisory Board, the company concluded consultancy agreements with the former Supervisory Board members Helmut Ullrich and Jonathan Lurie for a period of six months. In the 2020 financial year, consulting services amounting to TEUR 7.3 (net) were provided. There are open items here as at 31 December 2020 in the amount of TEUR 7.3 (net).

Beyond this, no further transactions of particular significance took place with related parties in the 2020 financial year.

The composition of the Management Board has changed since the previous year. Mr Klinck's mandate was terminated by termination agreement as of 31 March 2020, that of Mr Overath as of 31 July 2020. The mandate of Mr Bar-Hen ended by termination agreement as of 31 October 2020. By resolution of the Supervisory Board of TLG IMMOBILIEN of 30 July 2020, Mr Ronny Schneider was appointed as a member of the Management Board with effect from 1 August 2020. Mr Schneider's mandate ended by termination agreement on 9 February 2021. Mr Eran Amir was appointed as a member of the Management Board by resolution of 26 October 2020 with effect from 1 November 2020. By resolution of 4 February 2021, Mr Roy Vishnovizki was appointed as a member and Chairperson of the Management Board (CEO) with effect from 10 February 2021.

The remuneration paid by TLG IMMOBILIEN AG to the members of the Management Board was as follows in the 2020 financial year:

in Euro thousand k	**2020**	**2019**
Fixed remuneration	835	1.178
Fringe benefits	220	239
Subtotal of fixed remuneration	**1.055**	**1.417**
Short-term variable remuneration (STI)	1.079	801
Long-term variable remuneration (LTI)	601	1.199
Subtotal of variable remuneration	**1.680**	**2.000**
Total remuneration	**2.735**	**3.417**

In addition, Mr Klinck received special remuneration of Euro 1,400 thousand. Mr Overath received compensation of Euro 250 thousand.

See the remuneration report, which is part of the report on the position of the company and the Group, for more disclosures on the remuneration of the Management Board.

Remuneration of former members of the management amounted to Euro 0.2 million (previous year: Euro 0.2 million). In 2020, Euro 2.9 million (previous year: Euro 3.0 million) was set aside for pension obligations to former members of the management.

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 2020 financial year totalled Euro 0.5 million (previous year: Euro 0.5 million).

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 Euro thousand	**2020**	**2019**
Benefits due at short notice	2,661	2,868
Share-based remuneration	-1,242	2,326
Total	1,419	5,194

Likewise, the composition of the Supervisory Board changed in the 2020 financial year.

Mr Klaus Krägel stepped down from the Supervisory Board with effect from the end of the annual general meeting 2020 on 7 October 2020. Mr Jonathan Lurie and Mr Helmut Ullrich also resigned from office at their own request when the registration of the amendment to the Articles of Association of TLG IMMOBILIEN AG regarding the reduction of the Supervisory Board from six to three members became effective, i.e. on 16 November 2020. On 7 October 2020, the annual general meeting of TLG IMMOBILIEN AG elected Mr Frank Roseen as a new member of the Supervisory Board. Mr Roseen was appointed as a member of the Supervisory Board until the end of the general meeting that resolves on the exoneration of the Supervisory Board for the fourth financial year after the start of his term of office, not counting the financial year in which his term of office started. Mr Sascha Hettrich also stepped down from his office as Chairperson of the Supervisory Board on 30 November 2020 and from his office as a member of the Supervisory Board of TLG Immobilien AG on 31 December 2020. As a result, the Supervisory Board elected Mr Frank Roseen as its Chairperson on 30 November 2020. Mr David Maimon was appointed as a new member of the Supervisory Board by the local court of Berlin Charlottenburg in January 2021 until the end of the annual general meeting 2021.

