

# Audited Consolidated Financial Statements of TLG Immobilien GmbH as of and for the Fiscal Year Ended December 31, 2013

(Prepared in Accordance with IFRS)

## 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)

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reference	31/12/2013	31/12/2012	01/01/2012
		TEUR	TEUR	TEUR
<b>A) Non-current assets</b> .....		<b>1,448,127</b>	<b>1,615,158</b>	<b>1,480,514</b>
Investment property .....	F.1	1,414,691	1,511,726	1,374,231
Advance payments on investment property .....	F.1	2,707	3,016	5,325
Property, plant and equipment .....	F.2	17,762	18,442	21,617
Intangible assets .....	F.2	872	1,466	1,901
Investment in joint ventures .....	F.3	0	69,077	59,377
Other non-current financial assets .....	F.4	124	128	132
Other assets .....	F.6	8,423	6,850	5,390
Deferred tax assets .....	F.14	3,548	4,453	12,540
<b>B) Current assets</b> .....		<b>187,568</b>	<b>104,213</b>	<b>638,270</b>
Inventories .....	F.7	13,385	22,260	72,742
Trade receivables .....	F.5	11,567	9,578	19,065
Receivables from income taxes .....	F.14	194	167	263
Financial instruments .....	I.1	15	6	49
Other current financial assets .....	F.4	4,953	10,042	9,497
Receivables and other assets .....	F.6	707	1,633	1,037
Cash and cash equivalents .....	F.8	138,930	60,527	33,590
Assets classified as held for sale .....	F.9	17,817	0	502,027
<b>Total assets</b> .....		<b>1,635,695</b>	<b>1,719,371</b>	<b>2,118,784</b>
<b>A) Equity</b> .....	F.10	<b>801,036</b>	<b>1,006,734</b>	<b>1,158,572</b>
Subscribed capital .....		52,000	52,000	52,000
Capital reserves .....		410,249	151,461	360,316
Retained earnings .....		339,939	804,278	746,254
Other comprehensive income (OCI) .....		-1,152	-1,005	0
Non-controlling interest .....		0	0	2
<b>B) Liabilities</b> .....		<b>834,659</b>	<b>712,637</b>	<b>960,212</b>
<b>I.) Non-current liabilities</b> .....		<b>630,245</b>	<b>508,592</b>	<b>480,148</b>
Non-current liabilities due to financial institutions .....	F.11	513,002	392,865	407,267
Pension provisions .....	F.12	6,931	6,888	5,377
Non-current financial instruments .....	I.1	18,788	25,272	33,523
Other non-current liabilities .....	F.15	3,384	4,266	5,149
Deferred tax liabilities .....	F.14	88,140	79,300	28,832
<b>II.) Current liabilities</b> .....		<b>204,414</b>	<b>204,045</b>	<b>480,064</b>
Current liabilities due to financial institutions .....	F.11	113,225	87,176	16,793
Trade payables .....	F.15	14,573	29,818	19,727
Payables due to shareholders .....	F.15	0	0	53,748
Other current provisions .....	F.13	16,193	22,162	27,682
Tax liabilities .....		44,287	12,678	15,901
Current financial instruments .....	I.1	0	18,158	0
Other current liabilities .....	F.15	16,136	34,051	41,435
Liabilities included in disposal groups classified as held for sale .....	F.9	0	0	304,779
<b>Total equity and liabilities</b> .....		<b>1,635,695</b>	<b>1,719,371</b>	<b>2,118,784</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Reference	2013	2012
		EUR'000	EUR'000
<b>Net operating income from letting activities</b> .....	G.1	<b>106,250</b>	<b>97,142</b>
<b>Income from letting activities</b> .....		<b>141,326</b>	<b>138,771</b>
<i>a) Rental income</i> .....		<i>118,321</i>	<i>116,093</i>
<i>b) Income from recharged utilities and other operating costs</i> .....		<i>21,637</i>	<i>20,670</i>
<i>c) Income from other goods and services</i> .....		<i>1,368</i>	<i>2,008</i>
<b>Expenses related to letting activities</b> .....		<b>35,076</b>	<b>41,629</b>
<i>d) Utilities and other operating costs</i> .....		<i>27,638</i>	<i>28,612</i>
<i>e) Maintenance expenses</i> .....		<i>5,052</i>	<i>5,283</i>
<i>f) Other expenses</i> .....		<i>2,386</i>	<i>7,734</i>
<b>Result from the remeasurement of investment property</b> .....	G.2	<b>72,237</b>	<b>53,061</b>
<b>Result from the disposal of investment property</b> .....		<b>494</b>	<b>-45</b>
<b>Result from the disposal of real estate inventory</b> .....		<b>7,777</b>	<b>27,395</b>
<i>a) Proceeds from real estate inventory disposed</i> .....		<i>21,391</i>	<i>77,549</i>
<i>b) Book value of real estate inventory disposed</i> .....		<i>13,614</i>	<i>50,154</i>
<b>Other operating income</b> .....	G.3	<b>18,687</b>	<b>9,691</b>
<b>Personnel expenses</b> .....	G.4	<b>23,394</b>	<b>18,948</b>
<b>Depreciation</b> .....	G.5	<b>1,461</b>	<b>1,573</b>
<b>Other operating expenses</b> .....	G.6	<b>7,812</b>	<b>8,290</b>
<b>Earnings before interest and taxes (EBIT)</b> .....		<b>172,778</b>	<b>158,433</b>
<b>Income from joint ventures</b> .....	G.7	<b>2,134</b>	<b>12,883</b>
<b>Financial income</b> .....	G.8	<b>652</b>	<b>893</b>
<b>Financial expenses</b> .....	G.8	<b>36,039</b>	<b>22,481</b>
<b>Gain (-)/loss from the remeasurement of derivatives</b> .....	G.9	<b>-6,899</b>	<b>9,951</b>
<b>Earnings before taxes (EBT)</b> .....		<b>146,423</b>	<b>139,776</b>
<b>Income taxes</b> .....	G.10	<b>47,291</b>	<b>63,512</b>
<b>Net income</b> .....		<b>99,132</b>	<b>76,264</b>
<b>Other comprehensive income (OCI)</b> .....	F.10		
<b>thereof non-recycling</b> .....			
Actuarial gains and losses .....		-23	-1,005
<b>thereof recycling</b> .....			
Hedge accounting reserve .....		-124	0
<b>Total comprehensive income for the year</b> .....		<b>98,985</b>	<b>75,259</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital	Capital reserves	Retained earnings	Cumulative other comprehensive income (OCI)		Non-controlling interest	Total equity
				Hedge accounting reserve	Actuarial gains and losses		
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
<b>01/01/2012</b> .....	52,000	360,316	746,254	0	0	2	1,158,572
Changes in scope of consolidation .....	0	0	155	0	0	0	155
Net income .....	0	0	76,264	0	0	0	76,264
Other comprehensive income .....	0	0	0	0	-1,005	-2	-1,007
Total comprehensive income .....	0	0	76,418	0	-1,005	-2	75,412
Distribution to shareholders .....	0	-11,606	-18,394	0	0	0	-30,000
Spin-off TLG WOHNEN .....	0	-197,248	0	0	0	0	-197,248
	0	-208,854	58,024	0	-1,005	-2	-151,837
<b>31/12/2012</b> .....	52,000	151,461	804,278	0	-1,005	0	1,006,734
Net income .....	0	0	99,132	0	0	0	99,132
Other comprehensive income .....	0	0	0	-124	-23	0	-147
Total comprehensive income .....	0	0	99,132	-124	-23	0	98,985
Withdrawal from capital reserves .....	0	-199,776	199,776	0	0	0	0
Distribution to shareholders .....	0	0	-325,177	0	0	0	-325,177
Additional payment to capital reserves .....	0	20,493	0	0	0	0	20,493
Release of special reserve (Art. 27 (2) DMBilG) .....	0	0	-438,071	0	0	0	-438,071
Addition to capital reserves .....	0	438,071	0	0	0	0	438,071
	0	258,787	-464,339	-124	-23	0	-205,699
<b>31/12/2013</b> .....	52,000	410,249	339,939	-124	-1,028	0	801,036

## CONSOLIDATED CASH FLOW STATEMENT

	Reference	2013 EUR '000	2012 EUR '000
<b>1. Cash flow from operating activities</b>			
Earnings before taxes.....		146,423	139,776
Depreciation.....	G.5	1,461	1,573
Result from the remeasurement of investment property.....	G.2	-72,237	-53,061
Result from the remeasurement of derivatives.....	G.9	-6,899	9,950
Increase/decrease (–) in provisions.....	F.13	-5,959	-5,463
Change in the scope of consolidation.....		0	9,300
Other non-cash expenses/income.....		2	0
Results from measurement of joint ventures.....	G.7	0	-10,556
Results of joint ventures.....	G.7	-2,134	-2,331
Gain (–)/loss on disposal of property, plant and equipment.....		144	40
Increase (–)/decrease in inventories.....	F.7	8,875	44,458
Financial income.....	G.8	-652	-893
Financial expenses.....	G.8	36,039	22,481
Increase (–)/decrease in trade receivables and other assets.....	F.5	4,463	4,111
Increase/decrease (–) in trade payables and other liabilities.....	F.15	-33,447	3,564
Cash flow from operating activities.....		<u>76,079</u>	<u>162,949</u>
Interest received.....		650	858
Interest paid.....		-57,019	-21,747
Income taxes paid.....		-5,871	-7,728
Net cash flow from operating activities.....		<u>13,839</u>	<u>134,332</u>
<b>2. Cash flow from investing activities</b>			
Cash received from disposals of investment property.....		191,651	779
Cash received from disposals of property, plant and equipment.....		20	5
Cash paid for acquisitions of investment property.....		-41,496	-82,048
Cash paid for acquisitions of property, plant and equipment.....		-304	-555
Cash paid for investments in intangible assets.....		-193	-321
Cash received from disposals of joint ventures.....		71,214	3,187
Net cash flow from investing activities.....		<u>220,892</u>	<u>-78,953</u>
<b>3. Cash flow from financing activities</b>			
Cash received from equity contributions.....	F.10	20,493	0
Cash distribution to shareholders.....		0	-83,748
Cash received from bank loans.....	F.11	252,511	71,200
Repayments of bank loans.....		-429,333	-15,893
Net cash flow from financing activities.....		<u>-156,328</u>	<u>-28,442</u>
<b>4. Cash and cash equivalents at end of period</b>			
Change in cash and cash equivalents (subtotal of 1 to 3).....		78,403	26,937
Cash and cash equivalents at beginning of period.....		<u>60,527</u>	<u>33,590</u>
Cash and cash equivalents at end of period.....		<u>138,930</u>	<u>60,527</u>
<b>5. Composition of cash and cash equivalents</b>			
Cash.....		<u>138,930</u>	<u>60,527</u>
Cash and cash equivalents at end of period.....		<u>138,930</u>	<u>60,527</u>

## NOTES

### A. GENERAL DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF TLG IMMOBILIEN GMBH

#### 1. Company information

The consolidated financial statements prepared for the 2013 financial year are based on the annual financial statements of TLG IMMOBILIEN GmbH, Berlin (TLG IMMOBILIEN or the Parent Company), a limited liability company located in Germany with headquarters in 10117 Berlin, Hausvogteiplatz 12, entered in the commercial register of Berlin under HRB no. 38419 B, and its fully consolidated subsidiaries. The consolidated financial statements were prepared by the management until 28 August 2014 and will be presented shortly to the shareholders for approval.

Due to the size relationships between the consolidated companies and the Parent Company, the consolidated financial statements prepared are influenced primarily by the Parent Company.

