Audited Consolidated Financial Statements of TLG Immobilien GmbH as of and for the Fiscal Year Ended December 31, 2012

(Prepared in Accordance with German GAAP)

Disclaimer

Note in accordance with § 328 Para. 2 German Commercial Code (HGB; Handelsgesetzbuch): The consolidated group financial statements referenced here are presented in an abbreviated form without the accompanying group management report and thereby do not comply with the regulation applying to full scope financial statement publication in accordance with § 328 Para. 1 German Commercial Code. The complete set of financial information including the accompanying group management report have been subject to a compulsory financial statement audit and received an unqualified audit opinion in accordance with § 322 Para. 2 Sent. 1 Nr. 1 German Commercial Code. Also, the complete set of financial information including the accompanying group management report has been submitted for publication in the German Federal Gazette (Bundesanzeiger)

CONTENT

CONSOLIDATED BALANCE SHEET

ASSETS		EUR	EUR	31/12/2011 EUR '000
A.	**FIXED ASSETS**			
I.	**Intangible fixed assets**			
	Purchased software		1,466,094.89	1,901
II.	**Tangible fixed assets**			
1.	Land, land rights and buildings, including buildings on third-party land	1,220,477,316.15		1,705,896
2.	Technical equipment and machinery	816,301.15		986
3.	Other equipment, operating and office equipment	3,454,102.58		3,816
4.	Prepayments and assets under construction	79,453,325.13		48,879
			1,304,201,045.01	1,759,577
III.	**Long-term financial assets**			
1.	Shares in affiliated companies	127,550.95		132
2.	Shares in associates	33,418,330.16		34,274
			33,545,881.11	34,406
B.	**CURRENT ASSETS**			
I.	**Inventories**			
1.	Real estate	7,796,914.67		11,467
2.	Work in progress	16,333,865.02		34,088
			24,130,779.69	45,555
II.	**Receivables and other assets**			
1.	Trade receivables	6,480,592.28		16,960
2.	Receivables from affiliated companies	9,058.76		9
3.	Other assets	3,956,482.80		3,400
			10,446,133.84	20,369
III.	**Securities**		40,587.66	38
IV.	**Cash-in hand, bank balances**		69,933,491.49	42,543
C.	**PREPAID EXPENSES**		7,319,264.09	7,112
			1,451,083,277.78	1,911,501

EQUITY AND LIABILITIES				
A.	**EQUITY**			
I.	**Subscribed capital**		52,000,000.00	52,000
II.	**Capital reserves**		199,977,118.80	360,316
III.	**Revenue reserves**			
1.	Special reserve in accordance with section 27 (2) of the D-Mark Accounting Act (*D-Mark-Bilanzgesetz*, "DMBilG")	479,180,638.17		479,181
2.	Special reserve in accordance with section 17 (4) of the D-Mark Accounting Act (*D-Mark-Bilanzgesetz*, "DMBilG")	58,514,521.86		58,568
3.	Other revenue reserves	115,451,612.27		96,657
			653,146,772.30	634,406
IV.	**Consolidated net accumulated losses**		99,873,976.70	84,006
V.	**Minority interests**		0.00	2
			805,249,914.40	962,718
B.	**NEGATIVE CONSOLIDATION DIFFERENCE**		7,028,937.04	7,936
C.	**SPECIAL RESERVE FOR INVESTMENT GRANTS AND SUBSIDIES**		16,368,431.61	35,800
D.	**PROVISIONS**			
1.	Provisions for pensions and similar obligations	6,887,723.19		7,117
2.	Provisions for taxes	30,779,393.10		39,424
3.	Provisions for restitutions	0.00		9
4.	Other provisions	51,492,736.02		45,621
			89,159,852.31	92,171
E.	**LIABILITIES**			
1.	Liabilities to banks	480,110,272.45		696,830
2.	Payments received	19,986,728.41		35,704
3.	Trade payables	19,132,235.53		7,035
4.	Liabilities to shareholders	0.00		53,748
5.	Other liabilities thereof taxes EUR 323,458.07 (PY: EUR 1,468 thousand) thereof social security EUR 150,714.15 (PY: EUR 11 thousand)	13,945,630.35		18,975
			533,174,866.74	812,292
F.	**DEFERRED INCOME**		101,275.68	584
			1,451,083,277.78	1,911,501

CONSOLIDATED INCOME STATEMENT

		EUR	EUR	2011 EUR '000
1.	Sales		219,675,422.60	247,420
2.	Decrease (PY: increase) in work in progress		526,895.56	2,720
3.	Other operating income		16,616,032.45	39,076
			235,764,559.49	289,216
4.	Cost of materials			
	a) Disposals of real estate portfolio at carrying amounts	48,687,160.11		29,291
	b) Cost of purchased services	45,389,186.97		73,713
5.	Personnel expenses		94,076,347.08	103,004
	a) Wages and salaries	16,432,528.89		20,136
	b) Social security, post-employment and other employee benefit costs thereof for pensions EUR 223,135.93 (PY: EUR 266 thousand)	2,668,715.46		3,293
6.	Amortisation, depreciation and write-downs		19,101,244.35	23,429
	a) of intangible and tangible fixed assets	48,130,313.72		55,878
	b) of current assets in excess of the corporation's standard depreciation	396,772.40		502
			48,527,086.12	56,380
7.	Other operating expenses		30,229,450.82	22,864
			191,934,128.37	205,677
8.	Income from participations thereof from affiliated companies EUR 2,331,265.52 (PY: EUR 471 thousand)	2,331,265.52		471
9.	Other interest and similar income	893,099.51		758
10.	Write-downs of long-term financial assets	3,486.65		385
11.	Interest and similar expenses	39,926,159.17		32,364
			-36,705,280.79	-31,520
12.	Result from ordinary activities		7,125,150.33	52,019
13.	Extraordinary expense/Extraordinary result		0.00	-23,126
14.	Taxes on income		4,507,424.36	10,060
15.	Other taxes		91,937.12	177
16.	Consolidated net income for the financial year		2,525,788.85	18,656
17.	Accumulated losses brought forward		84,005,631.73	28,914
18.	Profit distribution		18,394,133.82	73,748
19.	Consolidated net accumulated loss		99,873,976.70	84,006