The Supervisory Board of TLG IMMOBILIEN AG consists of the following members:

Sascha Hettrich FRICS	21/05/2019 to 30/11/2020 Chairperson 05/03/2018 to 31/12/2020 Member
Presidential and Nomination Committee of TLG IMMOBILIEN AG, Berlin	21/05/2019 to 16/11/2020 Chairperson 20/12/2018 to 20/05/2019 Member
Capital Market and Acquisitions Committee of TLG IMMOBILIEN AG, Berlin	21/05/2019 to 16/11/2020 Chairperson
Project Development Committee of TLG IMMOBILIEN AG, Berlin	22/05/2019 to 16/11/2020 Member 23/04/2018 to 21/05/2019 Chairperson
Audit Committee of TLG IMMOBILIEN AG, Berlin	20/12/2018 to 16/11/2020 Member
Supervisory Board of WCM Beteiligungs- und Grundbesitz AG, Frankfurt am Main	until 31/12/2020
Member of the Board of Directors, VIVION Investments S.à r.l., Luxembourg	
Member of the Board of Directors, Golden Capital Partners S.A., Luxembourg	
Managing Partner of HETTRICH TOMMOROW GmbH, Berlin	
Member of the land value committee in Berlin	
Ran Laufer (Vice Chairperson)	Vice Chairperson since 21/05/2019 Chairperson
Project Development Committee of TLG IMMOBILIEN AG, Berlin	21/05/2019 to 16/11/2020 Member
Presidential and Nomination Committee of TLG IMMOBILIEN AG, Berlin	21/05/2019 to 16/11/2020 Member
Shareholder/Managing Director of Panorama Immobilien GmbH, Monheim am Rhein	
Member of the Board of Directors of Aroundtown S.A., Luxembourg	
Klaus Krägel	21/05/2019 to 07/10/2020 Member
Project Development Committee of TLG IMMOBILIEN AG, Berlin	21/05/2019 to 07/10/2020 Chairperson
CEO of DIM Holding AG, Berlin	
Managing Director of Golden Route GmbH, Hamburg	
Jonathan Lurie	15/02/2019 to 16/11/2020 Member
Audit Committee of TLG IMMOBILIEN AG, Berlin	21/05/2019 to 16/11/2020 Member
Presidential and Nomination Committee of TLG IMMOBILIEN AG, Berlin	21/05/2019 to 16/11/2020 Member
Capital Market and Acquisitions Committee of TLG IMMOBILIEN AG, Berlin	21/05/2019 to 16/11/2020 Member
Senior Adviser, Real Estate, McKinsey & Company, London	
Managing Partner, Realty Corporation Ltd., London	
Member of the Supervisory Board of Corestate Capital Holdings SA, Luxembourg	
Helmut Ullrich	23/07/2015 to 16/11/2020 Member
Audit Committee of TLG IMMOBILIEN AG, Berlin	13/08/2015 to 16/11/2020 Chairperson
Capital Market and Acquisitions Committee of TLG IMMOBILIEN AG, Berlin	10/11/2016 to 16/11/2020 Member
Project Development Committee of TLG IMMOBILIEN AG, Berlin	29/11/2017 to 21/05/2019 Member
Chairperson of the Supervisory Board of	
Frank Roseen (Vorsitzender des Aufsichtsrates)	Chairperson since 01/12/2020 07/10/2020 to 30/11/2020 Member
Member of the Board of Directors of Aroundtown S.A., Luxembourg	
Independent member of the Board of Directors of Bonava AB, Stockholm	
David Maimon	Since 01/2021 Member
Member of the Board of Directors of Global Worth, Bucharest	
Member of the Advisory Board of Grand City Property S.A., Luxemburg	
Member of the Advisory Board of Aroundtown S.A., Luxembourg	

H.12 OTHER FINANCIAL OBLIGATIONS

As at the balance sheet date, the Group’s other financial obligations include future payments from purchase commitments for investment property and property, plant and equipment amounting to Euro 73,598 thousand (previous year: Euro 35,543 thousand).

The company also has various service contracts for IT services, building cleaning, reception, and security services with a payment obligation of Euro 1,783 thousand (previous year: Euro 2,275 thousand). Obligations from leasing contracts for vehicles from the company’s car fleet and from existing rental contracts in connection with the leasing of properties are shown as rights-of-use and leasing liabilities in the balance sheet in accordance with IFRS 16 (see section H.13).

