ANNUAL FINANCIAL STATEMENTS 2020

TLG IMMOBILIEN

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ANNUAL FINANCIAL STATE-MENTS

STATEMENT OF PROFIT AND LOSS

for the period from 1 January to 31 December 2020

	2020 in Euro	2019 in Euro thousand
1. Revenue	717,319,322.25	252,287
2. Decrease (previous year: Increase) in inventories of work in progress	-438,773.29	7,122
3. Other own work capitalised	479,062.00	461
4. Other operating income	23,117,997.33	19,788
	740,477,608.29	**279,658**
5. Material costs		
a) Disposals of real estate inventory at book value	252,610,208.99	36,679
b) Cost of purchased services	64,569,375.85	66,720
	317,179,584.84	**103,400**
6. Personnel expenses		
a) Salaries	16,672,847.07	17,345
b) Social security contributions and expenses for pensions and other benefits of which for pensions Euro 119,693.44 (previous year Euro 135 thousand)	1,912,323.24	1,972
	18,585,170.31	**19,317**
7. Amortisation and depreciation of intangible assets and property, plant and equipment	50,391,045.08	58,323
8. Other operating expenses	21,549,825.45	31,827
	332,771,982.61	**66,791**
9. Income from equity investments of which from affiliates Euro 33,471,720.13 (previous year: Euro 7,468 thousand)	33,471,720.13	7,468
10. Income from profit transfer	10,650,153.86	9,881
11. Other interest and similar income of which to affiliates Euro 4,926,230.37 (previous year: Euro 5,358 thousand)	5,600,620.43	5,560
12. Interest and similar expenses of which from affiliates Euro 28,934,866.72 (previous year: Euro 6,511 thousand)	77,398,778.36	47,831
13. Expenses from loss absorption	1,338,830.05	1,198
14. Income taxes of which income / expenses from changes in recognized deferred taxes Euro 64,934,058.85 (previous year: Euro 6,122 thousand)	67,010,408.81	12,876
15. Profit after tax	**236,746,459.81**	**27,796**
16. Other taxes	124.00	0
17. Net income for the year	236,746,583.81	27,796
18. Profit carried forward from the previous year	1,305,719.68	1,501
19. Withdrawals from the capital reserves	26,000,000.00	79,703
20. Net retained profit	**264,052,303.49**	**109,000**

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

ASSETS	31/12/2020 in Euro	31/12/2019 in Euro thousand
A. FIXED ASSETS		
I. Intangible assets		
1. Purchased software	2,351,157.01	2,743
2. Prepayments made	150,993.53	157
	2,502,150.54	**2,900**
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	1,172,763,726.13	1,418,246
2. Technical equipment and machines	1,099,042.42	529
3. Other equipment, furniture and fixtures	151,584.31	211
4. Prepayments and assets under construction	32,240,601.28	35,529
	1,206,254,954.14	**1,454,515**
III. Financial assets		
1. Shares in affiliates	2,536,506,814.85	847,829
2. Loans to affiliates	232,045,803.13	297,046
3. Equity investments	0.00	1,530,208
4. Other loans	2,456,926.51	2,457
	2,771,009,544.49	**2,677,541**
B. CURRENT ASSETS		
I. Inventories		
1. Property	144,671.86	139
2. Work in progress	34,391,937.75	34,831
	34,536,609.61	**34,970**
II. Receivables and other assets		
1. Trade receivables	3,377,869.94	3,578
2. Receivables from affiliates	138,676,636.55	20,090
3. Other assets	6,205,248.24	1,694
	148,259,754.73	**25,362**
III. Cash in hand and bank balances	**428,938,330.36**	**446,655**
C. PREPAID EXPENSES	**13,109,631.00**	**30,081**
	4,604,610,974.87	**4,672,023**

EQUITY AND LIABILITIES	31/12/2020 in Euro	31/12/2019 in Euro thousand
A. EQUITY		
I. Subscribed capital	**112,190,436.00**	**112,073**
Contingent capital: Euro 48,167,385.00 (previous year: Euro 23,861 thousand)		
II. Capital reserves	**1,178,682,621.16**	**1,202,646**
III. Net retained profit	**264,052,303.49**	**109,000**
	1,554,925,360.65	**1,423,719**
B. SPECIAL ITEM FOR INVESTMENT GRANTS AND INVESTMENT SUBSIDIES	**7,845,079.34**	**9,170**
C. PROVISIONS		
1. Provisions for pensions and other obligations	7,189,693.00	6,959
2. Tax provisions	1,639,439.84	3,371
3. Other provisions	32,941,788.58	42,626
	41,770,921.42	52,955
D. LIABILITIES		
1. Bonds	0.00	1,606,486
2. Liabilities due to financial institutions	821,259,316.41	868,047
3. Advanced payments received	33,550,990.06	33,266
4. Trade payables	3,781,274.54	4,244
5. Liabilities to affiliates	2,060,654,700.71	657,938
6. Other liabilities of which taxes Euro 580,239.12 (previous year: Euro 467 thousand)	3,541,967.40	3,234
	2,922,788,249.12	**3,173,216**
E. DEFERRED INCOME	**667,530.42**	**1,284**
F. DEFERRED TAX LIABILITIES	**76,613,833.92**	**11,680**
	4,604,610,974.87	**4,672,023**

NOTES TO THE FINANCIAL STATEMENT OF TLG IMMOBILIEN AG, BERLIN

1. GENERAL

The annual financial statements for the 2020 financial year were prepared in accordance with the German Commercial Code (HGB) for large corporations and the German Stock Corporation Act (AktG). The nature of expense method was used for the presentation of the statement of profit and loss.

The Company is registered under the name TLG IMMOBILIEN AG with its registered office in Berlin in the commercial register of the Local Court of Berlin - Charlottenburg under the number HRB No. 161314 B.

The management report on the situation of the company and he Group for TLG IMMOBILIEN AG (short: TLG IMMOBILIEN) are combined in accordance with Section 315 (5) HGB.

The annual financial statements and the management report on the position of the Company and the TLG IMMOBILIEN Group for the 2020 financial year will be submitted to the operator of the German Federal Gazette (Bundesanzeiger) and published in the German Federal Gazette.

The annual financial statements of TLG IMMOBILIEN and the annual report for the 2020 financial year are also available online at http://ir.tlg.de.

The revocation of the admission to the Prime Standard became effective as of 25 June 2020; therefore, the shares have been listed in the General Standard since 26 June 2020.

2. ACCOUNTING AND MEASUREMENT METHODS

The following accounting and measurement methods were applied in the preparation of the balance sheet and the statement of profit and loss account:

Acquired intangible assets are recognised at acquisition cost and, if subject to wear and tear, are reduced by amortisation (3 to 5 years; straight-line method) in accordance with their useful life.

Property, plant and equipment are measured at the lower of cost or net realisable value if the impairment is permanent and depreciated on a straight-line basis over their useful lives. Borrowing costs are not capitalised.

Land, land rights and buildings that serve the business operations on a permanent basis are valued at the lower of acquisition and production cost or net realisable value and, if subject to wear and tear, are depreciated on a straight-line basis in accordance with their normal useful life.

Impairment losses and reversals of impairment are recognized in accordance with IDW Accounting Principle: Valuation of Investment Property in the Statutory Balance Sheet [Bewertung von Immobilien des Anlagevermögens in der Handelsbilanz] (IDW AcP IFA 2) of 27 April 2015. A temporary impairment is only assumed if it can be expected on the basis of verifiable circumstances that the reasons for for the recognition of impairment losses will no longer exist at least in the medium term, i.e., within a period of usually three to five years. The impairment loss is reversed in the financial year in which the reasons for the previous impairment loss no longer apply.