CONSOLIDATED CASH FLOW STATEMENT

		2012 EUR million	2011 EUR million
1.	**Cash flows from operating activities**		
	Net income/loss for the period	2.5	18.7
	Depreciation, amortisation and write-downs of intangible and tangible fixed assets/reversals of write-downs of intangible and tangible fixed assets	47.3	48.9
	Decrease (PY: increase) in provisions	-0.1	22.2
	Other non-cash income/expenses	-1.8	6.8
	Disposals of real estate portfolio at carrying amount	45.6	25.9
	Decrease (PY: increase) in inventories, trade receivables and other assets	7.9	-3.3
	Increase in trade payables, special reserves in accordance with section 27 (2) of the D-Mark Accounting Act (*D-Mark-Bilanzgesetz*, “DMBilG”) and other liabilities	11.4	5.0
	Change from deconsolidation	27.0	0.0
	Increase in special reserves	2.7	0.1
	Cash flows from operating activities	142.5	124.3
2.	**Cash flows from investing activities**		
	Proceeds from disposal of tangible fixed assets	3.2	2.6
	Purchase of tangible fixed assets	-89.5	-115.4
	Purchase of intangible fixed assets	-0.3	-1.2
	Purchase of long-term financial assets	0.0	-1.9
	Cash flows from investing activities	-86.6	-115.9
3.	**Cash flows from financing activities**		
	Cash proceeds from borrowings	71.2	107.3
	Cash repayments of borrowings	-15.9	-68.1
	Cash payments to shareholders	-83.7	-20.0
	Cash flows from financing activities	-28.4	19.2
4.	**Cash and cash equivalents at end of period**		
	Net change in cash and cash equivalents (Subtotals 1 – 3)	27.5	27.6
	Cash and cash equivalents at beginning of period	42.5	14.9
	Cash and cash equivalents at end of period	70.0	42.5
5.	**Composition of cash and cash equivalents**		
	Cash	70.0	42.5
	Cash and cash equivalents at end of period	70.0	42.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital	Capital reserves	Accumulated revenue reserves attributable to group shareholders				
			Special reserve in accordance with DMBilG	Other revenue reserves	Accumulated losses brought forward and consolidated net income for the year	Minority interests	Equity reported in the consolidated balance sheet
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31/12/2010	52,000,000.00	357,478,024.72	537,749,071.53	96,657,483.88	-28,914,187.19	683,041.40	1,015,653,434.34
Consolidated net income for the financial year	0.00	0.00	0.00	0.00	18,656,649.97	4.34	18,656,654.31
Profit distribution to shareholders	0.00	0.00	0.00	0.00	-73,748,094.51	0.00	-73,748,094.51
Other comprehensive income	0.00	2,837,523.46	0.00	0.00	0.00	-681,156.10	2,156,367.36
	0.00	2,837,523.46	0.00	0.00	-55,091,444.54	-681,151.76	-52,935,072.84
31/12/2011	52,000,000.00	360,315,548.18	537,749,071.53	96,657,483.88	-84,005,631.73	1,889.64	962,718,361.50
Changes in reporting entity structure	0.00	0.00	-53,911.50	18,794,128.39	0.00	0.00	18,740,216.89
Consolidated net income for the financial year	0.00	0.00	0.00	0.00	2,525,788.85	0.00	2,525,788.85
Profit distribution to shareholders	0.00	-11,605,866.18	0.00	0.00	-18,394,133.82	0.00	-30,000,000.00
Other comprehensive income/spin-off	0.00	-148,732,563.20	0.00	0.00	0.00	-1,889.64	-148,734,452.84
	0.00	-160,338,429.38	-53,911.50	18,794,128.39	-15,868,344.97	-1,889.64	-157,468,447.10
31/12/2012	52,000,000.00	199,977,118.80	537,695,160.03	115,451,612.27	-99,873,976.70	0.00	805,249,914.40