Following the substitution of TLG IMMOBILIEN as issuer and debtor of all corporate bonds issued by it by the majority shareholder Aroundtown, TLG IMMOBILIEN continues to act as guarantor for these bonds and receives appropriate compensation for this. In the 2020 financial year, TLG IMMOBILIEN received compensation for guarantees assumed in the amount of Euro 124 thousand. Of this amount, Euro 96 thousand. had been paid as of 31 December 2020; the remaining claims are reported under current receivables from majority shareholders.

H.13 LEASES

Leases in which the Group is the lessee result primarily from permanent rights-of-use for open spaces and parking spaces as well as from the leasing of office furniture and equipment and motor vehicles.

The accounting and measurement methods applied by the Group for leases as lessee are explained in section D.6.

Right-of-use assets are recognised separately from other assets in the line item “Right-of-use assets”. Liabilities for leases are recognised in the other liabilities. Further information and explanations on rights-of-use and lease liabilities can be found in the relevant sections E.2 and E.17.

In the 2020 financial year, the right-of-use assets and liabilities for leases recognised according to IFRS 16 had the following effects on the consolidated statement of comprehensive income:

Amounts recognised in the total of comprehensive income in Euro thousand	**01/01/2020 – 31/12/2020**	**01/01/2019 – 31/12/2019**
Amortisation of right-of-use assets	407	454
Interest expense on lease liabilities	78	99
Expenses for short-term leases	168	102
Expenses for leases of an asset of low value	7	4
Total amount recognised in profit or loss	**660**	**659**

The Group’s total cash outflows for leases in 2020 amounted to Euro 630 thousand (previous year: Euro 620 thousand).

The maturity analysis of the lease liabilities is presented in section H.5.

H.14 SHAREHOLDING LIST

As at 31 December 2020 TLG IMMOBILIEN holds interests in the following fully consolidated companies:

	Name and registered office of the company	Shareholdings in %	Equity as of 31/12/2020 in Euro thousand	Result of the financial year 2020 in Euro thousand	Shareholdings direct/ indirect
1	Hotel de Saxe an der Frauenkirche GmbH, Dresden[2,3]	100.00	22,200	0	direct
2	River Berlin Immobilien GmbH & Co. KG, Berlin[1]	94.90	2,025	654	indirect
3	River Bonn Immobilien GmbH & Co. KG, Berlin[1]	94.90	2,289	364	indirect
4	River Düsseldorf Immobilien GmbH & Co. KG, Berlin[1]	94.90	1,202	203	indirect
5	River Frankfurt Immobilien GmbH & Co. KG, Berlin[1]	94.90	14,232	1,274	indirect
6	TLG BES GmbH, Berlin [2,3,4]	100.00	28,025	0	direct
7	TLG Beteiligungsgesellschaft mbH, Berlin[2]	100.00	25	1	direct
8	TLG BN 1 GmbH, Berlin[2,3]	100.00	88,651	0	direct
9	TLG CCF GmbH, Berlin [2,3]	100.00	94,025	0	direct
10	TLG Central Services GmbH, Berlin[2]	100.00	23	–2	direct
11	TLG Development GmbH, Berlin[2]	100.00	23	–2	direct
12	TLG EH1 GmbH, Berlin [2,3]	94.90	17,550	0	direct
13	TLG EH2 GmbH, Berlin[2,3]	94.90	29,114	281	direct
14	TLG FAB GmbH, Berlin [2,3]	94.90	27,896	0	direct
15	TLG Finance S.à r.l., Luxembourg	100.00	2,868	62	direct
16	TLG Fixtures GmbH, Berlin[2,3]	100.00	360	1	direct
17	TLG HH1 GmbH, Berlin[2,3,4]	100.00	58,521	0	direct
18	TLG Kapweg GmbH & Co. KG, Berlin[1]	100.00	75,287	–1	direct
19	TLG MVF GmbH, Berlin [2,3]	100.00	73,025	0	direct
20	TLG Operations 1 GmbH, Berlin[2]	100.00	23	–2	direct
21	TLG Operations 2 GmbH, Berlin[2]	100.00	23	–2	direct
22	TLG Operations 3 GmbH, Berlin[2]	100.00	23	–2	direct
23	TLG PB1 GmbH, Berlin [2,3]	100.00	29,965	0	direct
24	TLG PB2 GmbH, Berlin[2]	100.00	9,182	–23	direct
25	TLG PB3 GmbH, Berlin [2,3]	100.00	7,955	0	direct
26	TLG Properties 1 GmbH & Co. KG, Berlin[1]	100.00	9	–1	direct
27	TLG Properties 2 GmbH & Co. KG, Berlin[1]	100.00	9	–1	direct
28	TLG Properties 3 GmbH & Co. KG, Berlin[1]	100.00	9	–1	direct
29	TLG Reserve1 GmbH & Co. KG, Berlin[1]	100.00	10	–10	direct
30	TLG Sachsen Forum GmbH, Berlin[2,3]	100.00	24,104	0	direct
31	TLG Spree-Etage GmbH & Co. KG, Berlin[1]	100.00	10,165	–10,175	direct
32	TLG Vermögensverwaltung AG & Co. KG, Berlin[1,5]	100.00	1,530,319	25,751	direct
33	WCM Besitzgesellschaft mbH, Berlin[2]	100.00	65	40	indirect
34	WCM Beteiligungs- und Grundbesitz Aktiengesellschaft, Frankfurt am Main	93.02	274,801	30,888	direct
35	WCM Beteiligungsgesellschaft mbH & Co. KG, Berlin[1]	100.00	-10,611	-2,170	indirect
36	WCM Fixtures GmbH, Berlin[2]	100.00	–82	–135	indirect
37	WCM Handelsmärkte I GmbH, Berlin[2]	94.90	638	142	indirect
38	WCM Handelsmärkte II GmbH, Berlin[2]	94.90	849	356	indirect
39	WCM Handelsmärkte IV GmbH & Co. KG, Berlin[1]	94.90	17,859	1,164	indirect
40	WCM Handelsmärkte IX GmbH & Co. KG, Berlin[1]	94.80	5,886	-403	indirect
41	WCM Handelsmärkte VII GmbH & Co. KG, Berlin[1]	94.90	6,035	124	indirect
42	WCM Handelsmärkte X GmbH & Co. KG, Berlin[1]	100.00	6,004	3,220	indirect
43	WCM Handelsmärkte XI GmbH & Co. KG, Berlin[1]	100.00	4,598	2,092	indirect
44	WCM Handelsmärkte XII GmbH & Co. KG, Berlin[1]	94.80	1,940	–65	indirect
45	WCM Handelsmärkte XIII GmbH & Co. KG, Berlin[1]	100.00	2,347	11,545	indirect
46	WCM Handelsmärkte XIV GmbH & Co. KG, Berlin[1]	100.00	5,122	20,882	indirect
47	WCM Handelsmärkte XV GmbH & Co. KG, Berlin[1]	94.00	5,593	1,008	indirect
48	WCM Handelsmärkte XVI GmbH & Co. KG, Berlin[1]	94.00	1,278	245	indirect
49	WCM Handelsmärkte XVII GmbH, Berlin[2]	94.90	1,494	336	indirect
50	WCM Office I GmbH, Berlin[2]	94.90	2,094	-1,319	indirect
51	WCM Office II GmbH & Co. KG, Berlin[1]	94.90	2,886	613	indirect
52	WCM Office III GmbH & Co. KG, Berlin[1]	94.90	–32	–93	indirect
53	WCM Office IV GmbH & Co. KG, Berlin[1]	94.90	2,115	414	indirect
54	WCM Properties1 GmbH, Berlin[2]	100.00	25	0	indirect
55	WCM Vermögensverwaltung GmbH & Co. KG, Berlin[1]	100.00	23,704	–373	indirect
56	WCM Verwaltungs GmbH, Berlin	100.00	56	–15	indirect
57	WCM Verwaltungs I GmbH, Berlin [2]	100.00	224	59	indirect
58	WCM Verwaltungs II GmbH, Berlin[2]	100.00	47	–16	indirect
59	WCM Verwaltungs III GmbH & Co. KG, Berlin[1]	100.00	25	8,453	indirect
60	WCM Verwaltungs IV GmbH & Co. KG, Berlin[1]	100.00	25	6,387	indirect