Low-value assets up to a net individual value of Euro 800 (Euro 150 until 31 December 2017) were fully depreciated or expensed in the year of acquisition (acquisition after 31 December 2017); their immediate disposal was assumed. For fixed assets (acquired before 31 December 2017) with a net individual value of more than Euro 150 and less than Euro 1,000, the collective item to be created annually for tax purposes was transferred to the statutory balance sheet for reasons of simplification, and depreciated at a flat rate of 20 % p.a. in the year of acquisition and the four following years.

Financial assets are recognised at the lower of cost or net realisable value and loans are generally recognised at nominal value.

Properties held as inventories are recognised at the lower of cost or net realisable value.

Work in progress results in particular from the capitalisation of operating costs that have not yet been invoiced.

Receivables and other assets are generally recognised at nominal value. Identifiable risks are taken into account through specific bad debt allowances.

The discount from the loan from TLG Finance S.à.r.l. was capitalised as prepaid expenses (Sec. 250 (3) HGB). The release occurs using the straight-line method, according to the term of the loan agreement, or through premature redemption of the loan.

The release of the special item for investment grants and investment subsidies is carried out in accordance with the useful life of the subsidised fixed assets or when they are sold or disposed of.

Provisions for pensions and similar obligations are determined according to the projected unit credit method using the "Heubeck-Richttafeln 2018 G". For discounting purposes, the average market interest rate of 2.30 % (previous year: 2.71 %) was applied for an assumed remaining term of 15 years. This is derived from the interest rates published by the Deutsche Bundesbank in accordance with Section 253 (2) of the German Commercial Code (HGB) in accordance with the procedure specified in the German Ordinance on the Discounting of Provisions (Rückstellungsabzinsungsverordnung). The discount interest rate is based on the average market interest rate of the past ten years. The recognition of provisions according to the seven-year and ten-year average interest rates results in a difference of Euro 615 thousand, which is subject to a distribution ban in accordance with Sec. 253 (6) HGB. Expected salary increases and employee turnover were not taken into account. Expected pension increases were taken into account at 2 % (previous year: 2 %) or, if firmly committed, at 1 % (previous year: 1 %).

Tax provisions and other provisions take into account all uncertain liabilities and potential losses from pending transactions. They are recognised at the settlement amount required according to prudent business judgment (i.e., including future cost and price increases). The provisions are short-term in nature, so no discounting was carried out.

Liabilities are recognised at the settlement amount.

For the determination of deferred taxes due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, and prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, the amounts of the resulting tax burden and relief are valued at the company-specific tax rates at the time of the elimination of the differences and are not discounted. Deferred tax assets and liabilities are shown netted. The capitalisation of a surplus of deferred taxes is omitted in exercise of the existing recognition option.

Where hedge accounting is used in accordance with Sec. 254 HGB, the following accounting and measurement principle is applied:

Economic hedging relationships are reflected in the balance sheet by designating hedges. Accordingly, offsetting positive and negative changes in value from the hedged risk are recognised without affecting the statement of profit and loss (net method).

3. ASSETS

The development of fixed assets can be seen in the fixed assets movement schedule, which is part of the notes.

Shares in affiliates increased to Euro 2,536,507 thousand (previous year: Euro 847,829 thousand). The increase is mainly the result of the contribution of the shares of Aroundtown SA to TLG Vermögensverwaltung AG & Co. KG (Euro 1,530,208 thousand), which were formerly reported under equity investments, and the contribution in kind of the Kapweg property to TLG Kapweg GmbH & Co. KG (Euro 82,205 thousand). TLG IMMOBILIEN holds 100 % of shares in TLG Vermögensverwaltung AG & Co. KG and has deposited the Aroundtown SA shares in accordance with the exchange principles, at their carrying amount, as part of an increase of capital against issuance of a new share in the fixed capital.

Therefore, TLG IMMOBILIEN holds the shares in Aroundtown SA indirectly through TLG Vermögensverwaltung AG & Co. KG. As a consequence of the transfer of the shares, as at 31 December 2020, no reserve for shares held in a majority shareholder in accordance with Sec. 272 (4) HGB are reported. The Management Board measures fair value based on the net tangible assets attributable to the Company (EPRA NTA) as a manifestation of the Aroundtown SA Group's net asset value (NAV), as this reflects the present value of estimated future cash flows from dividends and from the ultimate disposal of the investment. The fair value as of the reporting date of EUR 1,747.4 million exceeds the carrying amount as of 31 December 2020 of Euro 1,530.2 million and the market price of Euro 1,125.7 million derived from the stock market price as of 31 December 2020, so that there is no indication for a permanent impairment.

In the 2020 financial year other shareholders of WCM AG accepted the exchange offer. The carrying amount increased to Euro 383,337 thousand due to the addition of further shares.

The information on shares in affiliates can be found in the list of shareholdings, which is part of the notes.

Loans to affiliates of Euro 232,046 thousand (previous year: Euro 297,046 thousand) include loans to WCM AG in the amount of Euro 190,328 thousand (previous year: Euro 255,328 thousand). The decrease results from the partial repayment of the loan of 21 December 2017 in the amount of Euro 65,000 thousand. In addition, the item includes borrowings of Euro 14,540 thousand (previous year; Euro 14,540 thousand) and Euro 27,178 thousand (previous year: Euro 27,178 thousand), respectively from loans to TLG EH1 GmbH and TLG EH2 GmbH relating to the refinancing of financial liabilities.

As in the previous year, the remaining terms of trade receivables and receivables from affiliates are less than one year.

Receivables from affiliates amounting to Euro 138,677 thousand (previous year: Euro 20,090 thousand) essentially relate to the deferred purchase price from the sale of the property Spree-Etage to TLG Spree-Etage GmbH & Co. KG in the amount of Euro 85,550 thousand. Moreover, the receivables from affiliates include the profit transfer under existing profit –and -loss transfer agreements for the financial year 2020 in the amount of Euro 10,650 thousand and for 2019 in the amount of Euro 9,541 thousand, income from equity investments for 2020 in the amount of Euro 25,839 thousand and for 2019 in the amount of Euro 2,888 thousand, intragroup allocations and recharges to the subsidiaries in the amount of Euro 2,622 thousand and claims of Euro 1,526 thousand from the cash management provided by TLG IMMOBILIEN.

The remaining terms of the other assets are less than one year (previous year: Euro 58 thousand with a remaining term of more than one year).

Prepaid expenses include a discount in the amount of Euro 8,533 thousand (previous year: Euro 25,100 thousand).

4. EQUITY AND LIABILITIES

SHARE CAPITAL

TLG IMMOBILIEN has share capital of Euro 112,190 thousand. The share capital is divided into 112,190,436 no-par value shares with a nominal share in share capital of Euro 1,00 per share.

NON-CASH CAPITAL INCREASES

On 27 June 2017, TLG IMMOBILIEN published the offer document for its voluntary public takeover offer to the shareholders of WCM AG for the acquisition of all shares in WCM AG. The takeover offer was accepted for a total of 117,505,327 WCM shares. This corresponded to a share of around 85.89 % of the share capital and voting rights in WCM AG.

In the course of the capital increase against contribution in kind in the context of the voluntary public takeover offer under partial utilisation of the Authorised Capital 2016, the share capital of the Company was increased by Euro 20,436 thousand through the issuance of 20,435,708 no-par value bearer shares. The contributions in kind in respect of the new shares in the context of the capital increase were made by contributing 117,505,321 WCM shares. The registration of the offer capital increase to the Company took place on 6 October 2017.