STATEMENT OF CHANGES IN FIXED ASSETS

	Cost						Cumulative depreciation, amortisation and write-downs						Carrying amounts	
	01/01/2012	Additions	Disposals	Reclassifications	Changes in reporting entity structure	31/12/2012	01/01/2012	Additions	Disposals	Reversals	Changes in reporting entity structure	31/12/2012	31/12/2012	31/12/2011
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
A. Fixed assets														
I. Intangible fixed assets														
1 Purchased software	6,971,816.72	321,135.27	367,938.94	0.00	3,072.30	6,921,940.75	5,070,548.99	756,308.11	367,938.94	0.00	3,072.30	5,455,845.86	1,466,094.89	1,901,267.73
2. Goodwill	5,822,807.18	0.00	0.00	0.00	0.00	5,822,807.18	5,822,807.18	0.00	0.00	0.00	0.00	5,822,807.18	0.00	0.00
	12,794,623.90	321,135.27	367,938.94	0.00	3,072.30	12,744,747.93	10,893,356.17	756,308.11	367,938.94	0.00	3,072.30	11,278,653.04	1,466,094.89	1,901,267.73
II. Tangible fixed assets														
1 Land, land rights and buildings, including buildings on third-party land	2,376,190,493.68	1,270,342.56	687,026,648.05	52,008,571.26	28,816,817.33	1,713,625,942.12	670,294,334.43	44,998,801.68	198,159,995.72	817,503.65	23,167,010.77	493,148,625.97	1,220,477,316.15	1,705,896,159.25
2. Technical equipment and machinery	4,059,368.78	0.00	22,015.00	1,426,247.92	1,287,965.57	4,175,636.13	3,073,496.72	1,563,447.49	14,765.00	0.00	1,262,844.23	3,359,334.98	816,301.15	985,872.06
3 Other equipment, operating and office equipment	12,725,738.29	452,239.19	602,330.20	0.00	285,990.90	12,289,656.38	8,909,515.93	811,756.44	602,330.20	0.00	283,388.37	8,835,553.80	3,454,102.58	3,816,222.36
4 Prepayments and assets under construction	48,879,342.09	87,741,107.42	3,730,070.80	-53,434,819.18	2,234.40	79,453,325.13	0.00	0.00	0.00	0.00	0.00	0.00	79,453,325.13	48,879,342.09
	2,441,854,942.84	89,463,689.17	691,381,064.05	0.00	30,393,008.20	1,809,544,559.76	682,277,347.08	47,374,005.61	198,777,090.92	817,503.65	24,713,243.37	505,343,514.75	1,304,201,045.01	1,759,577,595.76
III. Long-term financial assets														
1 Shares in affiliated companies	1,791,231.59	0.00	622.74	0.00	0.00	1,790,608.85	1,659,571.25	3,486.65	0.00	0.00	0.00	1,663,057.90	127,550.95	131,660.34
2. Shares in associates	34,273,734.21	2,331,192.43	3,186,596.48	0.00	0.00	33,418,330.16	0.00	0.00	0.00	0.00	0.00	0.00	33,418,330.16	34,273,734.21
	36,064,965.80	2,331,192.43	3,187,219.22	0.00	0.00	35,208,939.01	1,659,571.25	3,486.65	0.00	0.00	0.00	1,663,057.90	33,545,881.11	34,405,394.55
	2,490,714,532.54	92,116,016.87	694,936,222.21	0.00	30,396,080.50	1,857,498,246.70	694,830,274.50	48,133,800.37	199,145,029.86	817,503.65	24,716,315.67	518,285,225.69	1,339,213,021.01	1,795,884,258.04

NOTES

1. General

The consolidated financial statements for financial year 2012 were prepared on the basis of the annual financial statements of TLG IMMOBILIEN GmbH, Berlin ("TLG IMMOBILIEN" or the "Parent"), and of 4 (PY: 6) of its fully-consolidated subsidiaries. The annual financial statements for each of the consolidated companies were prepared as at the same balance sheet date as for the consolidated financial statements.

The consolidated financial statements prepared in accordance with the statutory provisions set forth in sections 297 *et seq*. of the German Commercial Code (Handelsgesetzbuch, "HGB") are materially influenced by the Parent, given its size in relation to the consolidated subsidiaries.

To date, the Federal Republic of Germany has been the sole owner of TLG IMMOBILIEN GmbH. The Federal Republic of Germany sold 100% of its shares under an agreement dated 19 December 2012. LSREF II East AcquiCo S.à.r.l., Luxembourg, acquired a 94.9% equity interest, and Delpheast Beteiligungs GmbH & Co. KG, Frankfurt/M, acquired 5.1% of the shares. The benefits and risks of ownership were transferred in accordance with the contractual provisions on 31 December 2012.

2. Basis of consolidation

In accordance with section 294 (1) HGB, the following companies—each of which being wholly owned by the Parent—were included with TLG IMMOBILIEN GmbH in the consolidated financial statements:

TLG Gewerbepark Grimma GmbH, Grimma

TLG Vermögensverwaltungs GmbH, Berlin

Hotel de Saxe an der Frauenkirche GmbH, Dresden, (renamed in financial year 2012, formerly Hotel de Saxe an der Frauenkirche GmbH & Co. KG, Dresden)

Verwaltungsgesellschaft an der Frauenkirche mbH, Dresden

TLG IMMOBILIEN has owned 100% (PY: 94%) of the shares in Verwaltungsgesellschaft an der Frauenkirche mbH, Dresden, since financial year 2012. It acquired the remaining 6% of the shares from the former shareholder, Baywobau.

Altmarkt-Galerie Dresden KG, Hamburg, in which TLG IMMOBILIEN holds a 33% equity interest, was included in the consolidated financial statements in accordance with the equity method (book value method) pursuant to section 312 HGB. The object of the company is to acquire, develop, rent out and lease real estate—including in particular the real estate set aside for the development of the Altmarkt-Galerie in Dresden—and to transact any and all business in relation thereto.