1 Companies are exempt from the obligation to prepare financial statements in accordance with Sec. 264b HGB
2 Companies are exempt from the obligation to prepare financial statements in accordance with Sec. 264 (3) HGB
3 Profit and loss transfer agreement with TLG IMMOBILIEN AG or WCM AG
4 Abbreviated financial year 1 July 2020 – 31 December 2020
5 TLG IMMOBILIEN AG is a partner with unlimited liability

Compared to the previous year, the number of fully consolidated companies decreased by a total of 14 companies. For more details, see section C.2.

The financial statements have not yet been ratified in each case. The equity and result are based on German GAAP.

Associated companies which have been taken into account using the equity method in the consolidated financial statements as at 31 December 2020:

Name and registered office of the company	Shareholding	Equity as of 31/12/2020 in Euro thousand	Result of the financial year 2020 in Euro thousand	Shareholding direct/indirect
Aroundtown SA, Luxembourg	13.53	7,107,313	67,507	indirect

This is the published financial statements according to IFRS.

H.15 SUBSEQUENT EVENTS

Share buyback

On 11 December 2020, TLG IMMOBILIEN AG made a public buyback offer to its shareholders for up to 4 % of its shares against payment of a cash consideration. The final purchase price and the number of shares to be acquired were determined after the end of the acceptance period, which ran from 13 December 2020 to 13 January 2021. With a take-up of 4.35 % of the share capital , the buyback offer was oversubscribed and resulted in the buyback of a total of 4,487,032 TLG shares at a price of Euro 23.25 per share, with an allocation ratio of 91.98 %.

On 19 February 2021, TLG IMMOBILIEN AG made a public buyback offer to its shareholders for up to 5.22 % of its shares against payment of a cash consideration. In this case, too, the final purchase price and the number of shares to be acquired were determined after expiry of the acceptance period running from 20 February 2021 to 20 March 2021. The buyback offer was accepted for 1.73 % of the share capital, resulting (with an allocation ratio of 100 %) in the buyback of a total of 1,946,583 TLG shares at a price of Euro 26.00 per share.

Both share buybacks were carried out on the basis of the authorisation by the general meeting of 21 May 2019 to acquire a total of 10 % of the then share capital of Euro 103 million.

Changes in the Management Board

As of the end of 9 February 2021, Mr Ronny Schneider resigned from his position as a member of the Management Board of the Company. Mr Roy Vishnovizki was appointed as a member of the Management Board and CEO of TLG IMMOBILIEN AG with effect from 10 February 2021.

Property transactions

The company sold two hotel properties in Rostock and Dresden in a purchase agreement dated 31 December 2020. The transfer of possession, benefits and burdens took place upon receipt of the purchase price on 1 March 2021.

Furthermore, in implementation of purchase agreements concluded during the 2020 financial year, the transfer of possession, benefits and burdens of use and encumbrance took place in March 2021 for several retail properties that had been sold as part of portfolio sales.

The transfer of benefits and burdens took place on 1 March 2021 for an office property in Berlin. In addition, purchase agreements for office properties in Dresden were notarised on 2 March 2021.

Financing

In the first quarter of 2021, several liabilities to financial institutions (Euro 174 million) were repaid. It is planned to repay further liabilities to financial institutions in the second quarter of 2021 (Euro 32.3 million). In addition, a shareholder loan to Aroundtown in the amount of Euro 141.5 million was repaid in March 2021.