TLG IMMOBILIEN GmbH was wholly owned by the Federal Republic of Germany until 31 December 2012. Pursuant to the agreement dated 19 December 2012, the Federal Republic of Germany sold its 100% interest in the Parent Company. Buyers were LSREF II East AcquiCo S.à.r.l., Luxembourg, with a share of 94.9% and Delpheast Beteiligungs GmbH & Co. KG, Frankfurt a.M., with a share of 5.1%. The benefits and risks of ownership were transferred in accordance with the contractual provisions on 31 December 2012.

Since 31 December 2012, its new parent company is LSREF II East AcquiCo S.à.r.l., Luxembourg. Its ultimate parent company is LSREF II East Lux GP S.à.r.l., Luxembourg. TLG IMMOBILIEN entered into a control agreement on 2 January 2013 with LSREF II East AcquiCo S.à.r.l., Luxembourg.

The main activities of the Parent Company and its subsidiaries are the commercial exploitation, management, development and acquisition of land and buildings.

#### 2. Group accounting principles

The consolidated financial statements of the TLG Group were prepared in accordance with International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), as adopted by the European Union. The consolidated financial statements were prepared in accordance with the provisions of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 concerning the application of international accounting standards in conjunction with section 315a (3) of the German Commercial Code (*Handelsgesetzbuch*, "HGB"), taking into account the supplementary commercial regulations.

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

The consolidated financial statements have been prepared in euros.

Unless otherwise stated, all amounts are rounded to thousands of euros. Due to rounding, the figures reported in tables and cross-references may deviate from their exact values as calculated.

The financial year of TLG IMMOBILIEN GmbH and the consolidated subsidiaries is the calendar year. The financial statements of the subsidiaries are included in the consolidated financial statements using uniform accounting policies and prepared as at the same reporting date as the financial statements of the Parent Company.

Preparation of the consolidated financial statements is always on the basis of recognition of assets and liabilities at amortised cost. The exceptions to this are investment property, securities held for sale and financial instruments recognised at fair value on the reporting date.

The consolidated financial statements and Group management report are published in the German Federal Gazette.

### B. FIRST-TIME ADOPTION OF IFRS

#### 1. Simplification rules and exemptions

IFRS 1 "First-time adoption of International Financial Reporting Standards" was used for the preparation of the first IFRS financial statements. The opening IFRS statement of financial position was prepared as at 1 January 2012. For this, all assets and liabilities were stated in accordance with the IFRS rules as at 31 December 2013. All changes resulting from converting the accounts were offset directly against retained earnings in the opening IFRS statement of financial position.

The TLG Group uses the following simplification options under IFRS 1:

- Under IFRS 1.D5 - D7, owner-occupied property is measured using the deemed cost method as at 1 January 2012. The fair value of the property as at 1 January 2012 is recognised as the deemed cost.
- In accordance with IFRS 1.B10, government loans are recognised at the carrying amount as at 1 January 2012, reported under the accounting method used previously (HGB).

## 2. Reconciliation of consolidated total comprehensive income and consolidated equity from HGB to IFRS

TLG IMMOBILIEN GmbH prepared the consolidated financial statements in accordance with commercial law provisions for the last time for the 2012 financial year. In this respect, the effects of the first-time adoption of IFRS to TLG Group equity on 1 January 2012, and on 31 December 2012, and to the consolidated net income for the 2012 financial year are shown below.

Changes to total comprehensive income result from the following effects:

	<u>2012</u>
	EUR '000
<b>Net income for the period in accordance with HGB</b> .....	<b>2,526</b>
Differences increasing (decreasing) the result:	
Recognition of loans .....	(82)
Fair value recognition of investment property and owner-occupied properties .....	95,324
Recognition of deferred taxes .....	(59,004)
Adjustments to pension provisions .....	(282)
Adjustment to other provisions .....	383
Adjustment to the carrying amount of the investment in AGD .....	10,556
Financial instruments .....	6,367
Correction for effect of deconsolidation based on exercise of option afforded under HGB .....	17,678
Other effects .....	2,798
<b>Net income for the period in accordance with IFRS</b> .....	<b>76,264</b>
Change due to amounts taken directly to equity:	
Cash flow hedges .....	—
Actuarial gains/losses .....	(1,005)
<b>Total comprehensive income in accordance with IFRS</b> .....	<b>75,259</b>

The changes in consolidated equity on the reporting dates result from the following effects:

	<u>31/12/2012</u>	<u>01/01/2012</u>
	EUR '000	
<b>Consolidated equity in accordance with HGB</b> .....	<b>805,250</b>	<b>962,718</b>
Differences increasing (decreasing) the Group equity:		
Recognition of loans .....	69	151
Recognition of investment property and owner-occupied properties at fair value .....	255,943	198,128
Recognition of deferred taxes .....	(74,848)	(16,292)
Adjustments to pension provisions .....	4	1,740
Adjustment to other provisions .....	1,820	1,437
Negative consolidation difference .....	7,029	7,936
Financial instruments .....	(25,920)	(43,452)
Offsetting special reserve TLG Wohnen .....	—	22,173
Adjustment to the value of the investment in AGD .....	35,659	25,103
Other effects .....	1,729	(1,071)
<b>Consolidated equity in accordance with IFRS</b> .....	<b>1,006,734</b>	<b>1,158,571</b>

The main differences in the accounting policies under HGB and IFRS affect the following matters in particular:

- Under IAS 39.43, loans made available to the TLG Group for financing must be recognised at fair value on the date the loans were granted, which is equivalent to the present value of future payment obligations on the basis of a corresponding market interest rate including transaction costs and discounts. The loans are measured at amortised cost for subsequent measurement. In accordance with HGB, the loans are recognised in their repayment amount. Any material transaction costs or discounts were capitalised and reversed over the fixed-interest periods of the respective loans. Transaction costs or discounts not considered material were expensed immediately.



- Property held for generating rental income or for capital appreciation is classified as investment property in accordance with IAS 40 and recognised at fair value in the TLG Group in accordance with the option set forth in IAS 40. Such property is recognised at amortised cost in the HGB consolidated financial statements. Please refer to section E.1 for more detailed information. The owner-occupied properties in property, plant, and equipment were also remeasured once on the date of first-time adoption of IFRSs due to the fact that the option pursuant to IFRS 1.D.5-D.7 was exercised. This resulted in a fair value of EUR 19,526 thousand being recognised. Remeasurement effects on equity amounted to EUR 5,696 thousand.
- The differences between the carrying amounts in accordance with HGB as compared with the IFRS figures, in particular for investment property, resulted in the recognition of deferred tax liabilities. In addition, in preparing its consolidated financial statements in accordance with HGB, the TLG Group exercised the option set forth under section 274 (1) HGB to not recognise deferred tax assets; this option does not exist under IFRSs.
- Pension provisions were recognised at the settlement amount in the HGB consolidated financial statements. The average interest rate of the last seven years—set by the Deutsche Bundesbank—is always used to discount pension provisions. Pursuant to IFRS, an interest rate for high-quality corporate bonds is to be used for discounting pension provisions.
- Under IAS 37, reserves are only recognised if an external obligation exists, its occurrence is probable and the amount can be reliably determined. In such cases, the most probable amount is recognised. By contrast, provisions in the HGB consolidated financial statements were recognised in accordance with prudent business judgement. In addition, there were reconciliation effects resulting from provisions for maintenance expenses under HGB not being recognised. Additional effects arose from the fact that provisions were discounted under IFRSs using the risk-free interest rate, while discounting under HGB uses the average interest rate of the last seven years which is set by the Deutsche Bundesbank.
- A negative consolidation difference (negative goodwill) resulted from the purchase price allocation from business combinations which was recognised as a liability under commercial law and expensed over the remaining useful life of the asset acquired. The negative goodwill does not meet the criteria for recognition under IFRS and will be recorded under retained earnings.
- In accordance with IAS 39, derivatives are recognised as a liability or as an asset in the statement of financial position and measured at fair value. Under HGB, only provisions for expected losses in the amount of the negative market value were recognised for derivatives, to the extent no hedge accounting was applied. Derivatives constituting a hedge relationship were not recognised. In most cases, TLG applied hedge accounting for derivatives under HGB while this was not done under IFRSs as at the opening statement of financial position date.
- The special reserve for investment grants and subsidies, recognised in accordance with HGB to account for the residential properties to be spun off from TLG IMMOBILIEN (see also section F.9), does not constitute a liability due to the absence of existing commitments to third parties and was therefore eliminated from the IFRS opening statement of financial position; this effectively increased equity by EUR 22,173 thousand.
- The carrying amount of the investment in Altmarktgalerie Dresden KG, Hamburg (AGD), under the equity method was adjusted to the extent that uniform IFRS accounting policies were applied, impacting the valuation of properties, in particular. The recognition of deferred taxes resulted in offsetting effects.
- In its HGB consolidated financial statements for previous years, the Company applied capital consolidation in accordance with the provisions of German commercial law, and exercised the options set forth under sections 301 and 309 HGB. Under those provisions, any goodwill arising upon the first-time inclusion of the subsidiary in the consolidated financial statements was offset outside of profit or loss against retained earnings. The amount of goodwill originally offset was added back to determine any disposal gains under local GAAP upon deconsolidation (see also section D.2). By contrast, in the consolidated financial statements in accordance with IFRSs, disposal gains under local GAAP upon deconsolidation are determined exclusively as the difference between the Group's share in the subsidiary's net assets at disposal and selling price less the costs to sell. Accordingly, comprehensive income in accordance with IFRSs was EUR 17,678 thousand greater in financial year 2012. This did not result in any effects on equity.

### 3. Reconciliation of consolidated statement of cash flows from HGB to IFRS

	2012 HGB CFS	Reconciliation	Explanation	2012 IFRS CFS
	EUR '000			
Cash inflow (outflow) from operating activities .....	142,422	-8,090	b)	134,332
Cash inflow (outflow) from investing activities .....	-86,591	7,638	b)	-78,953
Cash inflow (outflow) from financing activities .....	-28,441	0	—	-28,441
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>27,390</b>	<b>-452</b>		<b>26,938</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>42,543</b>	<b>-8,953</b>	<b>a)</b>	<b>33,590</b>
<b>Cash and cash equivalents at end of period .....</b>	<b>69,933</b>	<b>-9,405</b>	<b>a)</b>	<b>60,528</b>

The material changes resulted from the following items:

- a) In the HGB consolidated financial statements, restricted funds were reported as a part of cash, while under IFRSs, they are now reported as a component of other current financial assets (EUR 8,953 thousand).
- b) Due to the fact that recognition requirements differ between HGB and IFRSs, a portion of the modernisation measures reported under HGB as maintenance expenses may be capitalised under IFRSs. These capitalised modernisation measures are presented under IFRSs as cash outflows from investing activities, while under HGB they are reported under cash flow from operating activities. The reclassification of properties accounted for as property, plant and equipment (“tangible fixed assets”) under HGB as inventories under IFRSs offset this effect. Payments for investments in these properties are no longer presented as outflows from investing activities under IFRSs, but rather represent a component of outflows from operating activities.