There are no longer any insignificant subsidiaries (section 296 (2) HGB) which are wholly owned by TLG IMMOBILIEN and which are not included in the basis of consolidation.

The changes in reporting entity structure stem from the liquidation of TLG Technologiepark Ilmenau GmbH i. L., Ilmenau, and the sale of TLG Gewerbepark Simson GmbH, Suhl, in financial year 2012.

Furthermore, TLG IMMOBILIEN holds 50% of shares in the following companies, which are carried in the consolidated financial statements at cost because they are insignificant in accordance with section 311 (2) HGB:

Investitionsgesellschaft Hausvogteiplatz 11 Verwaltung mbH, Berlin

Investitionsgesellschaft Hausvogteiplatz 11 mbH & Co. KG, Berlin

3. Consolidation principles

In accordance with section 301 (1) sentence 2 no. 1 HGB (old version), acquisitions are accounted for in accordance with the book value method, whereby the carrying amount of the investment is eliminated against the proportionate amount that the shares represent in the equity of the subsidiary as at the date of initial consolidation.

The carrying amount recognised upon the initial consolidation of one company which was still included in the basis of consolidation as at 31 December 2012 was lower than the Parent's share of the equity, resulting in a negative consolidation difference of EUR 7.0 million (PY: EUR 7.9 million). This negative consolidation difference is reported separately in equity. The Parent does not exercise the option set forth under section 309 (2) HGB. Disposals are not recognised until the deconsolidation or liquidation date.

In accordance with section 303 HGB, the consolidation of intercompany balances entails the elimination of receivables and liabilities between the companies included in the consolidated financial statements.

4. Accounting policies

The consolidated financial statements were prepared on the basis of the following accounting policies:

Purchased intangible fixed assets are recognised at cost and, if finite-lived, are amortised over their expected useful lives (3 to 5 years, straight-line method).

Tangible fixed assets are measured at cost or, if permanently impaired, the lower fair value, and depreciated on a straight-line basis over their standard useful lives. Borrowing costs are not capitalised.

Land, land rights and buildings which are intended for use in business operations on a permanent basis are measured at cost and, if finite-lived, are depreciated on a straight-line basis over their standard useful lives.

Low-value assets with a net value of less than EUR 150.00 (prior to 31 December 2007: EUR 410.00) are written off or expensed in full in the year in which they are acquired, with their immediate disposal being assumed. In the interest of simplification, the pooled item which is to be recognised for tax purposes each year for assets acquired after 31 December 2007 at a cost of more than EUR 150.00 and less than EUR 1,000.00 has been included in the financial statements and is subjected to lump-sum depreciation by 20 percent p.a. in the year of acquisition and over the next four years.

Long-term financial assets are measured at the lower of cost or fair value and recognised in accordance with the equity method under shares in associates.

The remainder of the real estate assets are recognised as current assets since these properties are intended to be utilised. They are also recognised at the lower of cost or fair value.

Work in progress result in particular from the recognition of operating costs not yet invoiced, less discounts for vacancies and default risks.

Receivables and other assets are generally carried at their nominal amounts. Specific and global valuation allowances have been recognised to account for identified risks.

Securities are measured in accordance with the principle of lower of cost or market value.

The special reserve for investment grants and subsidies is reversed in accordance with the useful lives of the subsidised assets.

Provisions for pensions and similar obligations are recognised in accordance with the projected unit credit method using the 2005 G mortality tables. The discount rate applied across the board represents the average market rate of interest for an expected residual term of 15 years at 5.06% (PY: 5.14%) in accordance with the German Regulation on the Discounting of Provisions (*Rückstellungsabzinsungsverordnung*) dated 18 November 2009. As expected, salary increases and staff turnover were not factored into the calculation. Expected pension increases were factored in at 1% (PY: 1%). The option to retain pension provisions which is set forth under Article 67 (1) sentence 2 of the Introductory Act to the German Commercial Code (*Einführungsgesetz zum Handelsgesetzbuch*, "EGHGB") is exercised to the extent that the EUR 1.5 million to be reversed upon revaluation as at the balance sheet date must be added back during the transition period ending on 31 December 2024.

Provisions for taxes and other provisions are recognised in respect of all uncertain liabilities and expected losses from executory contracts. They are recognised at the settlement amount dictated by prudent business judgment (i.e., including future cost and price increases). Provisions are by definition short-term and are thus not amortised.

Liabilities are carried at their settlement amount.

In order to calculate deferred taxes on the basis of temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the financial accounts as compared to the tax accounts or on the basis of tax loss carryforwards, the amount of the arising tax burden or relief is calculated using the individual companies' tax rates upon the reversal of the differences and is not discounted. Deferred tax assets are eliminated against deferred tax liabilities, resulting in deferred tax assets for TLG IMMOBILIEN. In accordance with the recognition option provided under section 274 (1) HGB, deferred taxes are not recognised. There are no material differences resulting from consolidation adjustments in accordance with sections 300 to 307 HGB. Accordingly, no deferred tax assets or liabilities are recognised for consolidation adjustments.

To the extent that micro hedges in accordance with section 254 HGB are recognised, the following accounting policy is applied:

Economic hedges are accounted for through the recognition of micro hedges, whereby the net positive and negative changes in the value of the hedged risk are reported outside the income statement (net hedge presentation method).