To our knowledge, there are no further indications in respect of subsequent events in the sense of IAS 10.

H.16 DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SEC. 161 AKTG

The Management and Supervisory Boards have fulfilled the recommendations of the German Corporate Governance Code as set out in the corporate governance report. The declaration of compliance will be made permanently available to shareholders on the Company's website at www.tlg.de and www.ir.wcm.de in the Investor Relations section at the same time as the publication of the 2020 Annual Report.

Berlin, 31 March 2021

Roy Vishnovizki	Eran Amir
Chief Executive Officer (CEO)	Member of the Management Board

INDEPENDENT AUDITOR'S REPORT

To TLG IMMOBILIEN AG

Report on the audit of the consolidated financial statements and of the management report of the Company and the Group

Opinions

We have audited the consolidated financial statements of TLG IMMOBILIEN AG, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2020, the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group of TLG IMMOBILIEN AG, for the fiscal year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the declaration on corporate governance published on the website referred to in the section "4.1. Declaration on corporate governance" that is part of the management report of the Company and the Group. Furthermore, we have not audited information in the sections "4.2 Proportion of women and diversity" and "6. Responsibility statement required by Sec. 264 (2) Sentence 3 HGB, Sec. 289 (1) Sentence 5 HGB, Sec. 315 (1) Sentence 5 HGB" of the management report of the Company and the Group.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the fiscal year from 1 January to 31 December 2020, and
- the accompanying management report of the Company and the Group as a whole provides an appropriate view of the Group's position. In all material respects, this management report of the Company and the Group is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report of the Company and the Group does not cover the content included in the abovementioned sections "4.1. Declaration on corporate governance," "4.2 Proportion of women and diversity" and "6. Responsibility statement required by Sec. 264 (2) Sentence 3 HGB, Sec. 289 (1) Sentence 5 HGB, Sec. 315 (1) Sentence 5 HGB."

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the management report of the Company and the Group.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the management report of the Company and the Group in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the management report of the Company and the Group” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the management report of the Company and the Group.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Measurement of investment property

Reasons why the matter was determined to be a key audit matter

The measurement of investment property, which is of material significance for the Group’s assets and liabilities, involves the use of numerous valuation inputs requiring considerable judgments and assumptions by the Management Board. Fair values are generally determined on the basis of the highest and best use of the property. The highest and best use of the property is determined on the assumption that it is technically possible, legally permissible and financially feasible. Additional assumptions are made, in particular, about the future development of realizable rents, the future development of the vacancy rate, the discount and capitalization rates and future repairs and investments. These assumptions entail significant uncertainty.

In light of the large number of properties, the complexity of the valuation methods and the assumptions requiring the use of judgment by the executive directors, we consider the measurement of investment property to be a key audit matter.

Auditor’s response

We assessed and tested the process and internal controls in relation to the correctness of the input data (such as rental space, term of rental agreement, agreed current rent, rent adjustment clause, relevant repairs and investments) used to measure investment property.

In light of the real estate-specific assumptions to be made, we included internal real estate experts (MRICS – Professional Member of the Royal Institution of Chartered Surveyors) in the audit team.

For a sample, we obtained an understanding of and assessed the method used to value properties by reference to valuation methods customary in the industry. Together with our internal real estate experts, we then questioned the Company’s external experts about the valuation model and the assumptions (such as realizable rents, vacancy rate, discount and capitalization rates and relevant repairs and investments). We also assessed the qualifications and objectivity of the external experts and the suitability of that work as audit evidence for the measurement of investment property.

As part of our procedures, we reconciled a sample of the agreed rents which were available to the expert for the valuation with the underlying rental agreements. Together with our internal real estate experts, we also compared the significant assumptions concerning market rents and the capitalization and discount rates for real estate with the information available to us from external databases. With regards to properties whose fair value was measured based on the expectation that they would be used in a manner that differs from their current use, we assessed the assumption that such different use is technically possible, legally permissible and financially feasible, in addition to the valuation performed by the external expert.