Under the control agreement entered in the commercial register on 9 February 2018, TLG IMMOBILIEN undertook, at the request of the minority shareholders of WCM AG, to acquire their shares in return for the granting of new no-par value bearer shares in TLG IMMOBILIEN AG with a nominal share in the share capital of Euro 1.00 each at an exchange ratio of four shares in TLG IMMOBILIEN for 23 shares in WCM AG. As a result of an appraisal proceeding pending before the Regional Court of Frankfurt am Main, the deadline pursuant to Sec. 305 (4) AktG is now extended from 16 April 2018 to a date that is no earlier than two months after the date on which the petition last ruled upon in the appraisal proceeding is published in the German Federal Gazette (Bundesanzeiger).

In the 2020 financial year, other shareholders of WCM AG accepted the exchange offer. A total of 672,705 WCM shares were transferred to TLG IMMOBILIEN. TLG IMMOBILIEN increased the share capital by Euro 117 thousand divided into 116,975 shares from the contingent capital (Contingent Capital 2017/III).

AUTHORISED CAPITAL

By resolution of the annual general meeting on 21 May 2019 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 10,000,000.00 in exchange for contributions in kind (Authorised Capital 2019/II) by issuing up to 10,000,000 new shares by 20 May 2024.

By resolution of the 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, once or on several occasions, by 6 October 2025.

The shareholders must always be granted subscription rights, although the subscription rights of the shareholders can be excluded under the conditions of the Authorised Capital.

CONTINGENT CAPITAL

The share capital has been increased by up to Euro 5,000,000.00 by the issuance of up to 5,000,000 new shares (Contingent Capital 2017/III). The contingent capital increase enables the Company to provide the minority shareholders of WCM AG with exit compensation consisting of shares in the Company in accordance with the provisions of the control agreement concluded with WCM AG. TLG IMMOBILIEN increased its share capital by Euro 117 thousand (previous year: Euro 189 thousand) divided into 116,975 (previous year: 188,732) shares from this contingent capital (Contingent Capital 2017/III). The Contingent Capital 2017/III amounts to Euro 3,338. thousand

The share capital was conditionally increased by up to Euro 44,829,000.00 through the issuance of up to 44,829,000 new shares (Conditional Capital 2020/I) by resolution of the annual general meeting of 7 October 2020. The contingent capital increase will enables the Company to issue new shares to the creditors of any convertible bonds or similar instruments that can be issued until 6 November 2025.

CAPITAL RESERVES

The capital reserve increased by Euro 2,037 thousand to Euro 1,204,683 as a result of the capital increase through contributions in kind of Euro 1,202,646 thousand. In the course of preparing the annual statements, the Management Board withdrew an amount of Euro 26,000 thousand from the free capital reserves. As at 31 December 2020 the capital reserves amount to Euro 1,178,683 thousand.

NET RETAINED PROFIT

By resolution of the annual general meeting of 7 October 2020, a dividend payment of Euro 107,694 thousand was made to the shareholders from the net retained profit for 2019 and Euro 1,306 thousand was transferred to the profit carried forward. The net retained profit therefore includes a profit carried forward of Euro 1,306. thousand

PROVISIONS

The other provisions totaling Euro 32,942 thousand (previous year: Euro 42,626 thousand relate in particular to personnel expenses (Euro 2,943 thousand), long-term bonus programmes (Euro 176 thousand), expenses in connection with property management including tenancy disputes (Euro 4,926 thousand), construction costs (Euro 3,986 thousand), outstanding invoices (Euro 6,072 thousand) and potential losses from interest rate hedges (Euro 14,839 thousand).

LIABILITIES

The liabilities have the following maturities:

	31/12/2020					
Liabilities	**Total** Euro million	**Remaining term up to 1 year** Euro million	**Remaining term 1 - 5 years** Euro million	**Remaining term over 5 years** Euro million	**Total** Euro million	**Remaining term up to 1 year** Euro million
from the issuance of bonds	0.0	0.0	0.0	0.0	1,606.5	6.5
due to financial institutions	821.3	36.8	396.8	387.8	868.0	71.3
from prepayments received	33.6	33.6	0.0	0.0	33.3	33.3
from trade payables	3.8	3.5	0.3	0.0	4.2	3.9
to affiliates	2,060.7	260.7	600.0	1,200.0	657.9	57.9
other liabilities	3.5	3.0	0.2	0.3	3.2	2.6
Total	**2,922.8**	**337.5**	**997.2**	**1,588.1**	**3,173.2**	**175.5**

All liabilities to banks are secured by land charges.

Except for liabilities to banks, no collateral has been provided for liabilities.

Liabilities to affiliates (Euro 2,060,655 thousand) mainly relate to long-term (Euro 1,200,000 thousand) and short-term (Euro 141,500 thousand) shareholder loans, issued by the majority shareholder Aroundtown SA, Luxembourg. In July 2020, TLG IMMOBILIEN agreed with Aroundtown SA on the substitution of TLG IMMOBILIEN as issuer and debtor of all corporate bonds issued by it by the majority shareholder Aroundtown SA, with TLG IMMOBILIEN continuing to act as guarantor. As consideration for the substitution, the corporate bonds were replaced by long-term shareholder loans to Aroundtown SA. In addition, the liabilities to affiliated companies include a loan from TLG Finance S.à.r.l., Luxembourg, in the amount of Euro 600,000 thousand, the claims of the subsidiaries under the cash management (Euro 109,319 thousand) carried out by TLG IMMOBILIEN, the deferred interest on the shareholder loans (Euro 6,361 thousand) and, in the amount of Euro 1,339 thousand, the loss absorption under existing profit and loss transfer agreements.

Other liabilities amounting to Euro 3,542 thousand include Euro 310 thousand in subsidies for leased assets, which must be passed on to the lessees in the form of reduced lease payments spread over the lease term. In addition, they include liabilities from withholdings and overpayments of Euro 2,128 thousand and tax liabilities of Euro 580 thousand.

Deferred income of Euro 668 thousand mainly relates to advance rental payments.

DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities result from the following circumstances and have changed as follows compared to the previous year:

Deferred taxes on differences for in Euro thousand	**31/12/2020**	**31/12/2019**	**Change**
Property, plant and equipment (netted)	-53,614	-61,177	7,563
Receivables and assets	489	326	163
Special tax item Sec. 6b German Income Tax Act (EStG)	-66,544	-13,170	-53,375
Pension provisions	863	796	-68
Other provisions	4,759	4,544	-215
Prepaid expenses	2,904	0	2,904
Allocation within the tax group	-8,090	0	-8,090
Shares in partnerships	-18,859	0	-18,858
Deferred taxes on taxable temporary differences	**-138,092**	**-68,681**	**-69,411**
Deferred tax assets on (tax) interest carried forward	10,318	2,287	8,031
Deferred tax assets for unused losses	51,160	54,714	-3,554
Net deferred taxes	-76,614	-11,680	-64,934

The calculation was based on a tax rate of 30.675 %. This results from the currently applicable statutory tax rates, tax basis and rates as well as an average municipal assessment rate of 424%.