5. Notes to the consolidated financial statements

Assets

The statement of changes in fixed assets is included in the appendix to the notes to the consolidated financial statements.

After depreciation and write-downs, land, land rights and buildings, including buildings on third-party land amounted to EUR 1,220.5 million.

Long-term financial assets (EUR 33.5 million) included EUR 0.1 million in shares in two joint ventures which were not consolidated, as well as EUR 33.4 million for shares in an associate. The EUR 0.9 million write-down on the shares in the associate, Altmarkt-Galerie Dresden KG, Hamburg, was due on balance to the collection of the 2012 profit (EUR 2.3 million) and the withdrawal of the cash surplus for 2012 (EUR 3.2 million) by TLG IMMOBILIEN.

In addition to the usual utilisations throughout the financial year, the values of properties held as current assets were written down by EUR 0.4 million to their lower fair value and EUR 0.1 million in write-downs were reversed. Accordingly, the carrying amount in the balance sheet was EUR 7.8 million.

Work in progress includes operating and heating costs not yet invoiced (EUR 16.3 million).

Trade receivables (EUR 6.5 million) comprise receivables from the sale of real property (EUR 2.2 million), lease receivables (EUR 3.3 million) and other receivables (EUR 1.0 million). Of the trade receivables, EUR 0.1 million have a remaining maturity of more than one year (PY: EUR 0.4 million more than one year).

Receivables from affiliated companies (EUR 9 thousand) relate to a receivable from Investitionsgesellschaft Hausvogteiplatz 11 mbH & Co. KG, Berlin, which was not included in the consolidated financial statements. Receivables from affiliated companies have a remaining maturity of less than one year, as in the previous year.

Other assets (EUR 4.0 million) primarily consist of the claim asserted by Hotel de Saxe an der Frauenkirche GmbH & Co. KG, Dresden, for the extension of the lease pursuant to the lease agreement between the company and Steigenberger Hotels AG, Frankfurt am Main (EUR 2.1 million), and tax receivables from the tax office (EUR 1.1 million). EUR 2.1 million of the other assets (PY: EUR 1.9 million) have a remaining maturity of more than one year.

Cash-in-hand, bank balances (EUR 69.9 million) were held primarily in current accounts (EUR 44.2 million) and term deposit balances (EUR 25.7 million). Of that amount, EUR 5.1 million was pledged to DKB as collateral, EUR 3.9 million was pledged to HSBC and EUR 0.4 million was pledged to Volks- und Raiffeisenbank Muldental; thus, those amounts are not available to TLG IMMOBILIEN to dispose over. Business ties with HSBC were terminated in January 2013 and the corresponding assigned bank balances were utilised for compensatory payments on interest rate hedges.

Prepaid expenses amounted to EUR 7.3 million and related primarily to subsidies paid in advance by TLG IMMOBILIEN in relation to two hotel projects as well as to fees paid in advance for extended loans.

Deferred tax assets resulted from the following items:

	31/12/2012
	EUR ’000
Deferred tax assets relating to differences	
Provisions	7,082
Liabilities	874
of carrying amounts for trade receivables	533
Net deferred tax assets	8,489

The deferred taxes relating to consolidation adjustments are immaterial and therefore not presented.

The calculation was based on a tax rate of 30.875%, which factors in the currently applicable statutory tax rates and bases, as well as an average multiplier for municipal taxes of 430%.

As of this financial year, no tax loss carryforwards were disclosed in the notes because they were derecognised as a result of the change in shareholders at TLG IMMOBILIEN.

The option to refrain from recognising deferred tax assets was exercised.

Equity and liabilities

The TLG IMMOBILIEN Group’s subscribed capital amounts to EUR 52.0 million.

Capital reserves amounted to EUR 200.0 million. The decrease was attributable to the spin-off of the residential portfolio into a new company with effect from 1 January 2012 (EUR 148.7 million) and cash withdrawals for a distribution to the former shareholder of TLG IMMOBILIEN (EUR 11.6 million).

The Group’s revenue reserves increased by EUR 18.7 million to EUR 653.1 million. This resulted from the reversal of the positive consolidation differences eliminated against revenue reserves following the liquidation of TLG Technologiepark Ilmenau GmbH i. L., Ilmenau, and the sale of TLG Gewerbepark Simson GmbH, Suhl. Factoring in the EUR 84.0 million loss carried forward, the distribution in 2012 of the Parent’s net retained profits as at 31 December 2011 amounting to EUR 30.0 million and the consolidated net income for financial year 2012 of EUR 2.5 million, equity amounted to EUR 805.2 million in total.

In financial year 2012, minority interests reported under equity for shares held by outside shareholders decreased by EUR 2 thousand to EUR 0 thousand after TLG IMMOBILIEN acquired 6% of the shares held by outside shareholders in Verwaltungsgesellschaft an der Frauenkirche mbH, Dresden.

The TLG IMMOBILIEN Group’s special reserve for investment grants and subsidies amounted to EUR 16.4 million as a result of additional contributions of EUR 3.6 million, EUR 0.8 million in reversals reflecting the depreciation, amortisation and write-downs of assets, and the EUR 22.2 million spin-off of the residential portfolio.

The negative consolidation difference decreased by EUR 0.9 million to EUR 7.0 million due to the sale of a subsidiary.