In addition, we performed analytical procedures relating to the change in the market values of each property for a sample of properties, analyzing whether the development of the value drivers (e.g., annual basic rent, useable space, vacancy rate, discount and capitalization rates, gross multiplier) is consistent with the development of the market value of the respective property.

Our audit procedures did not lead to any reservations relating to the measurement of investment property.

Reference to related disclosures

Please refer to the information provided by the Management Board on investment property in the notes to the consolidated financial statements (section E.1 “Investment property”) and in the management report of the Company and the Group (section 2.2 “Course of business”).

2. Recognition and valuation of the equity investment in Aroundtown SA

Reasons why the matter was determined to be a key audit matter

The equity investment in Aroundtown SA, Luxembourg, is a material asset of TLG IMMOBILIEN AG and has an impact on the assets, liabilities, financial position and financial performance of TLG IMMOBILIEN AG as it is accounted for using the equity method.

The assessment whether the equity investment in Aroundtown SA, Luxembourg, qualifies as an associate which must be accounted for using the equity method in the consolidated financial statements due to the existence of significant influence is of key importance with respect to the Group's assets, liabilities and financial performance. This assessment involves considering the indicators for the existence of significant influence and therefore includes an element of judgment.

The development of the equity investment in line with TLG IMMOBILIEN AG's share in the profit of Aroundtown SA, taking into account changes in the ownership interest, dividends and reciprocal investment, is highly complex.

The assessment of the executive directors of TLG IMMOBILIEN AG of indications that the shares in Aroundtown SA accounted for using the equity method may be impaired as of 31 December 2020 is subject to judgment.

Due to the indications for impairment identified by the Management Board, the carrying amount of the investment must be tested for impairment by comparing its recoverable amount with the carrying amount. The calculation of the recoverable amount involves numerous valuation inputs requiring considerable judgments and assumptions by the Management Board. These assumptions entail significant uncertainty.

In light of the complexity of the development of the equity investment and the judgments made by the executive directors and the resulting effects on the consolidated financial statements of TLG IMMOBILIEN AG, we consider the recognition and valuation of the equity investment in Aroundtown SA to be a key audit matter.

Auditor's response

On the basis of contracts, the resolutions adopted at the annual general meeting of Aroundtown SA and the publications concerning the appointment of the Management Board, we assessed for fiscal year 2020 whether TLG IMMOBILIEN AG is able to exert significant influence on Aroundtown SA considering its interest of 13.53% as of 31 December 2020 (i.e., of less than 20% of Aroundtown SA's capital stock).

We analyzed the rolled forward carrying amount of the Group's share in the net assets of the associate for the period from 1 January to 31 December 2020 on the basis of the audited consolidated financial statements of Aroundtown SA as of 31 December 2020, taking into account the capital increases at Aroundtown SA and their effects on the amount of the ownership interest and the development of the differences between the carrying amounts and the net fair value of the identifiable assets and liabilities of Aroundtown SA on initial consolidation as of 1 September 2019.

To evaluate the executive directors' assessment of the underlying value of the equity investment in Aroundtown SA, we initially examined the underlying process and its suitability for assessing the underlying value of the equity investment. We also appraised the executive directors' assessment of whether objective evidence of impairment as defined by IAS 28.41c existed as a result of a loss event due to the decline in market capitalization of Aroundtown SA in connection with the ongoing coronavirus pandemic since March 2020.