## C. NEW ACCOUNTING STANDARDS

### 1. Published but not yet mandatory International Financial Reporting Standards (IFRSs) and Interpretations (IFRICs)

Standard/Interpretation	Contents	Applicable for financial years beginning
IAS 16, IAS 38	“Amendment to IAS 16 and IAS 38: Acceptable methods of depreciation and amortisation”	1 January 2016 (not yet endorsed)
IAS 16, IAS 41	“Amendment to IAS 16 and IAS 41: Bearer plants”	1 January 2016 (not yet endorsed)
IAS 19	“IAS 19 Amendment: Employee Contributions to Defined Benefit Plans”	1 July 2014 (not yet endorsed)
IAS 27	“Separate Financial Statements (as amended in May 2011)”	1 January 2014
IAS 28	“Investments in Associates and Joint Ventures (as amended in May 2011)”	1 January 2014
IAS 32	“IAS 32 Amendment, Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities”	1 January 2014
IAS 36	“IAS 36 Amendment: Recoverable Amount Disclosures for Non-Financial Assets”	1 January 2014
IAS 39	“Novation of Derivatives and Continuation of Hedge Accounting”	1 January 2014
IFRS 10	“Consolidated Financial Statements”	1 January 2014
IFRS 11	“Joint Arrangements”	1 January 2014
IFRS 11	“IFRS 11 Amendment: Accounting for acquisitions of interests in joint operations”	1 January 2016 (not yet endorsed)
IFRS 12	“Disclosure of Interests in Other Entities”	1 January 2014
IFRS 10, 11 and 12	“Amendment of Transitional Provisions of IFRS 10, IFRS 11 and IFRS 12 (June 2012)”	1 January 2014
IAS 27, IFRS 10, IFRS 12	“Amendment of IFRS 10, Consolidated Financial Statements, IFRS 12, Disclosure of Interests in Other Entities, and IAS 27, Separate Financial Statements—Investment Entities”	1 January 2014
IFRS 9	Financial Instruments: Classification and Measurement: Financial Assets (November 2009), Financial Liabilities (October 2010), Financial Instruments: Hedge Accounting, amendment of IFRS 7 and IFRS 9: Mandatory application date and transition information	No earlier than 1 January 2018 (not yet endorsed)
IFRS 14	Regulatory Deferral Accounts	1 January 2016 (not yet endorsed)
IFRS 15	“Revenue from Contracts with Customers”	1 January 2017 (not yet endorsed)
IFRIC 21	Disclosures	17 June 2014
Annual Improvements	“Improvements to International Financial Reporting Standards, Cycle 2010-2012 (December 2013)”	1 July 2014 (not yet endorsed)
Annual Improvements	“Improvements to International Financial Reporting Standards, Cycle 2011-2013 (December 2013)”	1 July 2014 (not yet endorsed)

- The amendments to IAS 16 and IAS 38 published in May 2014 clarify in particular that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate. This also generally applies to amortisation, albeit in these cases as a rebuttable presumption. In addition, it is also clarified that a decline in the selling price of goods and services can serve as an indication for their economic obsolescence, thus indicating a decrease in the economic potential for use of the assets needed in their production. This is currently not expected to impact TLG.
- The amendments to IAS 16 and IAS 41, relating to the accounting treatment of bearer plants, clarify that those plants which are used in the production or supply of agricultural produce— analogously to internally generated property, plant and equipment—are to be initially recognised at cost, and subsequently accounted for either at cost or their lower fair value in accordance with the provisions of IAS 16. This is currently not expected to impact TLG.
- The amendment of IAS 19 in November 2013 provided clarification of IAS 19.93 with respect to the treatment of employee benefits for defined benefit plans. These changes are not expected to impact the pension obligations of TLG.
- The new IAS 27 was amended so that it now only governs accounting for separate financial statements. This is currently not expected to impact TLG.

- The new IAS 28 “Investments in Associates and Joint Ventures” addresses the accounting for shares in associates and joint ventures. The standard is to be applied by all companies with joint control or significant influence over an investee. This is currently not expected to impact TLG.
- The amendment of IAS 32 clarifies the requirements for offsetting financial instruments. In particular, it highlights the significance of the current legal right to offset. This is currently not expected to impact TLG.
- The amendment of IAS 36 aimed to clarify the disclosures in the notes with respect to the measurement of a recoverable amount of an impaired asset. This is currently not expected to impact TLG.
- The amendment of IAS 39 permits the continuation of hedge accounting after novation of an over-the-counter (OTC) derivative as a hedging instrument. This is currently not expected to impact TLG.
- IFRS 10 “Consolidated Financial Statements” focuses in particular on the possibility of de facto control in consolidation issues. The principle of control is defined and set as a basis for consolidation. This definition is supported by comprehensive application guidance demonstrating the various ways a reporting entity can exercise control over another entity. The accounting requirements are presented. This is not expected to result in any changes to the scope of consolidation at TLG.
- IFRS 11, published by the IASB in May 2011, replaces IAS 31 and SIC-13. This is currently not expected to impact TLG.
- IFRS 12 “Disclosure of Interests in Other Entities” stipulates the disclosures required in the notes for interests in other entities with respect to risk and significance on the net assets, financial position and results of operations. Additional disclosures in the notes are anticipated to result for TLG.
- The amendment to IFRS 11 published in May 2014 clarifies that both the first-time and the subsequent acquisition of shares in a joint operation, which represents an operating unit, must be accounted for in accordance with the provisions governing the accounting for business combinations in IFRS 3 and other relevant standards, unless these contradict the provisions of IFRS 11. It is furthermore clarified that shares already held in a joint operation shall not be remeasured in the case of the acquisition of additional shares if joint control is maintained. This is currently not expected to impact TLG.
- The amendments to transitional provisions of IFRS 10, IFRS 11 and IFRS 12 are mainly limited to the figures from the prior year in the event of changes due to the application of the new standards to a comparison year. This is currently not expected to impact TLG.
- The IASB issued the revised IAS 27 in May 2011. With the publication of IFRS 10 and IFRS 12, the scope of application for IAS 27 was limited to accounting for investments in subsidiaries, associates and joint ventures in the separate financial statements of an entity. This is currently not expected to impact TLG.
- IFRS 9 redefines the classification and measurement of financial assets. There will only be two measurement categories (amortised cost and fair value). The part added in October 2010 governs the classification and measurement of financial liabilities. Mainly the existing requirements of IAS 39 were taken over. There is a change for financial liabilities measured at fair value. The amendments adopted in November 2013 relate to the inclusion of a new general model for hedge accounting, which expands the scope of possible hedge and underlying transactions and introduces new regulations for the measurement of effectiveness. The date of initial application is expected to be 1 January 2018 at the earliest. The application of IFRS 9 is expected to affect accounting for financial instruments in the TLG Group.
- Under IFRS 14, an entity adopting IFRS for the first time is permitted, with some restrictions, to continue to recognise regulatory deferral accounts which it initially presented in its financial statements prepared under its previous GAAP accounting policies. This applies both to the first-time IFRS financial statements as well as subsequent financial statements. Regulatory deferral accounts and changes in them must be disclosed separately in the statement of financial position and in profit or loss or in other comprehensive income. In addition, certain disclosures are required. This is currently not expected to impact TLG.
- IFRS 15 “Revenue from Contracts with Customers” specifies when and in what amount an IFRS reporter will recognise future revenue from contracts with customers. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework. Under that framework, the contract(s) with a customer are identified as well as the individual performance obligations in the contract. The transaction price is then determined, representing the consideration expected by the entity for its services. The transaction price is then allocated to the performance obligations in the contract. Finally, the entity recognises revenue when (or as) it satisfies its performance obligations. The TLG Group is currently still analysing the potential impacts on revenue recognition arising from the application of IFRS 15.

- The interpretation of IFRIC 21 published in May 2013 clarifies at which time an entity recognises a liability for a levy imposed by a government. This is currently not expected to impact TLG.
- In December 2012, the IASB published “Annual Improvements to IFRS 2010-2012 Cycle”. They represent the fifth collection of amendments to six existing IFRS standards. This is currently not expected to impact TLG.
- In December 2013, the IASB published “Annual Improvements to IFRS 2011-2013 Cycle”. They represent the sixth collection of amendments to four existing IFRS standards. This is currently not expected to impact TLG.

## D. CONSOLIDATION PRINCIPLES

### 1. Consolidation methods

#### Subsidiaries

The consolidated financial statements of the TLG Group include TLG IMMOBILIEN GmbH and all material subsidiaries over which TLG IMMOBILIEN GmbH has direct or indirect control of their financial and operating policies. Subsidiaries are included for the first time from the date on which TLG IMMOBILIEN GmbH gains control. Control of the subsidiaries is based on TLG IMMOBILIEN GmbH directly or indirectly holding the majority of voting rights. Deconsolidation occurs as soon as control is no longer held by TLG.

The financial statements of the subsidiaries are included using uniform accounting policies and prepared as at the same reporting date as the financial statements of TLG IMMOBILIEN GmbH.

Capital consolidation is accomplished using the purchase method under which the acquisition cost is offset against the pro rata equity on the acquisition date. Using the purchase method, the equity of the acquired subsidiaries is determined on their acquisition date by taking into account the fair value of the identifiable assets, liabilities and contingent liabilities, deferred taxes and any goodwill on this date.

Non-controlling interests represent the portion of the net result and net assets not attributable to the shareholders of TLG IMMOBILIEN GmbH. Non-controlling interests are shown separately in the consolidated statement of comprehensive income and in the consolidated statement of financial position. They are reported under equity in the consolidated statement of financial position, separately from the equity attributable to the shareholders of the Parent Company.

All intercompany receivables and liabilities, income and expenses, and profit and loss from intercompany transactions are eliminated.

#### Associates and joint ventures

Associates are investments in which the TLG Group can exercise significant influence over the financial and operating policies. The significant influence is regularly based on TLG IMMOBILIEN GmbH directly or indirectly holding 20 to 50 percent of the voting rights in the company which thus qualifies as an associate. At the reporting date, no associates were included in the TLG Group’s consolidated financial statements. Joint ventures are entities directly or indirectly managed by the TLG Group jointly with another party.

Joint ventures are included in accordance with the equity method. Otherwise, they are measured in accordance with IFRS 5 if the shares are classified as held for sale.

Under equity valuation, the shares in joint ventures are initially carried in the consolidated financial statements at acquisition cost adjusted by the Group’s share in the changes in net assets of the joint venture and by any impairment losses from potential decreases in value.

TLG IMMOBILIEN GmbH included a joint venture, Altmarktgalerie Dresden KG, in its consolidated financial statements until it was disposed of in financial year 2013. Furthermore, two joint ventures were measured at fair value or, if this cannot be reliably measured for equity instruments that do not have a quoted price, at acquisition cost due to their minor importance for the Group’s net assets, financial position and results of operations and reported under other non-current financial assets.

Please refer to section I.7 for the list of shareholdings.

### 2. Changes to the Group

Number of consolidated subsidiaries	2013	2012
As at 01/01 .....	4	6
Disposals .....	—	2
As at 31/12 .....	4	4

Number of joint ventures accounted for using the equity method	2013	2012
As at 01/01 .....	1	1
Disposals .....	1	—
As at 31/12 .....	—	1

The liquidation and, by the date the consolidated financial statements were prepared, deletion from the commercial register of TLG Technologiepark Ilmenau GmbH i. L., Ilmenau, previously included in the scope of consolidation, and the sale of TLG Gewerbepark Simson GmbH, Suhl, took place in the 2012 financial year.

Accordingly, the aforementioned companies were deconsolidated in the 2012 financial year.

Please refer to section I.7 for the list of shareholdings.

## E. EXPLANATION OF ACCOUNTING POLICIES

### 1. Investment property

Under investment property, TLG reports the properties that are held to generate rental income or for capital appreciation and not held for own use or sale in the ordinary course of business.

In individual instances, TLG has properties that are partially owner occupied and partially for use by third parties, i.e., rented. These mixed-use properties are reported separately provided that a legal option exists for dividing the corresponding property and that neither the part occupied by the company nor the part occupied by a third party is immaterial.