The EUR 6.9 million in provisions for pensions and similar obligations were calculated on the basis of expert appraisals. The EUR 0.2 million decrease resulted from utilisations in financial year 2012. The exercise of the option to retain pension provisions which is set forth under Article 67 (1) sentence 2 EGHGB resulted in an overfunding by EUR 1.5 million as at the balance sheet date.

Provisions for taxes amounted to EUR 30.8 million and related primarily to the provision for land transfer tax resulting from the spin-off of TLG IMMOBILIEN’s residential portfolio into a new company with effect from 1 January 2012 (EUR 17.5 million), corporation tax (EUR 5.5 million), trade tax (EUR 7.2 million) and other taxes (EUR 0.6 million) for the years 2012 and prior.

Other provisions amounted to EUR 51.5 million and related primarily to expected losses for interest rate hedges (EUR 17.5 million), the repayment of investment grants and subsidies (EUR 9.1 million), litigation risks (EUR 7.8 million), construction costs not yet incurred (EUR 5.6 million), personnel expenses (EUR 2.6 million), property management (EUR 1.5 million), outstanding invoices (EUR 1.1 million) and interest expenses (EUR 3.0 million).

Liabilities have the following remaining maturities:

	31/12/2012				31/12/2011	
Liabilities	**Total**	**Remaining maturity**			**Total**	
		up to 1 year	**1-5 years**	**more than 5 years**		**up to 1 year**
	EUR million	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**EUR million**
to banks	480.1	87.2	155.7	237.2	696.8	30.0
relating to payments received	20.0	20.0	—	—	35.7	35.7
relating to trade payables	19.1	18.5	0.6	—	7.0	5.6
to shareholders	—	—	—	—	53.8	53.8
to affiliated companies	—	—	—	—	—	—
other liabilities	14.0	9.5	0.7	3.8	19.0	14.3
Total	**533.2**	**135.2**	**157.0**	**241.0**	**812.3**	**139.4**

Liabilities to banks amounted to EUR 480.1 million and were primarily attributable to TLG IMMOBILIEN (EUR 479.9 million), mainly in relation to loans from Unicredit Bank AG (HypoVereinsbank AG: EUR 74.5 million), Westfälische Landschaft Bodenkreditbank AG (EUR 65.7 million) and Deutsche Genossenschafts-Hypothekenbank AG (EUR 41.4 million). Furthermore, loans from Kreditanstalt für Wiederaufbau, Berlin, which were disbursed to TLG IMMOBILIEN via Landesbank Berlin, Deutsche Kreditbank AG, Bremer Landesbank and Sächsische Aufbaubank (EUR 56.1 million), were drawn down. In total, EUR 475.4 million is collateralised through land charges and EUR 0.8 million through negative pledges.

Payments received amounted to EUR 20.0 million and related primarily to advance payments for operating costs paid by tenants (EUR 16.3 million). Other payments received related to purchase agreements which had been negotiated in the course of the property sale but which had not yet entered into force (EUR 3.7 million).

Trade payables amounted to EUR 19.1 million and related primarily to liabilities incurred in connection with site development (EUR 8.9 million), liabilities from the retention of guarantees (EUR 1.5 million), liabilities from property management (EUR 0.4 million), liabilities from general business operations (EUR 7.5 million), liabilities from the acquisition of properties (EUR 0.6 million) and liabilities from payments received but not yet allocated (EUR 0.2 million).

Other liabilities amounted to EUR 14.0 million and included EUR 7.0 million for obligations to transfer purchase price payments collected on behalf of third parties and EUR 4.7 million for subsidies for leased properties which must be passed on the lessees in the form of reduced lease rates over the term of the lease. This item also includes EUR 0.3 million for tax liabilities.

Liabilities other than liabilities to banks are not collateralised.

Deferred income amounted to EUR 0.1 million and related primarily to advance payments of rent and ground rent.

Contingent liabilities

TLG IMMOBILIEN has pledged EUR 9.4 million as collateral. This figure includes amounts pledged for derivatives with HSBC (EUR 3.9 million), to which the bank has recourse if TLG IMMOBILIEN fails to satisfy its payment obligations under the interest rate hedges concluded. The interest rate hedges with HSBC were terminated in January 2013 and settled for a compensatory payment. In addition, in a guarantee facility agreement with DKB (Deutsche Kreditbank), TLG IMMOBILIEN has undertaken to indemnify the bank for guarantees issued which do not expire until the end of the term of the guarantee facility. EUR 5.1 million in balances has been pledged to DKB as collateral. To date, TLG IMMOBILIEN has duly satisfied its obligations and no collateral has been realised. It is therefore considered unlikely that DKB will assert any claims. In addition, EUR 0.4 million has been pledged to Volks- und Raiffeisenbank Muldental as collateral for a development loan from the Sächsische Aufbaubank, which was granted to the subsidiary, TLG Gewerbepark Grimma. The risk that the pledged balances will be realised is considered low given that the subsidiary's financial position is sufficiently sound.

Material off-balance sheet transactions and other financial obligations

Material off-balance sheet transactions

Aside from the agreements and outstanding measures reported under other financial obligations, there were no material off-balance sheet transactions which could materially influence the future financial position of the Group.