In addition, we analyzed whether the Management Board tested the carrying amount of the investment for impairment in accordance with IAS 28.42 and whether the Management Board did so by correctly determining the recoverable amount and comparing it with the carrying amount as of 31 December 2020. To this end, based on analyses both by us and by the Company together with an expert, we assessed whether the EPRA net tangible assets ("EPRA NTA") as a EPRA net asset value metric ("EPRA NAV") is an accepted benchmark for determining the recoverable amount (value in use) in the real estate industry, in spite of the lower share price (fair value less costs of disposal). In the view of the Management Board, the EPRA NTA reflects the present value of the estimated future cash flows arising from the expected dividends from the investment and the final sale of the investment. We assessed the qualifications and objectivity of the external expert and the suitability of that work as audit evidence for the valuation of the shares in Aroundtown SA accounted for using the equity method.

We compared the value in use calculated by TLG IMMOBILIEN AG with the respective carrying amount. In addition, we examined whether the value in use was calculated correctly on the basis of Aroundtown SA's audited consolidated financial statements as of 31 December 2020.

Our procedures did not lead to any reservations relating to the recognition and valuation of the equity investment in Aroundtown SA.

Reference to related disclosures

Please refer to the information provided by the Management Board on the recognition and valuation of the equity investment in Aroundtown SA in the notes to the consolidated financial statements (sections C.2 "Basis of consolidation," D.4 "Impairments of non-financial assets," D.23 "Major discretionary decisions and estimates," E.3 "Investments in entities accounted for using the equity method" and H.14 "Shareholding list").

Other information

The Supervisory Board is responsible for the report of the Supervisory Board pursuant to Sec. 171 (2) AktG ["Aktiengesetz": German Stock Corporation Act] and the Supervisory Board's declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG. In all other respects, the executive directors are responsible for the other information.

The other information comprises the declaration on corporate governance pursuant to Sec. 289f (2) in conjunction with Sec. 315d HGB, which is part of the management report of the Company and the Group, as well as the information included in the sections “4.2 Proportion of women” and “6. Responsibility statement required by Sec. 264 (2) Sentence 3 HGB, Sec. 289 (1) Sentence 5 HGB, Sec. 315 (1) Sentence 5 HGB” of the management report of the Company and the Group.

The other information also includes the other elements of the annual report, of which we received a version prior to issuing this auditor’s report, specifically the sections “Report of the Supervisory Board” and “Corporate governance report and declaration on corporate governance” but not the consolidated financial statements, not the disclosures in the management report of the Company and the Group whose content is audited and not our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the management report of the Company and the Group do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the management report of the Company and the Group or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the management report of the Company and the Group

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the management report of the Company and the Group that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report of the Company and the Group that is in accordance with the German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report of the Company and the Group.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the management report of the Company and the Group.

Auditor's responsibilities for the audit of the consolidated financial statements and of the management report of the Company and the Group

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report of the Company and the Group as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the management report of the Company and the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this management report of the Company and the Group.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the management report of the Company and the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the management report of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the management report of the Company and the Group or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the management report of the Company and the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the management report of the Company and the Group with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report of the Company and the Group. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the management report of the Company and the Group prepared for publication purposes

Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the management report of the Company and the Group (hereinafter the "ESEF documents") contained in the attached electronic file „TLG_KA_KLB_ESEF-2020-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the management report of the Company and the Group into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the management report of the Company and the Group contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying management report of the Company and the Group for the fiscal year from 1 January to 31 December 2020 contained in the "Report on the audit of the consolidated financial statements and of the management report of the Company and the Group" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the management report of the Company and the Group contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the requirements for quality control systems set forth in IDW Standard on Quality Control: “Requirements for Quality Control in Audit Firms” (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the management report of the Company and the Group in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor’s report and the attached audited consolidated financial statements and the audited management report of the Company and the Group as well as other documents to be published to the operator of the Bundesanzeiger [German Federal Gazette].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor’s responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also: •

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited management report of the Company and the Group.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting held on 7 October 2020 and were engaged by the Supervisory Board on 22 October 2020. We served as the auditor of TLG IMMOBILIEN GmbH from fiscal year 1999 to 2013. We have been the auditor of TLG IMMOBILIEN AG since fiscal year 2014 without interruption.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Stefanie Kreninger.

Berlin, 14 April 2021
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kreninger	Pilawa
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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