If a change in use occurs which is documented by the start of owner occupancy or the start of development with the intent to sell, properties are transferred out of the inventory of investment property.

Investment property is recognised at cost as at the date of acquisition. After recognition, the properties are recognised at fair value in accordance with the option provided for in IAS 40 in conjunction with IFRS 13. In accordance with IFRS 13.9, fair value is defined as the price that would be received for the sale of an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. Fair value always assumes the sale of an asset (exit price). It corresponds (theoretically) to the price to be paid to the seller in the event of a (hypothetical) sale of a property on the measurement date, regardless of a company-specific intent or the ability to sell the asset.

Fair value is calculated on the basis of the highest and best use of the property (IFRS 13.27 *et seq.*). This implies maximizing the use and value of the property if this is physically possible, legally permissible and financially feasible.

All fair value changes of the investment property are recognised in profit or loss for the current period.

Determining fair value for the investment property is based on a real estate appraisal conducted by Savills Advisory Services GmbH at the end of 2013/early 2014 for the dates 31 December 2013, 31 December 2012 and 1 January 2012.

Project development is recognised as investment property at fair value, to the extent it is possible to reliably determine fair value. The fair value of properties is generally determinable at the time construction permits are obtained.

The market value of the property held for generating rental income or for capital appreciation over the long term was determined in accordance with international standards by means of the discounted cash flow method (DCF). Using this method, the fair value of a property is the sum of discounted cash flows of a planning period of 10 years—consistent with standard practice—plus the residual value of the property at the end of the planning period discounted to the measurement date, calculated on the basis of the sustainable cash inflows from letting activities. Properties with negative cash inflows (including permanently vacant properties) were valued using the liquidation method (land value less demolition costs, plus residual net income, if applicable).

Appraisal of undeveloped land (reported under F.1 asset class “Other”) was conducted using the comparative value procedure taking into account standard land values of the local committees for property values. If necessary, the residual value method was applied to verify the plausibility of the land value.

Due to the limited availability of data and measurement parameters directly observable on the market, the complexity of real estate appraisal as well as the degree of specificity of the property, fair value measurement of the investment property is classified as level 3 under the measurement hierarchy of IFRS 13.86 (Measurement on the basis of significant, unobservable inputs).

In particular, the following material unobservable input factors were used for measurement:

- Future rental income based on the individual property location, type, size and quality, taking into account the terms of existing rental agreements, other contracts or external indicators such as rents customary for the market for comparable properties;

- Estimations of vacancy rates based on current and expected future market conditions after the expiration of existing rental agreements;
- Discount rates for the 10-year planning period reflecting the current market assessment with respect to the uncertainty in terms of the amount and timing of future cash flows;
- Capitalisation rates based on the individual property location, type, size and quality, taking into account the market information available on the reporting date;
- Residual values, particularly those based on assumptions of future maintenance and reinvestment costs, vacancy rates and rents and growth rates customary for the market.

## 2. Property, plant and equipment

Property, plant and equipment are capitalised at cost and depreciated using the straight-line method over the expected economic useful life. Costs are subsequently capitalised if they will increase the value in use of the property, plant and equipment. Like any residual values, useful lives are also reviewed annually and adjusted, if necessary.

Grants received are deducted in determining acquisition cost.

Depreciation is applied consistently throughout the Group over the following useful lives:

Useful lives of property, plant and equipment in years	2013	2012
Owner-occupied properties .....	50-70	50-70
Plants and machinery .....	8-13	8-13
Other operating and office equipment.....	3-13	3-13

The carrying amounts of property, plant and equipment are assessed for impairment as soon as there are indicators that the carrying amount of an asset exceeds its recoverable amount. An item of property, plant and equipment is either derecognised upon disposal or when no future economic benefit is expected from its use or disposal. The gains or losses resulting from derecognition of the asset are recognised in profit or loss in the consolidated statement of comprehensive income.

In accordance with tax regulations on the depreciation of low-value assets introduced in January 2010, low-value assets up to a net amount of EUR 150 are written off in full in their year of acquisition. Assets between EUR 150.01 and EUR 1,000 net are assigned to pools annually and depreciated over five years using the straight-line method. Deviations from the economic useful life are considered immaterial.

## 3. Intangible assets

Purchased intangible assets are recognised at cost. The purchased intangible assets are software licenses with a certain useful life. The software licenses are amortised using the straight-line method beginning on the date they are provided over an expected economic useful life of three to five years.

## 4. Impairment of non-financial assets

The Group conducts impairment testing for intangible assets and property, plant and equipment in accordance with IAS 36 on an annual basis. In doing so, it determines whether there are indications of potential impairment. If such indications exist, the recoverable amount is determined for the corresponding asset. This is equivalent to the higher of fair value less costs to sell or value in use.

A market interest rate before taxes is used for discounting. During the financial year, there was no need to conduct an impairment test as no triggering events occurred for property, plant and equipment and intangible assets.

Due to its recognition at fair value, investment property is not subjected to impairment testing under IAS 36.

If an asset's realisable amount is lower than the carrying amount, the carrying amount of the asset is immediately written down by recognising an impairment loss to profit or loss.

## 5. Other financial assets

Within the Group, financial assets are always recognised on the day of trading. Under IAS 39, affiliates which are not consolidated for reasons of materiality are classified in the category "Financial assets available for sale" for measurement purposes. Financial assets available for sale are recognised at the present value on the reporting date or, if present value cannot be determined reliably, at acquisition cost. Shares in companies not fully consolidated or accounted for using the equity method are not quoted on a stock exchange. The present value of these instruments cannot be determined with sufficient reliability due to the significant fluctuation range and the lack of an active market; as a result, they are recognised at cost.

## **6. Recognition of lease relationships as lessee**

Leased assets over which the TLG Group retains beneficial ownership (finance leases in accordance with IAS 17) are capitalised as an asset at the present value of the lease payments or, if lower, at the leased object's fair value and depreciated using the straight-line method. The depreciation period is the shorter of the term of the lease agreement and the economic useful life. In cases where the ownership of the asset transfers to TLG at the end of the lease term, the depreciation period is equivalent to the economic useful life. A liability is recognised in the amount of the present value of the obligation arising from future lease payments. In subsequent periods, the amount is reduced by the share of principal payment included in the lease payments.

Lease agreements under which beneficial ownership is not attributable to the TLG Group are classified as operating leases. The expenses arising from these agreements are recognised through profit or loss at the time the corresponding leased object is used.

## **7. Recognition of lease relationships as lessor**

Rental agreements for property are to be classified as operating leases under IAS 17 as the significant risks and rewards of the property remain in the TLG Group.

Income from operating lease agreements is recognised in the consolidated statement of comprehensive income under income from letting activities over the term of the corresponding agreements using the straight line method.

## **8. Inventories**

Inventories include land and buildings available for sale in the course of ordinary business. This may require a period longer than twelve months to occur. They are initially recognised at cost. They are measured at the lower of cost and net realisable value at the reporting date. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Please refer to section E.21 for treatment of borrowing costs.

## **9. Receivables and other assets**

Trade and other receivables and other assets are initially recognised at their fair value plus transaction costs. Subsequent measurement is at amortised cost.

Based on experience and individual risk assessments, potential default risks are accounted for by recognising appropriate impairment losses under consideration of the expected net incoming payments.

## **10. Cash and cash equivalents**

Cash and cash equivalents comprise cash, demand deposits, other current, highly liquid financial assets with an original maturity of no more than three months and overdraft facilities. Utilised overdraft facilities are shown as current liabilities due to financial institutions in the statement of financial position. To the extent restricted funds do not meet the criteria for classification as cash and cash equivalents, they are reported as financial assets.

## **11. Assets and liabilities held for sale**

In addition to individual non-current assets, the balance sheet item "assets held for sale" can also comprise groups of assets (disposal groups) or components of an entity (discontinued operation) if a sale within the next twelve months is considered highly probable. The assets continue to be classified in accordance with IFRS 5 only if the assets can be sold immediately in their current state and at terms that are usual and customary for sales of such assets. In practice, these criteria are considered to be met for individual investment properties if there is already a notarised purchase agreement on the reporting date although the transfer of benefits and risks of ownership will take place in a subsequent period.

Liabilities sold as part of the planned sale are a component of the disposal group or of the discontinued operation and are also disclosed separately.

Assets held for sale are measured in accordance with IFRS 5 at the lower of carrying amount and fair value. Investment property reported under assets held for sale is measured at fair value in accordance with IAS 40.

Assets and liabilities held for sale are reported in the same manner as those non-current assets or disposal groups classified as held for distribution to owners.

Please also refer to the explanations in section F.9.



## 12. Liabilities due to financial institutions

First time recognition of liabilities due to financial institutions is at present value taking into account any transaction costs as well as premiums and discounts. The present value on the date the loans were granted is equivalent to the present value of future payment obligations on the basis of a market interest rate applicable for the maturity and risk.

Subsequent measurement is at amortised cost using the effective interest method. The effective interest rate is determined on the date the financial liability was incurred. Changes in the terms with respect to the amount or the date of interest and repayments result in the carrying amount of the liability being recalculated in the amount of the present value and on the basis of the originally determined effective interest rate. Differences to the previously recognised carrying amount of the liability are recognised through profit or loss. If changes in terms lead to substantially different contractual terms under IAS 39.AG 62, the original liability is treated in accordance with IAS 39.40 as if it had been completely repaid. A new liability is then recognised at fair value.

## 13. Pension obligations

Pension obligations are the result of obligations to employees. Obligations from defined benefit plans are measured using the projected unit credit method. This method takes into account pensions and vested benefits known on the closing date as well as expected future increases of salaries and pensions. The 2005 G tables by Dr Klaus Heubeck serve as the biometrical basis.

Company pensions within the Group are formulated as both defined contribution plans and defined benefit plans. For defined benefit plans, the amount of the promised benefits is based on the qualifying period of employment and the pension component stipulated.

The regulatory framework in Germany is provided by the German company pension law (*Betriebsrentengesetz*); accordingly, pension increases correspond to the inflation rate. In some instances, commitments guarantee an interest rate of 1 percent p.a., and then no further trends is applied. TLG bears the actuarial risks such as the longevity risk, interest rate risk and inflation risk. There are no further plan-related risks at TLG.

The revaluation component in connection with the defined benefit plans, including actuarial gains and losses from experience-based adjustments and changes of actuarial assumptions, are recognised directly in equity under cumulative other reserves (other comprehensive income, OCI) in the period in which they are incurred.

There were no past service costs in the reporting year or in the previous year.

The interest rate effect included in pension expenses is reported in the consolidated statement of comprehensive income under interest expense. Service costs are reported under personnel expenses.

## 14. Other provisions

Other provisions are recognised when the TLG Group has a legal or constructive obligation from a past event, its fulfilment is probable and the amount can be reliably measured. The provision is recognised in the amount of the expected settlement.

Long-term provisions are reported at the settlement amount discounted to the present value on the reporting date using a corresponding risk-free interest rate applicable for the maturity, if the amount is material.

In accordance with IAS 1.35, gains and losses on a large number of similar transactions must be reported net in the consolidated statement of comprehensive income. Only material individual transactions are reported separately in other operating income under IAS 1.35 and IAS 1.97.

## 15. Financial instruments

Within the TLG Group, financial instruments are entered into in order to hedge interest rate risks of real estate financing. Financial instruments are recognised at fair value. Fair value changes of the derivatives are reported in profit or loss if a hedge in accordance with the provisions of IAS 39 does not exist.