5. INCOME

Revenues totaling Euro 717,319 thousand (previous year: Euro 252,287 thousand) include Euro 177,581 thousand (previous year Euro 177,422 thousand) from property management, Euro 531,126 thousand (previous year: Euro 67,981 thousand) from the sale of properties and Euro 8,613 thousand (previous year: Euro 6,884 thousand) from other goods and services. From the sales proceeds, Euro 82,205 thousand is attributable to the disposal by way of exchange against shares in TLG Kapweg GmbH & Co. KG and Euro 85,550 thousand to the sale of the property Spree-Etage to the affiliate TLG Spree-Etage GmbH & Co. KG.

Other own work capitalised Euro 479 thousand (previous year: Euro 461 thousand) relates to own work in connection with project management for the properties under development.

Of the other operating income amounting to Euro 23,118 thousand (previous year: Euro 19,788 thousand, Euro 6,454 thousand relates to the reversal of provisions, Euro 5,030 thousand relates to out-of-period income from insurance compensation and Euro 3,916 thousand relates to income from write-ups on land and buildings. In addition, income unrelated to the accounting period is included in the amount of Euro 128 thousand, which is mainly due to income from operating cost settlements from previous years. Income of Euro 1,325 thousand is included from the reversal of the special item for investment grants and subsidies.

Interest income results in particular from the loan to WCM AG and from loans to other subsidiaries.

6. EXPENSES

Amortisation, depreciation and impairment of intangible assets and property, plant and equipment include unscheduled write-downs on the lower net realizable value amounting to Euro 858 thousand due to a permanent impairment.

The other operating expenses totaling Euro 21,550 thousand (previous year: Euro 31,827 thousand) contain, among other things, bad debt allowances and amortisation, depreciation and impairment on receivables and other assets (Euro 1,587 thousand).

The interest and similar expenses amounting to Euro 77,399 thousand (previous year: Euro 47,831 thousand) contain interest for loans from TLG Finance S.à r.l. of Euro 23,167 thousand, interest for loans and for corporate bonds of Euro 18,919 thousand, interest for shareholder loans of Euro 5,768 thousand, expenses for the premature redemption of loans and bonds of Euro 4,621 thousand and redemption or compensation payments for interest rate hedging transactions of Euro 6,491 thousand. Interest totalling Euro 514 thousand (previous year: Euro 596 thousand) arises from the discounting of the provision for pensions.

The income taxes contain current income taxes (Euro 4,423 thousand), deferred income tax (Euro 64,934 thousand) and non-periodic tax revenues (Euro 2,347 thousand).

7. CONTINGENT LIABILITIES

FAIR COMPENSATION FOR THE MINORITY SHAREHOLDERS OF WCM AG

TLG IMMOBILIEN guarantees the minority shareholders of WCM AG who do not wish to accept the settlement offer an annual fixed compensation payment in the form of a guaranteed dividend as fair compensation, for the term of the controlling agreement. The guaranteed dividend amounts to a gross amount of Euro 0.13 (the "gross settlement amount") for each financial year of WCM AG and for each bearer share of WCM AG with a nominal share in the share capital of Euro 1.00 each, less any corporate income tax plus solidarity surcharge at the tax rate applicable to such taxes for the relevant financial year (the "net settlement amount"). According to the circumstances at the time the domination agreement became effective, 15.0 % corporation income tax plus 5.5 % solidarity surcharge (i.e. Euro 0.02 per no-par value share of WCM AG) are deducted from the gross settlement amount. This results in a net settlement amount of Euro 0.11 per no-par value share of WCM AG for each full financial year of WCM AG according to the circumstances at the time the domination agreement became effective. The domination agreement has not yet been terminated. As at 31 December 2020, minority shareholders held 9,546,996 shares in WCM AG. The expected amount of the guaranteed dividend payable in the 2020 financial year has been taken into account in the annual financial statements of TLG IMMOBILEN. A maximum liability amount of Euro 1,056 thousand is calculated for the guaranteed dividend attributable to the 2020 financial year. A utilisation in the maximum amount is not expected, as WCM AG has achieved a positive annual result.

OTHER

TLG IMMOBILIEN's credit balances are restricted in the amount of Euro 99,718 thousand. This mainly results from the temporary pledges in connection with the exchange of collateral in existing loan agreements to avoid redemption costs and a contractual FF&E reserve agreed with a hotel tenant.

In connection with the substitution of TLG IMMOBILIEN by Aroundtown SA as issuer and debtor of all corporate bonds issued by TLG IMMOBILIEN totalling Euro 1,341,500 thousand in July 2020, TLG IMMOBILIEN issued a guarantee to the bondholders. TLG IMMOBILIEN guarantees the proper payment of all amounts payable by the issuer in accordance with the terms and conditions of the bonds. Utilisation is not expected, since Aroundtown SA has adequate liquidity.

TLG IMMOBILIEN is liable to those affiliates for which liability was assumed for the purposes of the exemption regulation in accordance with Sec. 264 (3) HGB in the amount of the obligations entered into up to the reporting date of the following financial year. Utilisation is not expected.

8. SIGNIFICANT OFF-BALANCE-SHEET TRANSACTIONS AND OTHER FINANCIAL OBLIGATIONS

8.1 SIGNIFICANT OFF-BALANCE SHEET TRANSACTIONS

Apart from the contracts and outstanding measures reported under other financial obligations, there are no significant off-balance-sheet transactions with a material impact on the future financial position.

8.2 OTHER FINANCIAL OBLIGATIONS

RENTAL, LEASE AND SERVICE CONTRACTS

The Company has various service contracts for EDP services, building cleaning, reception and security services as well as rental contracts and leases for vehicles and real estate.

These operating leases serve the Company's ongoing business operations and are advantageous in that investments and the corresponding outflow of cash are not necessary. The operating leases are not considered risky.

As a result of the non-cancellable contracts existing on the reporting date, the amounts to be paid in the following years add up as follows:

	in Euro thousand
2021	3,497
2022–2025	9,061
from 2025	11,293
Total	**23,851**

Of the total amount, Euro 21,809 thousand is attributable to rental agreements, Euro 1,723 thousand to service agreements and Euro 319 thousand to leases. The financial obligations arising from leasing contracts beginning in 2021, which have increased considerably compared to the previous year, essentially result from TLG IMMOBILIEN renting partial areas as office and business space in the office property formerly owned by the Company. The benefits and burdens for the property were transferred in March 2021.

There are purchase commitments of Euro 56,069 thousand for investment measures in the property portfolio that have already been commissioned and for purchases for which the services of the other party have not yet been rendered. In addition, there are other purchase commitments to the extent customary in the business.

9. DERIVATIVE FINANCIAL INSTRUMENTS (EXCLUSIVELY INTEREST RATE TRANSACTIONS)

Type	Amount as at 31/12/2020 Euro million	Fair value hedging instrument Euro million	Potential loss (if any) Euro million	Balance sheet items (if recognized in the balance sheet)
Interest rate derivatives in hedging relationship	446.9	-17.8	-0.2	Other provisions
Interest rate derivatives not in hedging relationship	189.5	-14.6	-14.6	Other provisions
Total	**636.4**	**-32.4**	**-14.8**	

The interest rate derivatives are used to hedge interest rates on loans already taken out. They were valued using the mark-to-market method.

The following hedges were formed:

Hedged item/hedging instrument	risk/type of hedge	amount included	amount of the hedged risk
Loans from banks/interest rate derivatives	Interest rate risk / micro hedges	Euro 446.9 million	Euro 446.9 million

The avoided provision for potential losses in connection with the hedging instruments amounts to Euro 17,824 thousand.

The opposing cash flows attributable to the hedged item and the hedging instrument are expected to offset almost completely during the term of the hedge (2021 – 2027), because according to the group risk policy, risk positions (hedged item) must be hedged immediately after they arise by interest rate hedges for the same amount, currency and maturity.