Spin-off agreement: TAG Wohnen GmbH, Hamburg (formerly TLG WOHNEN GmbH, Berlin)

Pursuant to the Spin-off and Transfer Agreement dated 29 December 2011, TLG IMMOBILIEN transferred, as the transferring company, its Residential Properties division to TAG Wohnen as the absorbing company in the course of the spin-off and absorption pursuant to section 123 (2) no. 1 of the German Reorganisation Act (*Umwandlungsgesetz*, "UmwG"). The transferring company will continue to exist following the transfer and no shares in the absorbing company were granted to the shareholder of the transferring company. The spin-off date was 1 January 2012. The transfer date for tax purposes was 31 December 2011. TLG IMMOBILIEN bears all costs and taxes.

Other financial obligations

The TLG IMMOBILIEN Group has entered into various lease agreements for administration buildings, warehouses, parking places and cellars. In addition, there are leases for vehicles in the Group's vehicle fleet and service agreements for IT services, cleaning, reception and security. The notice periods for terminating the leases and service agreements are in 2013.

The advantage of these operating leases is that they facilitate current operations without necessitating investment and the corresponding outflows of cash. No risks have been identified in this context.

Due to existing agreements that could not be terminated as at the balance sheet date, the amounts payable in the following years are as follows:

	EUR '000
2013	577
2014	26
2015	0
	603

EUR 32 thousand related to rental agreements, EUR 474 thousand to service agreements and EUR 97 thousand to leases.

Purchase commitments amounting to EUR 88.1 million have been entered into for investments in TLG IMMOBILIEN's property portfolio which have already been approved but not yet implemented. Furthermore, there exists an additional purchase commitment of standard scope and size.

The urban development agreement concerning the “Wohnpark Karlshorst” resulted in obligations to implement public and private development measures and to make plots of land available for the public development infrastructure. The measures and conditions stipulated in the urban development agreement must be satisfied depending on the marketing of the individual construction phases; the profitability must be documented for each construction phase. An agreement to amend the urban development agreement was entered into on 19/29 October 2012. It established that “The obligation stipulated in the urban development agreement had since been largely fulfilled. […] TLG is released in full from the obligation stipulated in section 7 of the urban development agreement on the condition precedent that TLG actually assumes the operation of the day care centre and that it submits a declaration in writing to that effect to the Lichtenberg municipal district office (Bezirksamt) of Berlin”. A notice confirming that operations at the day care centre had commenced was submitted on 16 November 2012. Confirmation of the centre’s completion is expected in the first quarter of 2013.

Derivative financial instruments

(excluding interest-linked transactions of TLG IMMOBILIEN)

Type (number)	Amount as at 31/12/2012	Term	Fair value	Book value (if available)	Balance sheet item (if recognised in balance sheet)
	EUR million		EUR million	EUR million	
Interest rate swap with cap	8.8	30/06/2006 – 30/06/2016	-0.4	0.0	n/a
Forward swap	8.8	30/11/2006 – 30/11/2016	-1.0	0.0	n/a
Forward swap (5)	28.9	30/11/2007 – 30/11/2017	-5.2	0.0	n/a
Forward swap (3)	13.2	29/02/2008 – 28/02/2018	-2.2	0.0	n/a
Forward swap (3)	12.0	30/06/2008 – 30/06/2018	-2.1	0.0	n/a
Forward swap (2)	7.2	30/09/2008 – 28/09/2018	-1.5	0.0	n/a
Forward swap (2)	1.8	30/06/2009 – 28/09/2018	-0.4	0.0	n/a
Collar (2)	10.5	30/06/2009 – 29/06/2019	-2.4	0.0	n/a
Forward swap (1)	2.8	30/09/2009 – 30/09/2019	-0.6	0.0	n/a
Forward swap (4)	24.1	31/03/2010 – 31/03/2020	-4.7	0.0	n/a
Forward swap (3)	18.7	30/06/2010 – 30/06/2020	-3.3	0.0	n/a
Forward swap (3)	12.4	31/03/2011 – 31/03/2021	-1.4	0.0	n/a
Forward swap (2)	5.5	30/06/2011 – 31/03/2021	-1.1	0.0	n/a
Forward swap (2)	9.6	28/09/2012 – 30/06/2021	-1.4	0.0	n/a
Subtotal Σ	164.3		Σ	0.0	

Type (number)	Amount as at 31/12/2012	Term	Fair value	Book value (if available)	Balance sheet item (if recognised in balance sheet)
	EUR million		EUR million	EUR million	
CAP (2)	8.8	30/06/2006 – 11/01/2013	0.0	0.0	n/a
Forward swap (1)	4.8	30/06/2011 – 11/01/2013	-0.7	-0.7	Provision for expected losses
Forward swap (3)	8.9	30/09/2008 – 11/01/2013	-1.8	-1.8	Provision for expected losses
Forward swap (1)	9.2	30/09/2009 – 11/01/2013	-2.0	-2.0	Provision for expected losses
Forward swap (7)	17.5	30/11/2007 – 11/01/2013	-3.3	-3.3	Provision for expected losses
Forward swap (3)	13.1	30/11/2007 – 28/01/2013	-2.3	-2.3	Provision for expected losses
Forward swap (1)	6.7	31/01/2007 – 11/01/2013	-1.0	-1.0	Provision for expected losses
Forward swap (4)	13.6	31/03/2009 – 11/01/2013	-2.9	-2.9	Provision for expected losses
Forward swap (2)	9.1	31/03/2009 – 28/01/2013	-1.8	-1.8	Provision for expected losses
Forward swap (1)	5.0	31/03/2012 – 11/01/2013	-0.7	-0.7	Provision for expected losses
Forward swap (1)	8.8	31/08/2006 – 11/01/2013	-1.0	-1.0	Provision for expected losses
Subtotal Σ	105.5		Σ	17.5	
Total	269.8			17.5	

Interest rate derivatives serve to hedge against changing interest rates for loans already taken out or loans to be taken out in the future. They are marked to market.