Derivatives accounted for as hedging instruments serve to hedge future, uncertain cash flows. A risk regarding the amount of future cash flows exists for the TLG Group, in particular from liabilities due to financial institutions with variable interest rates. Fair value changes are divided into an effective and an ineffective part. The dollar offset method is used to determine effectiveness. The effective part is the portion of the measurement result representing an effective hedge against the cash flow risk from an accounting perspective. The effective part is disclosed outside profit or loss in cumulative other reserves (other comprehensive income, OCI) net of deferred taxes.

The ineffective part of the measurement result is recognised in the consolidated statement of comprehensive income and reported under net interest income. The amounts recognised in equity are always taken to the consolidated statement of comprehensive income when the gains or losses arising in connection with the underlying transaction affect income (recognised

under net interest income). In the event that a hedge is terminated prematurely, the amounts recognised in equity are recognised in profit or loss when the gains or losses arising in connection with the still existing underlying transaction affect income. If the underlying transaction no longer exists, amounts still remaining in other comprehensive income (OCI) are immediately posted to profit or loss.

## 16. Fair value of financial instruments

The fair value of the financial instruments is determined on the basis of corresponding market values or measurement methods. For cash and other current primary financial instruments, the fair values are approximately equal to the carrying amounts recognised on the respective reporting dates.

For non-current receivables, other assets and liabilities, fair value is calculated on the basis of expected cash flows using the reference interest rates applicable on the reporting date. The fair values of financial instruments are determined on the basis of the reference interest rates on the reporting date plus the own or counterparty risk.

For the financial instruments to be recognised at fair value, fair value is always calculated using the corresponding market or stock exchange prices. If there are no market or stock exchange prices, measurement is based on market measurement methods customary for the market using market parameters specific to the instrument. Fair value is determined using the discounted cash flow method, while individual credit ratings and other market conditions are used to calculate present value in the form of credit ratings or liquidity spreads customary for the market.

For the fair value measurement of financial instruments, the measurement model uses relevant market prices and interest rates observable on the reporting date obtained from recognized external sources as inputs. Accordingly, the derivatives are classified as Level 2 in the fair value hierarchy within the meaning of IFRS 13.72 *et seq.* (measurement on the basis of observable inputs). Please also refer to section I.1.

## 17. Determining fair value

In accordance with the provisions of IFRS 13, fair value represents the price that would be received to sell an asset or paid to transfer a liability on the principal (or in the absence of a principal market the most advantageous) market. Fair value must be measured by using the measurement parameters which best reflect market conditions as inputs. The fair value hierarchy organises the inputs used in measurement into three levels of descending priority depending on their ability to reflect market conditions:

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

Where various measurement inputs are relevant, the fair value measurement is categorised in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Transfers between the individual levels are reviewed at the end of each financial year. There were no transfers between the individual input levels in financial year 2013.

All assets, equity instruments and liabilities measured at fair value on the basis of other standards (excluding IAS 17 “Leases” and IFRS 2 “Share-based Payment”) are measured uniformly in accordance with IFRS 13. IFRS 13.9 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value always assumes the sale of an asset (exit price). This also applies if the company does not have the intent or the capacity to sell the asset as at the measurement date or to transfer the liability at this time. The concept of the highest and best use (IFRS 13.27 *et seq.*) is applied in determining the fair value of non-financial assets. This implies maximizing the use and value of the asset if this is physically possible, legally permissible and financially feasible. Fair value measurement of the investment property is classified as Level 3 under the fair value hierarchy of IFRS 13.86 (measurement on the basis of unobservable inputs). For the measurement of investment property, please refer to the explanations in section E.1 and F.1. For the measurement of financial instruments, see section E.15 and I.1.

In summary, the fair value hierarchy for the 2013 financial year is as follows:

Fair value hierarchy	Level 1	Level 2	Level 3
Investment property.....			1,414,691
Derivatives with positive market value.....		15	
Financial liabilities*.....		626,227	
Derivatives with negative market value.....		18,788	

\* The fair value of liabilities due to financial institutions is determined solely for informational purposes in the notes.

And the fair value hierarchy for the 2012 financial year is as follows:

Fair value hierarchy	Level 1	Level 2	Level 3
Investment property.....			1,511,726
Derivatives with positive market value.....		6	
Financial liabilities*.....		480,041	
Derivatives with negative market value.....		43,431	

\* The fair value of liabilities due to financial institutions is determined solely for informational purposes in the notes.

Explanations of the individual steps in the fair value hierarchy can be found in section I.1.—Other disclosures.

## 18. Recognition of income and expenses

Income from letting activities for which the corresponding rental and lease agreements are classified as operating leases is recognised over the term of the agreement using the straight-line method. Lease incentives are included in the total income from letting activities, with the effect of reducing income, over the term of the rental or lease agreement.

In addition, the result from letting activities includes income from recharged utilities and other operating costs if the costs and the amount of the proceeds can be reliably determined and the services have been performed.

Proceeds from the sale of property are recorded when the significant risks and rewards of the property have been transferred to the buyer. The transfer of beneficial ownership can be assumed when the title and rights of use as well as the effective control of the property have passed to the buyer. Revenue recognition does not occur as long as the buyer still has significant obligations, guarantees of return or rights of return.

Operating expenses are recognised as expenses upon use of the service or on the date of its causation.

Interest is recorded as income or expense in the proper period.

Dividends are recognised on the distribution date, whereby the period of distribution is normally the period in which a legal entitlement is constituted.

## 19. Government grants

Government grants are recognised if there is reasonable assurance that the grants will be awarded and that the company meets the associated conditions. They are to be recognised as income over the course of the periods necessary to match them with the corresponding expenses that the government grants are intended to compensate.

Investment grants are grants to purchase or produce an asset. In the TLG Group, they are deducted from the capitalised cost for the asset. Grants are recognised proportionally by applying a reduced depreciation amount over the useful lives of the assets if they are subject to depreciation.

Ongoing subsidies in the form of maintenance, rental and expense allowances are recognised through profit or loss. They are reported under other operating income.

Improvement loans and loans granted at favourable interest rates are property loans and are disclosed as liabilities due to financial institutions. Compared to loans customary for the market, both have advantages such as low interest or interest-free and payment-free periods. They are generally recognised at the present value on the basis of the market interest rate applicable on the date they are taken out. The difference is transferred to an accrued item which is written down using the straight-line method over residual maturity of the loan to reduce the expenses from amortizing the loan. Please refer to section B.1 for special rules applicable to the first-time adoption of IFRSs in accordance with IFRS 1.B10.

## 20. Current and deferred taxes

The income tax expense represents the sum of the ongoing tax expense and deferred taxes.

Current tax expense is determined on the basis of the taxable income for the year. Taxable income differs from the profit for the year as shown in the consolidated statement of comprehensive income due to expenses and income that will be tax deductible in later years or those that will never become taxable or tax deductible. Liabilities and provisions of the Group for current taxes are calculated using applicable tax rates.

Deferred taxes are recognised for the differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax law valuation for the calculation of taxable income. Deferred tax liabilities are recorded, in general, on all taxable temporary differences; deferred tax assets are recorded when it is probable that

taxable profits will be available against which the deductible temporary differences can be offset. Deferred tax assets comprise tax reductions arising from the expected use of existing tax loss carryforwards (or comparable circumstances) in subsequent years and the realisation of which is assured with sufficient probability. Deferred taxes are also recognised for outside basis differences if the requirements for this have been met.

Deferred tax liabilities and tax assets are determined on the basis of expected tax rates (and tax laws) that will presumably apply on the date the debt is settled or the asset is realised. The tax regulations applicable or approved by the German Bundestag and, if applicable, Bundesrat as at the closing date apply for this. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the manner in which the Group expects to settle the debt or realise the asset as at the closing date.

Current or deferred taxes are recognised in profit or loss unless they are directly related to items recognised either in other comprehensive income or directly in equity. In this case, the current or deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are netted if the Group has an enforceable legal right to offset actual tax refund claims against its actual tax liabilities, and if the deferred tax assets and liabilities are related to income taxes collected by the same tax authority and concern the same tax subject.

## **21. Borrowing costs**

If so-called qualified assets exist, interest on borrowings is capitalised if material.

## **22. Significant judgements and estimates**

The application of the accounting policies requires the management to exercise judgement and use estimates which may have an impact on the carrying amounts reported for assets, liabilities, income and expenses, as well as on the disclosure of contingent liabilities.

However, the inherent uncertainty of these assumptions and estimates may produce results which by their nature necessitate future adjustments to the carrying amounts of assets and liabilities.

This applies in particular for the following items:

- Measurement of investment property: specifically, expected cash flows, the assumed vacancy rate and the discount and capitalisation rates represent key measurement parameters for this item. This item is measured using the DCF method, which discounts future cash flows to the reporting date. These estimates include assumptions about future events. In light of the large number and geographical distribution of the properties in question, individual measurement uncertainties are generally statistically insignificant. The value of the properties is determined by an external appraiser on the basis of publicly available market data (e.g., property market reports published by local valuation committees, data provided by inwis, etc.) and on the basis of the TLG Group's extensive expertise in the individual regional sub-markets.

Please refer to section F.1 for further information.

In addition, the following assumptions and estimates are of lower significance:

- The management must determine whether assets intended for sale may be sold in their present condition and whether the sale can be considered highly probable within the meaning of IFRS 5. If this is the case, the assets and any related liabilities must be reported and measured as assets and liabilities held for sale.
- Real property must be classified either under inventories or as investment property, depending on the intended use of the property.
- Buildings which are owner-occupied and leased to third parties must generally be accounted for as separate assets in accordance with IAS 16 and IAS 40, unless the owner-occupied or leased portion of the property is immaterial.
- Accounting for pension provisions: Provisions for pensions and similar obligations are measured on the basis of actuarial calculations. They are measured based on assumptions as to interest rates, mortality tables and future pension increases.
- Accounting for other provisions: The accounting for other provisions is subject to uncertainty with respect to future price increases and the amount, timing and probability of utilisation of the relevant provisions.
- Recognition of deferred tax assets: Deferred tax assets are recognised if future tax benefits are likely to be realisable. The actual tax situation in future financial years, and thus the actual ability to realise deferred tax assets, may deviate from the estimates made at the time the deferred taxes were recognised.

Further disclosures as to the assumptions and estimates made are included in the notes to the individual elements of the financial statements. All assumptions and estimates were based on the prevailing conditions and assessments made as at the end of the reporting period.

Furthermore, the management's assessment of the future business development also relied on assumptions concerning the future economic environment in the sectors and regions in which the TLG Group operates, which the management considered realistic as at the reporting date. Although the management believes that the assumptions made and estimates used are appropriate, any unforeseen changes in these assumptions could influence the Group's net assets, financial position and results of operations.

### 23. Capital management

The objective of the TLG Group's capital management activities is to secure the Group's ability to continue as a going concern, as well as to generate a return for its shareholders. In addition, capital management serves to ensure that all other stakeholders in the TLG Group receive the benefits to which they are entitled. In general, the intention is to increase the value of the overall Group. This holistic capital management strategy has not changed since the previous year.

In conjunction with the TLG Group's increased efforts to operate in line with standard market practice, capital management is monitored using the net leverage ratio, as is customary within the industry. Net leverage describes the ratio of net debt to the fair value of the investment property. Net debt is calculated as liabilities due to financial institutions minus cash and cash equivalents.

As in the previous year, one of the Group's objectives for the current financial year was to ensure continued access to lending at economically appropriate financing costs by ensuring that an appropriate level of debt is not exceeded.