By the reporting date, the cash flows attributable to the hedged item and the hedging transaction almost completely offset each other. The net method was used for accounting purposes. The dollar offset method is used to measure the effectiveness of the hedging relationship. The critical terms match method was used to assess prospective effectiveness. All derivatives concluded since 2017 are no longer designated as hedging instruments for the purpose of hedge accounting. Consequently, if a negative market value arises for these interest rate hedges, a provision for potential losses is recognized in full.

10. TRANSACTIONS WITH RELATED PARTIES

No material transactions were conducted with related parties were conducted on terms other than arm's length terms.

11. TRUST ASSETS

TLG IMMOBILIEN manages credit balances from rent deposits held in trust amounting to Euro 4,534 (previous year: Euro 4,327 thousand).

12. 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 expiry of the acceptance period running 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 another 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 annual 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 title, 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, transfer of title, benefits and burdens took place on 1 March 2021 for several retail properties that had been sold as part of portfolio sales.

For an office property in Berlin the transfer of benefits and burdens took place on 1 March 2021. In addition, purchase agreements for office properties in Dresden were notarized on 2 March 2021.

Financing
In the first quarter of 2021, several liabilities to banks (Euro 143 million) were repaid. In addition, a shareholder loan of Euro 141.5 million to Aroundtown was repaid in March 2021.

No further events of particular significance occurred after the end of the 2020 financial year.

13. AUDITOR’S FEES

Information on the auditor's fees is summarised in the consolidated financial statements of TLG IMMOBILIEN AG, which are available in the electronic Federal Gazette.

14. NUMBER OF EMPLOYEES

During the financial year, TLG IMMOBILIEN AG employed an average of 129 (previous year: 139) permanent staff and an average of 12 temporary staff. Furthermore, an average of three trainees were employed and two employees were on parental leave.

15. MANAGEMENT BOARD

The following are appointed as members of the Management Board:

- Roy Vishnovizki, CEO (since 10 February 2021)
- Eran Amir (since 1 November 2020)
- Ronny Schneider (from 1 August 2020 to 9 February 2021)
- Barak Bar-Hen, CEO (until 31 October 2020)
- Jürgen Overath, COO (until 31 July 2020)
- Gerald Klinck, CFO (until 31 March 2020)

The members hold the position on a full-time basis.

Total remuneration for the Management Board in 2020 was Euro 2,735. thousand

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).

An LTI tranche covers a four-year period. Completion of the defined objectives is determined at the end of the fourth year by means of a comparison between current progress and the target. The amount of LTI remuneration is contingent on the completion of certain objectives. The key performance target here is NAV development. The LTI remuneration is therefore measured according to the agreed target multiplied by the NAV/share performance. The LTI is capped at twice the agreed target.

In 2020, the total remuneration for former members of the Management Board from pensions amounted to Euro 283 thousand. Pension provisions for former members of the Management Board amount to Euro 2,495 thousand as at 31 December 2020.

Further information on the remuneration of the Management Board can be found in the management report (remuneration report).

16. SUPERVISORY BOARD

The composition of the Supervisory Board is as follows:

David Maimon	Member since 05/01/2021
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	
Frank Roseen (Chairperson of the Supervisory Board)	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	
Ran Laufer (Vice Chairperson)	Vice Chairperson since 21/05/2019 Chair-person
Project development committee of TLG IMMOBILIEN AG, Berlin	21/05/2019 to 16/11/2020 Member
Executive 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	
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.a 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	
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	

The total remuneration of the Supervisory Board for the 2020 financial year amounts to Euro 438 thousand. Further information on the remuneration of the Supervisory Board can be found in the Management Report (remuneration report).

17. PROPOSAL FOR THE APPROPRIATION OF PROFITS

According to the Stock Corporation Act (AktG), the annual general meeting decides on the appropriation of the net retained profit shown in the annual financial statements. It is expected that a proposal will be made to the annual general meeting to distribute a dividend of Euro 1.02 per no-par value share from the net retained profit (Euro 108 million based on the number of shares as at 31 December 2020). The dividend depends on the number of no-par value shares entitled to dividend at the time of the resolution on the appropriation of the net retained profit by the annual general meeting. The resolution on the appropriation of the net retained profit will be disclosed in the Federal Gazette after the annual general meeting. The proposal of the Management Board will remain subject to the further development of the coronavirus pandemic and the performance of the markets until the invitation to the annual general meeting is published.

18. SHAREHOLDINGS

As at 31 December 2020, TLG IMMOBILIEN AG holds direct and indirect interests in the following companies. Unless otherwise stated, the values reflect the situation as at 31 December 2020.