The following hedging relationships have been created:

Underlying/hedge	Risk/Type of hedge	Amount involved	Amount of hedged risk
Loan to banks/interest rate derivatives	Interest rate risk/portfolio hedge	EUR 164.3 million	EUR 164.3 million

The opposing cash flows from the underlying and the hedge are expected to offset each other almost in full over the term of the hedge because in accordance with the Group's risk policies, risk exposures (underlyings) must be hedged immediately using interest rate hedges upon inception in the amount, currency and term matching the underlying transaction. As at the balance sheet date, the opposing cash flows from the underlying and the hedge have offset each other almost in full. The critical terms match method is used to measure hedge effectiveness.

Related-party transactions

No related party transactions were engaged in under non-standard market terms.

Income

Sales amounted to EUR 219.7 million (PY: EUR 247.5 million) and included EUR 136.2 million (PY: EUR 194.6 million) from property management, EUR 78.3 million (PY: EUR 50.5 million) from the disposal of properties and EUR 5.2 million (PY: EUR 2.4 million) from other services. Of the sales from the disposal of properties, EUR 73.6 million was attributable to properties classified as fixed assets and EUR 4.7 million to properties classified as current assets.

The EUR -0.5 million change in inventories was due to the relatively higher amount of operating costs not yet invoiced following the spin-off to TAG Wohnen GmbH, Hamburg, as compared to in the previous year.

Other operating income amounted to EUR 16.6 million and included EUR 1.0 million in prior-period income, of which EUR 0.9 million resulted from property management income. Other operating income also included EUR 7.6 million from the reversal of provisions, EUR 1.4 million from the reversal of impairments on receivables, EUR 1.3 million from the UA receivable, EUR 0.9 million from reversals of write-downs on the carrying amounts of real property, EUR 0.8 million from the reversal of the special reserve for investment grants and subsidies and EUR 1.4 million from insurance payouts.

Income from long-term equity investments (EUR 2.3 million) resulted from the profit transfer from Altmarkt-Galerie Dresden KG, Hamburg.

Other interest and similar income (EUR 0.9 million) consisted primarily of interest income in connection with short-term investment of cash (EUR 0.6 million).

Expenses

Cost of materials amounted to EUR 94.1 million, consisting of EUR 48.7 million from disposals of real estate portfolio at carrying amounts, EUR 36.9 million in property management expenses and EUR 8.5 million in expenses for other purchased services. Of the disposals of real estate portfolio at carrying amounts, EUR 45.6 million related to properties classified as fixed assets and EUR 3.1 million for properties classified as current assets.

Personnel expenses amounted to EUR 19.1 million and related to an average of 225 permanent and an average of 19 temporary employees. In addition, the Group employed on average 20 trainees and 2 employees on maternity leave.

Depreciation and amortisation amounted to EUR 39.8 million. In addition, EUR 8.3 million in write-downs to the lower fair value were recognised due to permanent impairments.

Write-downs of current assets in excess of the corporation's standard depreciation relate to write-downs to the lower fair value resulting from falling prices on local real estate markets (EUR 0.4 million).

Other operating expenses amounted to EUR 30.2 million and included valuation allowances and write-downs on receivables and other assets (EUR 3.9 million), transfers to provisions for litigation risks (EUR 0.9 million) and prior-period expenses resulting from subsequent corrections in income recognised in prior years (EUR 0.3 million). This also includes EUR 17.8 million in expenses connected with the liquidation or sale of two subsidiaries.

Interest and similar expenses (EUR 39.9 million) resulted primarily from interest paid on loans (EUR 12.9 million) and for compensatory payments on interest rate hedges (EUR 9.1 million) and provisions for expected losses (EUR 17.5 million).

Taxes on income (EUR 4.5 million) related to the advance payment of corporation tax including the solidarity surcharge (EUR 0.8 million) and trade tax (EUR 0.2 million), as well as the transfer to provisions for corporation tax (EUR 1.3 million) and trade tax (EUR 2.2 million) for the current financial year.

6. Assets in trust

The TLG IMMOBILIEN Group holds EUR 3.9 million (PY: EUR 8.7 million) in rental deposits in trust.

7. Auditors' fees

The EUR 156 thousand in auditors' fees are included in other operating expenses. Of that amount, EUR 128 thousand related to audit services, EUR 17 thousand to assurance services and EUR 11 thousand to other services.

8. Other disclosures

The total remuneration for the management of the TLG IMMOBILIEN Group amounted to EUR 1,366,718.58 in 2012. The pension provisions for former members of the management amounted to EUR 2,807,469.27 as at 31 December 2012.

The remuneration for the Supervisory Board—which was still active during the year—of TLG IMMOBILIEN amounted to EUR 110,699.00 in 2012.

Berlin, 10 April 2013

The Management

[*Signed*]