Net leverage was calculated as follows as at 31 December 2013 and in the previous year:

	31/12/2013	31/12/2012
	EUR '000	
Investment property.....	1,414,691	1,511,726
Prepayments for investment properties .....	2,707	3,016
Owner-occupied properties .....	16,464	16,697
Non-current assets held for sale .....	17,817	0
Inventories.....	13,385	22,260
<b>Real estate</b> .....	<b>1,465,064</b>	<b>1,553,699</b>
Liabilities due to financial institutions .....	626,227	480,041
Cash and cash equivalents.....	138,930	60,527
<b>Net debt</b> .....	<b>487,298</b>	<b>419,514</b>
<b>Net Loan to Value (Net LTV)</b> .....	<b>33.3%</b>	<b>27.0%</b>

In the table above, assets held for sale relate exclusively to investment property.

The Net Loan to Value (Net LTV) for the Group was 33.3%, thus representing an increase of 6.3 percentage points since the previous year.

The Group's capital management objectives were achieved during the year.

### 24. Segment reporting

TLG's business activities are centred on the letting and management of its own commercial real estate. Activities also include leveraging market conditions through the acquisition and disposal of real properties in order to optimise the property portfolio.

For internal reporting purposes, these activities are classified under the segment for letting and managing the Group's own commercial real estate.

In accordance with IFRS 8, therefore, a separate reporting segment has been identified which encompasses the Group's operating activities. The chief operating decision makers receive regular reports on this segment. They determine the allocation of resources only for this one segment and are responsible for monitoring their profitability. TLG's management is the chief operating decision maker.

Revenue is generated through a large number of tenants. Revenue amounting to greater than 10% of overall revenue is generated through one single customer. EUR 17,539 thousand (previous year: EUR 17,569 thousand) of total revenue was attributable to this customer.

## F. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 1. Investment property

The carrying amount of the investment property changed as follows in financial years 2013 and 2012:

	<u>2013</u>	<u>2012</u>
	EUR '000	
<b>Carrying amount as at 01/01</b> .....	<b>1,511,726</b>	<b>1,374,231</b>
Acquisitions .....	3,591	28,082
Capitalisation of construction activities .....	36,396	54,592
Reclassification as assets held for sale .....	(209,259)	(804)
Reclassification from property, plant and equipment .....	—	2,564
Fair value adjustment .....	72,237	53,061
<b>Carrying amount as at 31/12</b> .....	<b>1,414,691</b>	<b>1,511,726</b>

TLG's portfolio strategy calls for a concentration on the retail and office asset classes, as well as on hotels with long-term leases in certain prime inner-city locations, particularly in Berlin and Dresden. While the office portfolio is intended to be largely limited to Berlin, Dresden, Leipzig and Rostock, the retail portfolio—which is currently dominated by convenience store properties in the retail foodstuffs sector—is more broadly distributed. Decisions pertaining to acquisitions and disposals of properties and to necessary investments are subject to the aforementioned principles of portfolio strategy.

Acquisitions in 2013 amounted to EUR 3,591 thousand (2 properties), and were significantly lower than in the previous year (EUR 28,082 thousand; 12 properties). As in the previous year, investment centred on the completion of project development properties. This is reflected in the amount capitalised for construction activities: EUR 36,396 thousand; previous year: EUR 54,592 thousand.

EUR 209,259 thousand (2012: EUR 804 thousand) was reclassified as assets held for sale to reflect disposals in keeping with the portfolio strategy. In addition to the nursing care properties, management-intensive properties in particular and undeveloped land were reclassified. Properties reclassified as assets held for sale also included all sales conducted during the year, which had first been reclassified as assets held for sale and then sold off.

Thanks to favourable market conditions, a number of inner-city development plots in particular were disposed of at attractive prices, with the result that the EUR 72,237 thousand fair value adjustment in 2013 (previous year: EUR 53,061 thousand) related to 20% of the assets held for sale. The properties held in the portfolio as at 1 January and 31 December 2013 (current portfolio excluding acquisitions and reclassifications) accounted for 80% of the fair value adjustment. Fair values were adjusted as a result of the measurement of investment property in the consolidated statement of comprehensive income.

The fair values of investment property were as follows, broken down by measurement approach and by asset class as at 31 December 2013. Advance payments made for these properties are not included in this calculation but are recognised separately in the statement of financial position.

Table 1:

31/12/2013	Investment properties	Discount rate			Capitalisation rate		
		EUR '000	Min.	Max.	Weighted average (rated according to gross present value)	Min.	Max.
<b>Valuation method = Discounted-Cashflow (DCF)</b>							
Retail properties .....	655,994	5.00%	15.00%	6.25%	5.50%	25.00%	8.16%
Office properties .....	447,308	4.00%	12.00%	5.54%	4.00%	20.00%	7.12%
Hotel properties.....	185,611	5.00%	6.25%	5.61%	6.25%	6.75%	6.48%
Other properties .....	73,698	5.00%	14.00%	7.86%	6.00%	30.00%	11.46%
<b>Total (DCF) .....</b>	<b>1,362,610</b>	<b>4.00%</b>	<b>15.00%</b>	<b>6.01%</b>	<b>4.00%</b>	<b>30.00%</b>	<b>7.76%</b>
<b>Valuation method = Liquidation method</b>							
Retail properties .....	24,500	5.00%	7.50%	5.78%	—	—	—
Office properties .....	450	7.50%	7.50%	7.50%	—	—	—
Other properties .....	27,131	3.00%	8.00%	5.07%	—	—	—
<b>Total (liquidation method) .....</b>	<b>52,081</b>	<b>3.00%</b>	<b>8.00%</b>	<b>5.43%</b>	—	—	—
<b>Total .....</b>	<b>1,414,691</b>						
Multiplier net rental (without project development).....	12.68						

The following values were reported as at 31 December 2012:

31/12/2012	Investment properties	Discount rate			Capitalisation rate		
		EUR '000	Min.	Max.	Weighted average (rated according to gross present value)	Min.	Max.
<b>Valuation method = Discounted-Cashflow (DCF)</b>							
Retail properties .....	598,266	3.05%	15.00%	6.87%	3.75%	25.00%	8.22%
Office properties .....	452,337	4.10%	12.45%	6.34%	4.00%	20.00%	6.94%
Hotel properties.....	119,759	6.55%	6.95%	6.67%	6.50%	6.50%	6.50%
Other properties.....	186,200	5.00%	14.00%	7.29%	6.00%	30.00%	9.77%
Project development.....	73,100	5.90%	7.00%	6.32%	6.00%	7.25%	6.33%
<b>Total (DCF).....</b>	<b>1,429,662</b>	<b>3.05%</b>	<b>15.00%</b>	<b>6.71%</b>	<b>3.75%</b>	<b>30.00%</b>	<b>7.66%</b>
<b>Valuation method = Liquidation method</b>							
Retail properties .....	31,460	2.00%	7.50%	4.69%	—	—	—
Office properties .....	450	7.50%	7.50%	7.50%	—	—	—
Other properties.....	50,154	3.00%	8.00%	4.93%	—	—	—
<b>Total (liquidation method) .....</b>	<b>82,064</b>	<b>2.00%</b>	<b>8.00%</b>	<b>4.85%</b>	—	—	—
<b>Total.....</b>	<b>1,511,726</b>						
Total (without project development).....	1,438,626						
Multiplier net rental (without project development).....	12.62						

The following values were reported as at 1 January 2012:

01/01/2012	Investment properties		Discount rate		Capitalisation rate		
	EUR '000	Min.	Max.	Weighted average (rated according to gross present value)	Min.	Max.	Weighted average (rated according to net sales price)
<b>Valuation method = Discounted-Cashflow (DCF)</b>							
Retail properties .....	553,770	3.50%	15.00%	7.32%	3.75%	25.00%	8.32%
Office properties .....	415,354	4.50%	12.95%	6.96%	4.00%	20.00%	6.95%
Hotel properties.....	107,932	7.70%	7.75%	7.73%	6.50%	6.50%	6.50%
Other properties .....	181,280	5.00%	15.00%	7.75%	6.00%	30.00%	9.92%
Project development.....	34,260	5.85%	8.25%	7.04%	6.00%	7.25%	6.37%
<b>Total (DCF).....</b>	<b>1,292,597</b>	<b>3.50%</b>	<b>15.00%</b>	<b>7.29%</b>	<b>3.75%</b>	<b>30.00%</b>	<b>7.69%</b>
<b>Valuation method = Liquidation method</b>							
Retail properties .....	31,150	2.00%	12.00%	5.03%	—	—	—
Office properties .....	500	5.00%	7.50%	7.30%	—	—	—
Other properties .....	49,984	3.00%	8.00%	5.02%	—	—	—
<b>Total (liquidation method) .....</b>	<b>81,634</b>	<b>2.00%</b>	<b>12.00%</b>	<b>5.04%</b>	—	—	—
<b>Total .....</b>	<b>1,374,231</b>						
Total (without project development).....	1,339,971						
Multiplier net rental (without project development).....	12.20						

The fair value of investment property totalled EUR 1,414,691 thousand as at 31 December 2013 (31 December 2012: EUR 1,511,726 thousand; 1 January 2012: EUR 1,374,231 thousand). Properties excluding project development properties held in the portfolio as at 1 January and 31 December 2013 (current portfolio excluding acquisitions and reclassifications) amounted to EUR 1,303,858 thousand and accounted for 92% of total properties as at 31 December 2013.

The value of the properties excluding project development properties held in the portfolio as at 1 January and 31 December 2013 (current portfolio) increased by 4.4% and 3.5% as compared to 31 December 2012 and 1 January 2012, respectively, based on a positive two-year market trend, in particular in Berlin, as well as on a reduction in the EPRA vacancy rate and a constant increase in actual rents. While the segment of the portfolio managed in line with the portfolio strategy—accounting for approximately 90% (2012: 77%) of the properties neither acquired, disposed of or reclassified—increased in value by 5.3% (2012: 4.7%), the value of segment of the portfolio not managed in line with the portfolio strategy was adjusted by -1.2% (2012: -0.2%). Value adjustments related in particular to commercial properties intended for sale in the short-term.

The fair value of the investment properties under development was determined in particular by factoring in the project stage as at the reporting date, estimated future development costs and expected time horizon until completion.

Properties which were under management as at the reporting date were no longer included under development projects. The fair value of investment properties under construction as at the reporting date 31 December 2012 amounted to EUR 34,260 thousand. As at 31 December 2012, the fair value amounted to EUR 73,100 thousand, whereby three properties which had still been under construction during the previous year with a fair value of EUR 15,273 thousand were reclassified as under management. One construction project with a fair value of EUR 2,970 thousand was launched in 2012. As at the measurement date 31 December 2013, all development projects were reclassified as under management. The fair value of these project development properties now under management represented EUR 108,944 thousand of total fair value as at the reporting date 31 December 2013.

With fair value at EUR 1,362,610 thousand as at 31 December 2013 (31 December 2012: EUR 1,429,662 thousand; 1 January 2012: EUR 1,292,597 thousand), 96.3% of properties were measured in accordance with the DCF method (31 December 2012: 94.6%; 1 January 2012: 94.1%).

In the overviews above, the fair value of the undeveloped plots of land as measured in accordance with the liquidation approach is included under the “Other” asset class. The fair value of undeveloped land as at 31 December 2013 was EUR 17,894 thousand (31 December 2012: EUR 40,412 thousand; 1 January 2012: EUR 40,409 thousand), representing 1.3% (31 December 2012: 2.7%; 1 January 2012: 2.9%) of the total investment property.



The fair value of properties (excluding undeveloped land) measured in accordance with the liquidation approach amounted to EUR 34,187 thousand as at 31 December 2013 (31 December 2012: EUR 41,652 thousand; 1 January 2012: EUR 41,225 thousand), representing 2.4% (31 December 2012: 2.8%; 1 January 2012: 3.0%) of the total.