	Name and registered office of the company	Sharehold-ings in %	Equity as of 31/12/2020 in Euro thousand	Result of the financial year 2020 in Euro thousand	Share-holdings direct/ indirect
1	Aroundtown SA, Luxemburg[5]	13.53	7,107,313	67,507	indirect
2	Hotel de Saxe an der Frauenkirche GmbH, Dresden[2,3]	100.00	22,200	0	direct
3	River Berlin Immobilien GmbH & Co. KG, Berlin[1]	94.90	2,025	654	indirect
4	River Bonn Immobilien GmbH & Co. KG, Berlin[1]	94.90	2,289	364	indirect
5	River Düsseldorf Immobilien GmbH & Co. KG, Berlin[1]	94.90	1,202	203	indirect
6	River Frankfurt Immobilien GmbH & Co. KG, Berlin[1]	94.90	14,232	1,274	indirect
7	TLG BES GmbH, Berlin[2,3,4]	100.00	28,025	0	direct
8	TLG Beteiligungsgesellschaft mbH, Berlin[2]	100.00	25	1	direct
9	TLG BN 1 GmbH, Berlin[2,3]	100.00	88,651	0	direct
10	TLG CCF GmbH, Berlin[2,3]	100.00	94,025	0	direct
11	TLG Central Services GmbH, Berlin[2]	100.00	23	-2	direct
12	TLG Development GmbH, Berlin[2]	100.00	23	-2	direct
13	TLG EH1 GmbH, Berlin[2,3]	94.90	17,550	0	direct
14	TLG EH2 GmbH, Berlin[2,3]	94.90	29,114	281	direct
15	TLG FAB GmbH, Berlin[2,3]	94.90	27,896	0	direct
16	TLG Finance S.à r.l., Luxembourg	100.00	2,868	62	direct
17	TLG Fixtures GmbH, Berlin[2,3]	100.00	360	1	direct
18	TLG HH1 GmbH, Berlin[2,3,4]	100.00	58,521	0	direct
19	TLG Kapweg GmbH & Co. KG, Berlin[1]	100.00	75,288	-1	direct
20	TLG MVF GmbH, Berlin[2,3]	100.00	73,025	0	direct
21	TLG Operations 1 GmbH, Berlin[2]	100.00	23	-2	direct
22	TLG Operations 2 GmbH, Berlin[2]	100.00	23	-2	direct
23	TLG Operations 3 GmbH, Berlin[2]	100.00	23	-2	direct
24	TLG PB1 GmbH, Berlin[2,3]	100.00	29,965	0	direct
25	TLG PB2 GmbH, Berlin[2]	100.00	9,182	-23	direct
26	TLG PB3 GmbH, Berlin[2,3]	100.00	7,955	0	direct
27	TLG Properties 1 GmbH & Co. KG, Berlin[1]	100.00	9	-1	direct
28	TLG Properties 2 GmbH & Co. KG, Berlin[1]	100.00	9	-1	direct
29	TLG Properties 3 GmbH & Co. KG, Berlin[1]	100.00	9	-1	direct
30	TLG Reserve1 GmbH & Co. KG, Berlin[1]	100.00	10	-10	direct
31	TLG Sachsen Forum GmbH, Berlin[2,3]	100.00	24,104	0	direct
32	TLG Spree-Etage GmbH & Co. KG, Berlin[1]	100.00	10,165	-10,175	direct
33	TLG Vermögensverwaltung AG & Co. KG, Berlin[1,6]	100.00	1,530,319	25,751	direct
34	WCM Besitzgesellschaft mbH, Berlin[2]	100.00	65	40	indirect
35	WCM Beteiligungs- und Grundbesitz- Aktiengesellschaft, Frankfurt am Main	93.02	274,801	30,888	direct
36	WCM Beteiligungsgesellschaft mbH & Co. KG, Berlin[1]	100.00	-10,611	-2,170	indirect
37	WCM Fixtures GmbH, Berlin[2]	100.00	-82	-135	indirect
38	WCM Handelsmärkte I GmbH, Berlin[2]	94.90	638	142	indirect
39	WCM Handelsmärkte II GmbH, Berlin[2]	94.90	849	356	indirect
40	WCM Handelsmärkte IV GmbH & Co. KG, Berlin[1]	94.90	17,859	1,164	indirect
41	WCM Handelsmärkte IX GmbH & Co. KG, Berlin[1]	94.80	5,886	-403	indirect
42	WCM Handelsmärkte VII GmbH & Co. KG, Berlin[1]	94.90	6,035	124	indirect
43	WCM Handelsmärkte X GmbH & Co. KG, Berlin[1]	100.00	6,004	3,220	indirect
44	WCM Handelsmärkte XI GmbH & Co. KG, Berlin[1]	100.00	4,598	2,092	indirect
45	WCM Handelsmärkte XII GmbH & Co. KG, Berlin[1]	94.80	1,940	-65	indirect
46	WCM Handelsmärkte XIII GmbH & Co. KG, Berlin[1]	100.00	2,347	11,545	indirect
47	WCM Handelsmärkte XIV GmbH & Co. KG, Berlin[1]	100.00	5,122	20,882	indirect
48	WCM Handelsmärkte XV GmbH & Co. KG, Berlin[1]	94.00	5,593	1,008	indirect
49	WCM Handelsmärkte XVI GmbH & Co. KG, Berlin[1]	94.00	1,278	245	indirect
50	WCM Handelsmärkte XVII GmbH, Berlin[2]	94.90	1,494	336	indirect
51	WCM Office I GmbH, Berlin[2]	94.90	2,094	-1,319	indirect
52	WCM Office II GmbH & Co. KG, Berlin[1]	94.90	2,886	613	indirect
53	WCM Office III GmbH & Co. KG, Berlin[1]	94.90	-32	-93	indirect
54	WCM Office IV GmbH & Co. KG, Berlin[1]	94.90	2,115	414	indirect
55	WCM Properties1 GmbH, Berlin[2]	100.00	25	0	indirect
56	WCM Vermögensverwaltung GmbH & Co. KG, Berlin[1]	100.00	23,704	-373	indirect
57	WCM Verwaltungs GmbH, Berlin	100.00	56	-15	indirect
58	WCM Verwaltungs I GmbH, Berlin[2]	100.00	224	59	indirect
59	WCM Verwaltungs II GmbH, Berlin[12]	100.00	47	-16	indirect
60	WCM Verwaltungs III GmbH & Co. KG, Berlin[1]	100.00	25	8,453	indirect
61	WCM Verwaltungs IV GmbH & Co. KG, Berlin[1]	100.00	25	6,387	indirect

[1] Companies are exempt from the obligation to prepare annual financial statements in accordance with Sec. 264b HGB.
[2] Companies are exempt from the obligation to prepare annual financial statements in accordance with Sec. 264 (3) HGB.
[3] Profit and loss transfer agreement with TLG IMMOBILIEN AG
[4] Short financial year 1 July 2020 – 31 December 2020
[5] The figures refer to the published annual financial statements according to IFRS.
[6] TLG IMMOBILIEN AG is the general partner

As a rule, the annual financial statements have not yet been approved. Equity and result for the financial year are based on German GAAP (HGB).

19. INVESTMENTS SUBJECT TO NOTIFICATION PURSUANT TO SEC. 160 AKTG

Pursuant to Sec. 160 (1) No. 8 AktG, information must be provided on the existence of shareholdings of which TLG IMMOBILIEN AG was notified by the end of 2020 pursuant to Sec. 21 (1) or (1a) or, from January 2020 pursuant to Sec. 33 (1) or (2) of the German Securities Trading Act (WpHG).

The following table shows the shareholdings of which the Company was notified. The information was taken from the most recent notification of the notifying companies to TLG IMMOBILIEN AG.

Notifying company	Voting rights for the purposes of Secs. 33, 34 WpHG	Voting rights in %	Reason for notification and thresholds met	Share of instruments for the purposes of Sec. 38 (1) WpHG in %	Date on which the threshold was met	Allocation of voting rights for the purposes of Sec. 34 WpHG	Companies of which 3 % of more are assigned
Allianz Global Investors GmbH	2,107,141	2.84	Acquisition/disposal of shares with voting rights Voting rights (too low by 3 %)		19/07/2017	yes	
Artemis Investment Management LLP	2,018,896	2.99	Acquisition/disposal of shares with voting rights Voting rights (too low by 3 %)		24/11/2016	yes	
BlackRock, Inc.	351,364	0.31	Acquisition/disposal of shares with voting rights Voting rights (too low by 3 %)	0.01	19/02/2020	yes	
Cohen & Steers, Inc.	1,792,870	2.42	Acquisition/disposal of shares with voting rights Voting rights (too low by 3 %)		11/05/2017	yes	
Ms Maria Saveriadou	11,670,823	10.41	Acquisition/disposal of shares with voting rights Voting rights (too low by 25 %)		14/02/2020	yes	Ouram Holdung S.à r.l.
Government of Singapore, acting by and through the Ministry of Finance	3,327,977	2.97	Acquisition/disposal of shares with voting rights Voting rights (too low by 3 %)		12/12/2019	yes	
Mr Amir Dayan	11,670,823	10.41	Acquisition/disposal of shares with voting rights Voting rights (too low by 25 %)		14/02/2020	yes	Ouram Holdung S.à r.l.
Prof. Dr. Gerhard Schmidt	24,397	0.02	Acquisition/disposal of shares with voting rights Voting rights (too low by 3 %)		26/04/2019	yes	
Julius Baer Group Ltd.	2,147,352	2.08	Acquisition/disposal of instruments	2.87	29/11/2018	yes	

Kairos International SICAV	3,017,599	2.92	Acquisition/disposal of instruments	2.07	10/08/2018	no
Morgan Stanley	108,363	0.16	Acquisition/disposal of shares with voting rights Voting rights and instruments (too low by 5 %)	0.03	18/03/2016	yes
Principal Financial Group Inc.	2,282,192	3.38	Acquisition/disposal of shares with voting rights Voting rights (exceeded by 3 %)	0	03/02/2016	yes
RAG-Stiftung	2,601,813	2.52	Acquisition/disposal of shares with voting rights Voting rights (too low by 3 %)		06/05/2019	no
The Goldman Sachs Group, Inc.	13,538	0.02	Acquisition/disposal of instruments Voting rights and instruments (too low by 5 %)	0.68	10/03/2017	yes
UBS Group AG	227,074	0.24	Acquisition/disposal of shares with voting rights Voting rights (too low by 3 %)	0.45	09/10/2017	yes
Welwel Investments Ltd.	1,750,000	2.36	Change in corporate structure Voting rights (too low by 3 %)		15/05/2017	no
Aroundtown SA	87,168,686	77.76	Acquisition/disposal of shares with voting rights and other reason: expiration of a call option Voting rights and instruments (exceeded by 50 %)	27.93	14/02/2020	yes
AXA Equitable Holdings, Inc.	0	0	Acquisition/disposal of shares with voting rights Voting rights (too low by 3 %)		13/11/2019	no
AXA S.A.	150,000	0.13	Change in the chain of controlled companies Voting rights (too low by 3 %)		13/11/2019	yes
Georgios Economou	0	0	Acquisition/disposal of shares with voting rights Voting rights (too low by 5 %)		14/02/2020	no
Bedrock Holdings S.A.	0	0	Acquisition/disposal of instruments Voting rights and instruments (exceeded by 5 %)		25/04/2019	no

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 under *INVESTOR RELATIONS/REPORTS*. 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.

20. CORPORATE GOVERNANCE

The declaration required by Sec. 161 AktG was issued by the Management Board and the Supervisory Board and is permanently available on the Company's website at www.tlg.de in the Investor Relations section.

21. GROUP AFFILIATION

Aroundtown SA, Luxembourg, has been the majority shareholder of TLG IMMOBILIEN AG since 19 February 2020. Since then, TLG IMMOBILIEN has been included in the consolidated financial statements of Aroundtown SA, which includes the largest group of companies. 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)).

TLG IMMOBILIEN AG is the parent company of the TLG IMMOBILIEN Group and prepares its own consolidated financial statements, which are available in the electronic Federal Gazette.

Berlin, 31 March 2021

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

DEVELOPMENT OF FIXED ASSETS

01/01/2020 – 31/12/2020

	Acquisition and production costs				
in Euro	01/01/2020	Additions	Disposals	Reclassifica-tions	31/12/2020
A. Fixed assets					
I. Intangible assets					
1. Purchased software	7,571,385.32	897,669.99	344,511.19	156,708.19	8,281,252.31
2. Prepayments made	156,708.19	150,993.53	0.00	-156,708.19	150,993.53
	7,728,093.51	**1,048,663.52**	**344,511.19**	**0.00**	**8,432,245.84**
II. Property, plant and equipment					
1. Land, land rights and buildings, including buildings on third-party land	1,899,574,827.92	30,256,890.87	363,895,845.02	21,971,154.15	1,587,907,027.92
2. Technical equipment and machines	748,453.50	3,009.66	2,514.00	761,834.35	1,510,783.51
3. Other equipment, furniture and fixtures	2,118,464.36	6,675.84	14,557.88	-17,562.98	2,093,019.34
4. Prepayments and assets under construction	35,528,786.13	19,427,240.67	0.00	-22,715,425.52	32,240,601.28
	1,937,970,531.91	**49,693,817.04**	**363,912,916.90**	**0.00**	**1,623,751,432.05**
III. Financial assets					
1. Shares in affiliates	907,488,262.43	1,688,677,496.88	0.00	0.00	2,596,165,759.31
2. Loans to affiliates	297,045,803.36	0.00	65,000,000.23	0.00	232,045,803.13
3. Equity investments	1,530,208,479.03	0.00	1,530,208,479.03	0.00	0.00
4. Other loans	2,456,926.51	0.00	0.00	0.00	2,456,926.51
	2,737,199,471.33	**1,688,677,496.88**	**1,595,208,479.26**	**0.00**	**2,830,668,488.95**
	4,682,898,096.75	**1,739,419,977.44**	**1,959,465,907.35**	**0.00**	**4,462,852,166.84**

in Euro	Accumulated amortization, depreciation and impairment						Net book value	
	01/01/2020	Additions	Disposals	Reclassifications	Reversals of impairment	31/12/2020	31/12/2020	31/12/2019
Fixed assets								
Intangible assets								
Purchased software	4,828,370.78	1,137,611.10	35,886.58	0.00	0.00	5,930,095.30	2,351,157.01	2,743,014.54
Prepayments made	0.00	0.00	0.00	0.00	0.00	0.00	150,993.53	156,708.19
	4,828,370.78	**1,137,611.10**	**35,886.58**	**0.00**	**0.00**	**5,930,095.30**	**2,502,150.54**	**2,899,722.73**
Property, plant and equipment								
Land, land rights and buildings, including buildings on third-party land	481,328,714.76	49,109,833.04	111,279,810.37	-99,271.37	3,916,164.27	415,143,301.79	1,172,763,726.13	1,418,246,113.16
Technical equipment and machines	219,152.70	78,268.04	2,514.00	116,834.35	0.00	411,741.09	1,099,042.42	529,300.80
Other equipment, furniture and fixtures	1,907,470.49	65,332.90	13,805.38	-17,562.98	0.00	1,941,435.03	151,584.31	210,993.87
Prepayments and assets under construction	0.00	0.00	0.00	0.00	0.00	0.00	32,240,601.28	35,528,786.13
	483,455,337.95	**49,253,433.98**	**111,296,129.75**	**0.00**	**3,916,164.27**	**417,496,477.91**	**1,206,254,954.14**	**1,454,515,193.96**
Financial assets								
Shares in affiliates	59,658,944.46	0.00	0.00	0.00	0.00	59,658,944.46	2,536,506,814.85	847,829,317.97
Loans to affiliates	0.00	0.00	0.00	0.00	0.00	0.00	232,045,803.13	297,045,803.36
Equity investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,530,208,479.03
Other loans	0.00	0.00	0.00	0.00	0.00	0.00	2,456,926.51	2,456,926.51
	59,658,944.46	**0.00**	**0.00**	**0.00**	**0.00**	**59,658,944.46**	**2,771,009,544.49**	**2,677,540,526.87**
	547,942,653.19	**50,391,045.08**	**111,332,016.33**	**0.00**	**3,916,164.27**	**483,085,517.67**	**3,979,766,649.17**	**4,134,955,443.56**

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 m² 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 over-all 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 NACV/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

	Barak Bar-Hen[1]		Gerald Klinck[2]		Jürgen Overath[3,4]		Ronny Schneider[5]	Eran Amir[6]
in Euro thousand	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

	Barak Bar-Hen				Gerald Klinck				Jürgen Overath				Ronny Schneider			Eran Amir		
in Euro thousand	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

INDEPENDENT AUDITOR’S REPORT

To TLG IMMOBILIEN AG

Report on the audit of the annual financial statements and of the management report of the Company and the Group

Opinions

We have audited the annual financial statements of TLG IMMOBILIEN AG, Berlin, which comprise the income statement for the fiscal year from 1 January to 31 December 2020 and the statement of financial position as at 31 December 2020, and notes to the financial statements, including the recognition and measurement policies presented therein. 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 annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the fiscal year from 1 January to 31 December 2020 in compliance with German legally required accounting principles, and
- the accompanying management report of the Company and the Group as a whole provides an appropriate view of the Company’s position. In all material respects, this management report of the Company and the Group is consistent with the annual 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 [“Handelsgesetzbuch”: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report of the Company and the Group.