No significant changes were made to the valuation methods and models during the period under review.

The independent appraiser's calculation of fair value was based on the following letting data as at the relevant reporting dates:

Table 2:

31/12/2013	Investment properties	EPRA-vacancy rates	Average net rental*	Share of temporary rental contract	Walt temporary rental contracts
	EUR '000	%	EUR/Sqm	%	years
<b>Valuation method = Discounted-Cashflow (DCF)</b>					
Retail properties .....	655,994	1.6%	9.55	97.7%	7.7
Office properties.....	447,308	9.4%	8.59	89.8%	5.7
Hotel properties .....	185,611	4.5%	13.74	99.9%	17.4
Other properties.....	73,698	13.6%	3.25	75.5%	5.0
<b>Total (DCF)</b> .....	<b>1,362,610</b>	<b>5.7%</b>	<b>7.92</b>	<b>93.3%</b>	<b>8.0</b>
<b>Valuation method = Liquidation method</b>					
Retail properties .....	24,500	0.0%	4.46	100.0%	3.9
Office properties.....	450	0.0%	0.00	1.2%	0.0
Other properties.....	27,131	0.0%	2.32	72.0%	1.8
<b>Total (liquidation method)</b> .....	<b>52,081</b>	<b>0.0%</b>	<b>3.63</b>	<b>90.3%</b>	<b>3.4</b>
<b>Total</b> .....	<b>1,414,691</b>	<b>5.6%</b>	<b>7.81</b>	<b>93.2%</b>	<b>8.0</b>

\* Net rental per square meter—rented space as of closing date; without future rental contracts.

31/12/2012	Investment properties	EPRA-vacancy rates	Average net rental*	Share of temporary rental contract	Walt temporary rental contracts
	EUR '000	%	EUR/Sqm	%	years
<b>Valuation method = Discounted-Cashflow (DCF)</b>					
Retail properties .....	598,266	2.8%	9.52	97.7%	8.2
Office properties.....	452,337	19.5%	8.55	89.1%	6.4
Hotel properties .....	119,759	3.6%	14.93	100.0%	17.7
Other properties.....	186,200	5.8%	4.42	82.4%	11.5
<b>Total (DCF)</b> .....	<b>1,356,562</b>	<b>8.9%</b>	<b>7.75</b>	<b>92.5%</b>	<b>9.0</b>
<b>Valuation method = Liquidation method</b>					
Retail properties .....	31,460	0.0%	4.33	100.0%	4.6
Office properties.....	450	0.0%	0.00	0.6%	0.0
Other properties.....	50,154	0.0%	2.30	60.6%	2.5
<b>Total (liquidation method)</b> .....	<b>82,064</b>	<b>0.0%</b>	<b>3.51</b>	<b>86.9%</b>	<b>4.2</b>
<b>Total (without project development)</b> .....	<b>1,438,626</b>	<b>8.8%</b>	<b>7.62</b>	<b>92.4%</b>	<b>8.9</b>
Project development** .....	<b>73,100</b>	<b>21.1%</b>	<b>9.94</b>	<b>100.0%</b>	<b>17.8</b>

\* Net rental per square meter—rented space as of closing date; without future rental contracts (excluding project development).

\*\* Project development in construction; Agreed pre-rental of closed rental contracts.

01/01/2012	Investment properties	EPRA-vacancy rates	Average net rental*	Share of temporary rental contract	Walt temporary rental contracts
	EUR '000	%	EUR/Sqm	%	years
<b>Valuation method = Discounted-Cashflow (DCF)</b>					
Retail properties .....	553,770	2.8%	9.53	98.0%	8.8
Office properties.....	415,354	23.1%	8.37	88.2%	6.7
Hotel properties.....	107,932	5.0%	14.78	100.0%	18.7
Other properties.....	181,280	4.0%	4.32	84.8%	11.7
<b>Total (DCF)</b> .....	<b>1,258,337</b>	<b>9.9%</b>	<b>7.59</b>	<b>92.8%</b>	<b>9.6</b>
<b>Valuation method = Liquidation method</b>					
Retail properties .....	31,150	0.0%	4.23	100.0%	5.3
Office properties.....	500	0.0%	0.00	22.8%	0.3
Other properties.....	49,984	2.6%	2.18	63.4%	2.3
<b>Total (liquidation method)</b> .....	<b>81,634</b>	<b>0.4%</b>	<b>3.29</b>	<b>85.3%</b>	<b>4.6</b>
<b>Total (without project development)</b> .....	<b>1,339,971</b>	<b>9.8%</b>	<b>7.42</b>	<b>92.6%</b>	<b>9.5</b>
Project development** .....	<b>34,260</b>	<b>26.1%</b>	<b>11.46</b>	<b>100.0%</b>	<b>18.6</b>

\* Net rental per square meter—rented space as of closing date; without future rental contracts (excluding project development).

\*\* Project development in construction; Agreed pre-rental of closed rental contracts.

Please refer to [www.epra.com](http://www.epra.com) for the definition of the EPRA vacancy rate.

As at the reporting date, 31 December 2013, investment property had an average EPRA vacancy rate of 5.6% (31 December 2012, excl. project development properties: 8.8%; 1 January 2012, excl. project development properties: 9.8%). The EPRA vacancy rate for project development properties now under management was 14.3% as at the reporting date. The further trend with respect to the EPRA vacancy rate depends on the location and characteristics of the individual properties. In general, the vacancy rate for retail and hotel properties is expected to remain low, as it was at 31 December 2013. The EPRA vacancy rate is expected to decline for office properties, and no significant change is expected for the other properties.

The average actual rent amounted to EUR 7.81/m<sup>2</sup> (31 December 2012, excl. project development properties: EUR 7.62/m<sup>2</sup>; 1 January 2012, excl. project development properties: EUR 7.42/m<sup>2</sup>), representing a 2.5% increase. The WALT (weighted-average lease term) was 8.0 years, down as compared to the 8.9 years for the previous year (1 January 2012: 9.5 years). This figure, reported as at the reporting date, does not factor in leases already entered into whose terms commenced after the reporting date. The continued trend for rents was forecasted on the basis of individual assumptions made for the planning period. A distinction was drawn between rents from existing leases and from new leases based on a forecasted rate of fluctuation. Market rents increased each year during the detailed planning phase by a rate of increase determined individually. Overall, a moderate increase in rents was assumed for the planning period.

As at the reporting date, TLG continues to assume that future fluctuations in fair value will result for the most part from factors outside of TLG's control. These factors include in particular the discount and capitalisation rates used to measure the value of the properties.

In addition to the fair value measurement, a sensitivity analysis was conducted to assess the impact of changes in the discount and capitalisation rates used. Assuming the discount and capitalisation rates underlying the valuation of the properties were to rise or fall by 0.5 percentage points, the following changes would have occurred as at 31 December 2013:

Table 3:

31/12/2013	Investment properties	-0.5%	Discount rate 0.0%	+0.5%
		EUR '000		
<b>Valuation method = Discounted-Cashflow (DCF)</b>				
<b>Capitalisation rate</b> .....	<b>-0.5%</b>	1,473,730	1,419,610	1,368,450
	<b>0.0%</b>	1,413,660	<b>1,362,610</b>	1,314,110
	<b>+0.5%</b>	1,362,360	1,313,590	1,267,110
<b>Valuation method = Liquidation method</b>				
<b>Capitalisation rate</b> .....	<b>0.0%</b>	53,110	<b>52,081</b>	51,650
<b>Total*</b>				
	<b>-0.5%</b>	1,526,840	1,471,691	1,420,100
<b>Capitalisation rate</b> .....	<b>0.0%</b>	1,466,770	<b>1,414,691</b>	1,365,760
	<b>+0.5%</b>	1,415,470	1,365,671	1,318,760

\* The sensitivity analysis is not applicable for the capitalisation rate using the liquidation method.

The following values were reported as at 31 December 2012:

31/12/2012	Investment properties	-0.5%	Discount rate 0.0%	+0.5%
EUR '000				
<b>Valuation method = Discounted-Cashflow (DCF)</b>				
Capitalisation rate .....	-0.5%	1,550,352	1,488,562	1,430,202
	0.0%	1,488,282	<b>1,429,662</b>	1,374,122
	+0.5%	1,435,552	1,379,692	1,326,482
<b>Valuation method = Liquidation method</b>				
Capitalisation rate .....	0.0%	83,250	<b>82,064</b>	81,530
<b>Total*</b>				
Capitalisation rate .....	-0.5%	1,633,602	1,570,626	1,511,732
	0.0%	1,571,532	<b>1,511,726</b>	1,455,652
	+0.5%	1,518,802	1,461,756	1,408,012

\* The sensitivity analysis is not applicable for the capitalisation rate using the liquidation method.

The following values were reported as at 1 January 2012:

01/01/2012	Investment properties	-0.5%	Discount rate 0.0%	+0.5%
EUR '000				
<b>Valuation method = Discounted-Cashflow (DCF)</b>				
Capitalisation rate .....	-0.5%	1,404,397	1,343,567	1,285,337
	0.0%	1,350,567	<b>1,292,597</b>	1,237,367
	+0.5%	1,304,247	1,248,357	1,195,757
<b>Valuation method = Liquidation method</b>				
Capitalisation rate .....	0.0%	82,940	<b>81,634</b>	80,890
<b>Total*</b>				
Capitalisation rate .....	-0.5%	1,487,337	1,425,201	1,366,227
	0.0%	1,433,507	<b>1,374,231</b>	1,318,257
	+0.5%	1,387,187	1,329,991	1,276,647

\* The sensitivity analysis is not applicable for the capitalisation rate using the liquidation method.

With respect to changes in the further significant inputs and their impact on fair value, there were the following qualitative sensitivities: an increase in rental income results in an increase in the value of investment property. Additionally, an increase in the residual value results in an increase in the value of the property. An increase in the EPRA vacancy rate results in a decline in the value of the properties.

The following payment claims arising under the minimum lease rates are expected over the next years on the basis of the leases existing as at 31 December 2013:

	Remaining term up to 1 year	Remaining term between 1 and 5 years	Remaining term more than 5 years	Total
EUR '000				
31/12/2013.....	104,849	330,256	418,930	<b>854,035</b>
31/12/2012.....	107,522	361,664	556,154	<b>1,025,340</b>
01/01/2012.....	102,617	341,271	546,716	<b>990,603</b>

EUR 247 thousand in contingent rent payments were collected in financial year 2013 (previous year: EUR 283 thousand).

The majority of investment property has been encumbered with collateral for loans. The properties are in principle freely available to be sold. As a rule, collateral has been provided for financed properties in the form of land rights and the assignment of rights and claims from sale agreements. In the event a property is sold, the financing is redeemed by special payment.