Basis for the opinions

We conducted our audit of the annual 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 annual financial statements and of the management report of the Company and the Group" section of our auditor's report. We are independent of the Company 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 annual financial statements and on the management report of the Company and the Group.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual 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 annual 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 matter:

1. Subsequent measurement of investment property

Reasons why the matter was determined to be a key audit matter

The subsequent measurement of investment property is of material significance to the Company's assets, liabilities and financial performance. Specifically, the procedure for determining the net realizable value as of the reporting date as a basis for measuring impairment losses or reversals of impairment losses on investment properties in accordance with the "IDW Accounting Principle: Valuation of Investment Property in the Statutory Balance Sheet (IDW AcP IFA 2)" is complex as it involves numerous valuation inputs requiring considerable judgments and assumptions by the Management Board. These are in particular assumptions about the future development of realizable rents, the future development of the vacancy rate, the discount and capitalization rates and future repairs and investments. These assumptions entail significant uncertainty.

In light of the large number of properties, the complexity of the valuation methods and the assumptions requiring the use of judgment by the executive directors, we consider the subsequent measurement of investment property to be a key audit matter.

Auditor’s response

We obtained an understanding of the procedure used to determine the net realizable value as of the reporting date as the basis for calculating impairment losses or reversals of impairment losses on investment property and assessed whether this procedure conformed to IDW AcP IFA 2. We analyzed the assumptions relating to the intention to use the properties in the long term by reference to the Company’s short-term sales planning and medium-term corporate planning.

When an entity intends to use a property in the long term, according to IDW AcP IFA 2 it must test the land and buildings separately for impairment. For a sample of developed plots of land, we therefore compared the breakdown of the carrying amounts of the land and the related building with the underlying evidence.

In light of the real estate-specific assumptions to be made for the measurement, 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 experts 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.

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 significant value drivers (e.g., annual basic rent, useable space, vacancy rate, discount and capitalization rate, gross multiplier) is consistent with the development of the market value of the respective property.

Permanent impairment exists when the net realizable value is lower than the carrying amount and the impairment is not expected to be merely temporary. For impaired developed plots of land we assessed the estimate of the permanent nature of any impairment and its measurement as of the reporting date.

The net realizable value of held for sale property is determined in accordance with IDW AcP IFA 2 for the developed land as a single unit. The net realizable value is usually derived from the price on the sales market on the reporting date. When the recoverable amount is lower than amortized cost, an impairment loss is recognized. In such cases, impairment losses must be recognized even when an impairment is expected to be merely temporary. We obtained an understanding of whether any impairment requirement identified for the developed land was accurately determined on a test basis.

Under Sec. 253 (5) Sentence 1 HGB, impairment losses must be reversed when the reasons for a lower carrying amount cease to exist. Irrespective of the purpose of the property, we obtained an understanding of how the maximum write-up amount (amortized cost) is determined.

Our audit procedures did not lead to any reservations relating to the subsequent measurement of investment property.

Reference to related disclosures

Please refer to the information provided by the Management Board in the notes to the financial statements on the measurement of investment property and impairment losses and reversals of impairment losses in the sections “Accounting policies,” “Income” and “Expenses.”

2. Recognition and valuation of the equity investment in TLG Vermögensverwaltung AG & Co. KG, Berlin

Reasons why the matter was determined to be a key audit matter

The equity investment in TLG Vermögensverwaltung AG & Co. KG, Berlin (“TLG Vermögensverwaltung”), is a significant asset of TLG IMMOBILIEN AG and has an impact on the assets, liabilities, financial position and financial performance of TLG IMMOBILIEN AG due to the way it is recognized and valued.

The assessment by the executive directors of TLG IMMOBILIEN AG regarding the existence of indications of impairment for the shares in TLG Vermögensverwaltung as of 31 December 2020 entails uncertainty due to the use of judgment.

In light of the judgments made by the executive directors and the resulting effects on the annual financial statements of TLG IMMOBILIEN AG, we consider the recognition of the equity investment in TLG Vermögensverwaltung to be a key audit matter.

Auditor’s response

TLG IMMOBILIEN AG founded TLG Vermögensverwaltung in fiscal year 2020 and transferred its equity investment in Aroundtown SA at a carrying amount of EUR 1,530.2m as a non-cash contribution to TLG Vermögensverwaltung under the provisions of the contribution and share transfer agreement dated 4 November 2020.

Based on the contractual terms, the shareholder resolutions and the excerpt from the commercial register, we assessed the foundation and the recognition of the non-cash contribution of the equity investment in Aroundtown SA transferred to TLG Vermögensverwaltung.

The value of the equity investment of TLG Vermögensverwaltung is based on the value of the equity investment in Aroundtown SA, as it accounts for nearly the entire assets of TLG Vermögensverwaltung.

As of 31 December 2020, TLG Vermögensverwaltung holds approximately 13.53% of the shares in Aroundtown SA. We therefore assessed the executive directors' estimation of the recoverability of the equity investment in Aroundtown SA held indirectly by TLG Vermögensverwaltung.

For this purpose, we initially ascertained whether the executive directors had identified objective evidence of an impairment. We subsequently analyzed whether the executive directors, having identified objective evidence, had tested for indications of permanent impairment of the carrying amount of the equity investment in accordance with Sec. 253 (3) Sentence 5 HGB.

The executive directors defined the EPRA net tangible assets ("EPRA NTA") as a EPRA net asset value metric ("EPRA NAV") derived from the audited consolidated financial statements of Aroundtown SA as of 31 December 2020 as the net realizable value of the equity investment. In the view of the executive directors, 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.

Based on analyses both by us and the Company, we assessed whether the EPRA NTA as a EPRA NAV metric is an accepted benchmark for determining the net realizable value in the real estate industry, or whether the share price must be used as the sole benchmark for assessment. In addition, we examined whether the impairment test was carried out correctly on the basis of Aroundtown SA's audited consolidated financial statements as of 31 December 2020.

Our audit procedures did not lead to any reservations relating to the recognition and valuation of the equity investment in TLG Vermögensverwaltung, the value of which is determined by the equity investment in Aroundtown SA.

Reference to related disclosures

We refer to the information provided by the Management Board on the valuation of financial assets in the notes to the financial statements in the sections "Accounting policies" and "Assets."

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 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.

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 annual 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 annual 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 annual 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 annual financial statements and the management report of the Company and the Group

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company'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, provided no actual or legal circumstances conflict therewith.

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 Company's position and is, in all material respects, consistent with the annual 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 applicable 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 Company's financial reporting process for the preparation of the annual financial statements and of the management report of the Company and the Group.

Auditor's responsibilities for the audit of the annual financial statements and of the management report of the Company and the Group

Our objectives are to obtain reasonable assurance about whether the annual 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 Company's position and, in all material respects, is consistent with the annual 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 annual 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 annual 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 annual 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 annual 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 of the Company.
- 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 Company'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 annual 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 Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report of the Company and the Group with the annual financial statements, its conformity with [German] law, and the view of the Company'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 annual 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 annual 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 annual financial statements and the management report of the Company and the Group (hereinafter the “ESEF documents”) contained in the attached electronic file TLG_EA_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 annual 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 annual 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 annual 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 annual 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 annual 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 “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 annual financial statements and the management report of the Company and the Group in accordance with Sec. 328 (1) Sentence 4 No. 1 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 annual 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.

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 annual financial statements and to the audited management report of the Company and the Group.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as 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 and of TLG IMMOBILIEN AG since 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).

In addition to the financial statement audit, we have provided the following services to the audited entity that are not disclosed in the annual financial statements or in the management report of the Company and the Group:

- Other services in connection with supporting the Supervisory Board in an effectiveness review regarding the work of the Supervisory Board.
- Audit-related services in the form of agreed-upon procedures concerning lease data

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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