## 2. Property, plant and equipment and intangible assets

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

	Owner-occupied properties	Technical equipment and machinery	Operating and office equipment	Intangible assets	Total
	EUR '000				
<b>Cost</b>					
as at 01/01/2013 .....	17,040	2,749	7,124	12,745	39,658
Additions .....	63	40	61	193	356
Reclassifications in accordance with IAS 40 .....					—
Disposals .....	—	61	1,416	17	1,494
as at 31/12/2013 .....	17,103	2,728	5,769	12,920	38,520
<b>Cumulative depreciation, amortisation and write-downs</b>					
as at 01/01/2013 .....	343	1,933	6,196	11,279	19,750
Additions .....	296	125	253	787	1,461
Disposals .....	—	35	1,273	17	1,325
as at 31/12/2013 .....	639	2,023	5,175	12,049	19,886
<b>Net carrying amount as at 31/12/2013</b> .....	<b>16,464</b>	<b>705</b>	<b>593</b>	<b>872</b>	<b>18,634</b>
	Owner-occupied properties	Technical equipment and machinery	Operating and office equipment	Intangible assets	Total
	EUR '000				
<b>Cost</b>					
as at 01/01/2012 .....	19,526	4,059	7,858	12,795	44,237
Additions .....	79	—	155	321	554
Reclassifications in accordance with IAS 40 .....	(2,565)	—	—	—	(2,565)
Disposals .....	—	1,310	888	371	2,569
as at 31/12/2012 .....	17,040	2,749	7,124	12,745	39,658
<b>Cumulative depreciation, amortisation and write-downs</b>					
as at 01/01/2012 .....	—	3,074	6,745	10,893	20,711
Additions .....	343	137	337	756	1,573
Disposals .....	—	1,278	886	371	2,534
as at 31/12/2012 .....	343	1,933	6,196	11,279	19,750
<b>Net carrying amount as at 31/12/2012</b> .....	<b>16,697</b>	<b>816</b>	<b>928</b>	<b>1,466</b>	<b>19,908</b>

The Group's owner-occupied properties measured in accordance with IAS 16 were reclassified as investment property due to a decrease in owner-occupied space in 2012.

The decrease in the carrying amounts for technical equipment and machinery, operating and office equipment and intangible assets was due primarily to depreciation and amortisation.

## 3. Investments in joint ventures

The tables below contain a summary of information relating to the company accounted for in accordance with the equity method, Altmarkt-Galerie Dresden KG:

Companies accounted for in accordance with the equity method	31/12/2013	31/12/2012	01/01/2012
	EUR '000		
Assets <sup>1)</sup> .....	—	401,552	356,287
Liabilities <sup>1)</sup> .....	—	239,791	223,921
Equity attributable to the Group .....	—	69,077	59,377

1) corresponds to 100% interest.

Companies accounted for in accordance with the equity method	2013	2012
	EUR '000	
Revenue <sup>1)</sup> .....	—	24,038
Profit/(loss) <sup>1)</sup> .....	—	7,064
Net income for the period attributable to the Group .....	—	2,331

1) corresponds to 100% interest.

The equity investment reported under this line item was disposed of with effect from 30 April 2013. The disposal gain is reported under income from joint ventures (section G.7).

#### 4. Other financial assets

Other financial assets were broken down as follows:

	31/12/2013	31/12/2012	01/01/2012
	EUR '000		
Shares in non-consolidated entities .....	124	128	132
Securities .....	19	41	38
Receivables from claims for damages .....	53	228	53
Restricted funds .....	4,236	9,406	8,952
Other financial assets .....	646	367	453
<b>Total</b> .....	<b>5,077</b>	<b>10,170</b>	<b>9,629</b>

Restricted funds relate to term deposits which have essentially been pledged for guarantees and interest rate hedges.

Other financial assets are with respect to shares in non-consolidated entities non-current; the remainder is current.

#### 5. Trade and other receivables

The table below provides an overview of the Group's trade and other receivables:

	31/12/2013	31/12/2012	01/01/2012
	EUR '000		
Trade receivables, gross .....	18,586	17,964	27,714
Valuation allowances .....	(7,019)	(8,386)	(8,649)
<b>Total trade receivables</b> .....	<b>11,567</b>	<b>9,578</b>	<b>19,065</b>
of which from letting activities .....	6,079	5,591	6,690
of which from the disposal of properties .....	3,219	2,225	10,214
of which other trade receivables .....	2,269	1,763	2,161

All trade and other receivables are current.

Valuation allowances relate primarily to receivables originating prior to 1 January 2012.

Please refer to section I.1 for changes in write-downs and changes in collateral received.

#### 6. Other receivables and assets

Other receivables and assets are broken down as follows:

	31/12/2013	31/12/2012	01/01/2012
	EUR '000		
Prepaid expenses .....	118	164	245
Receivables from other taxes .....	80	924	26
Advance payments .....	17	20	26
Receivables from letting incentives granted .....	8,423	6,850	5,390
Miscellaneous other assets .....	492	525	740
<b>Total</b> .....	<b>9,129</b>	<b>8,484</b>	<b>6,428</b>

Letting incentives granted essentially consist of rent-free periods and subsidies for the initial fitting-out of hotels.

Other receivables and assets amounting to EUR 707 thousand (previous year: EUR 1,633 thousand; 1 January 2012: EUR 1,037 thousand) are current; the remainder non-current.

## 7. Inventories

Inventories were broken down as follows:

	<u>31/12/2013</u>	<u>31/12/2012</u>	<u>01/01/2012</u>
		EUR '000	
Land with finished buildings.....	2,724	8,124	46,534
Undeveloped land.....	3,981	8,871	19,801
Land under development.....	—	920	3,750
Other buildings in progress.....	6,680	4,346	2,657
<b>Total</b> .....	<b><u>13,385</u></b>	<b><u>22,260</u></b>	<b><u>72,742</u></b>

The table below provides further information pertaining to inventories:

	<u>2013</u>	<u>2012</u>
	EUR '000	
Amount of inventories recorded as expenses during the reporting period.....	13,660	50,348
Amount of inventories carried for longer than one year.....	1,582	9,513

The increase in other buildings in progress was due to the construction progress made on a property which has already been sold and which is scheduled to be completed in 2014; the benefits and risks of ownership will transfer to the acquirer upon completion.

The reason for the decline in the remainder of the items is rooted in the Group's strategy of divesting properties which do not fit with the Group's strategy. As at 31 December 2013, the portfolio essentially includes undeveloped land which is suitable for residential properties.

Please refer to section G.6 for the amount of write-downs on inventories recognised as an expense during the period.

At 31 December 2013, EUR 6,680 thousand was pledged as collateral for loans (previous year: EUR 0 thousand).

## 8. Cash and cash equivalents

Cash and cash equivalents broke down as follows as at the relevant reporting dates:

	<u>31/12/2013</u>	<u>31/12/2012</u>	<u>01/01/2012</u>
		EUR '000	
Bank balances.....	138,909	60,515	33,568
Cash-in-hand.....	21	12	23
<b>Total cash and cash equivalents</b> .....	<b><u>138,930</u></b>	<b><u>60,527</u></b>	<b><u>33,590</u></b>

Bank balances bear interest at floating interest rates for daily callable balances. Short-term deposits are made for various terms of up to three months.

## 9. Assets and liabilities held for sale

In accordance with the Spin-off Agreement dated 29 December 2011 and in preparation for the planned privatisation of the Company, virtually all residential properties were spun off with effect from 1 January 2012 and transferred to TLG WOHNEN GmbH, an entity formed specifically for that purpose on 28 November 2011. These properties and the associated liabilities and assets were reported as held for sale as at 1 January 2012, directly prior to the spin-off. Given that the spin-off occurred directly on 1 January 2012, it had no impact on the consolidated statement of comprehensive income or the statement of cash flows; rather, the EUR 197,248 thousand decrease in net assets is only evident in the capital reserves. Therefore, the assets and liabilities included in the relevant line items are presented in the following:

	<u>01/01/2012</u>
	EUR '000
Investment property.....	484,043
Property, plant and equipment .....	7
Inventories .....	16,665
Other assets .....	1,311
<b>Total assets held for sale .....</b>	<b>502,026</b>
Liabilities due to financial institutions .....	272,631
Trade payables.....	2,092
Provisions .....	684
Other liabilities.....	29,372
<b>Total liabilities included in disposal groups classified as held for sale.....</b>	<b>304,779</b>

In accordance with IFRS 5, only those assets are reported as held for sale as at the reporting dates 1 January 2012, 31 December 2012 and 31 December 2013 if the decision to sell had been taken as at the relevant reporting date, if the conclusion of the sale within twelve months following the decision to sell was considered highly probable and if active efforts to market the properties have been initiated.

	<u>31/12/2013</u>	<u>31/12/2012</u>	<u>01/01/2012</u>
	EUR '000		
Investment property.....	17,817	—	—
<b>Total assets held for sale .....</b>	<b>17,817</b>	<b>—</b>	<b>—</b>

\* Excl. TLG WOHNEN GmbH spin-off.

The carrying amount of the assets held for sale and associated liabilities changed as follows:

	<u>2013</u>	<u>2012</u>
	EUR '000	
<b>Carrying amount as at 01/01 .....</b>	<b>—</b>	<b>197,247</b>
Reclassifications from investment property .....	209,259	804
Disposals due to sale of land and buildings .....	(191,442)	(804)
Disposal of TLG Wohnen .....	—	(197,247)
<b>Carrying amount as at 31/12 .....</b>	<b>17,817</b>	<b>—</b>

The results from the sale of assets held for sale are reported in the consolidated statement of comprehensive income under result from the disposal of investment property.

## 10. Equity

Pursuant to the agreement dated 19 December 2012, the Federal Republic of Germany sold its 100% interest to the current shareholders, with the benefits and risks of ownership transferring as at 31 December 2012. Non-controlling interests no longer exist as at the reporting date (31 December 2012: EUR 0 thousand; 1 January 2012: EUR 2 thousand).

The subscribed capital of the Company was unchanged and amounted to EUR 52,000 thousand.

The capital reserves amounted to EUR 410,249 thousand (31 December 2012: EUR 151,461 thousand). The changes (EUR 258,787 thousand) resulted from a EUR 438,071 thousand addition to capital reserves due to the reversal of the special reserve in accordance with section 27 (2) of the D-Mark Accounting Act (*D-Mark-Bilanzgesetz*, "DMBiG"), a EUR 199,776 thousand transfer to retained earnings and EUR 20,493 thousand in additional shareholder contributions to the capital reserves.

The Group's retained earnings decreased by EUR 464,339 thousand to EUR 339,939 thousand (31 December 2012: EUR 804,278 thousand) as a result of distributions to shareholders amounting to EUR 325,177 thousand, resulting from the reversal of the EUR 438,071 thousand special reserve in accordance with section 27 (2) DMBilG. By contrast, the transfer of EUR 199,776 thousand from capital reserves to retained earnings and the EUR 99,132 thousand consolidated net income for the year had a positive effect on retained earnings.

Where distributions to the shareholder were concerned, rather than making a cash payment to the shareholder, the Company assumed, with discharging effect, the shareholder's loan liabilities amounting to EUR 325,177 thousand.

Other comprehensive income primarily contains actuarial gains and losses of EUR 1,028 thousand (31 December 2012: EUR 1,005 thousand) as well as cumulative adjustments to the fair value of derivatives included in cash flow hedges of EUR 124 thousand (31 December 2012: EUR 0 thousand).

Deferred taxes are distributed to the items of other comprehensive income as follows:

	01/01 – 31/12/2013		
	Before deferred taxes	Deferred taxes	After deferred taxes
		EUR '000	
Net income .....	108,942	(9,810)	99,132
Changes in fair values of interest rate derivatives used as cash flow hedges .....	(180)	56	(124)
Actuarial gains and losses .....	(33)	10	(23)
<b>Consolidated total comprehensive income</b> .....	<b>108,729</b>	<b>(9,744)</b>	<b>98,985</b>

  

	01/01 – 31/12/2012		
	Before deferred taxes	Deferred taxes	After deferred taxes
		EUR '000	
Net income .....	135,268	(59,005)	76,264
Changes in fair values of interest rate derivatives used as cash flow hedges .....	—	—	—
Actuarial gains and losses .....	(1,454)	449	(1,005)
<b>Consolidated total comprehensive income</b> .....	<b>133,814</b>	<b>(58,556)</b>	<b>75,259</b>

## 11. Liabilities due to financial institutions

In addition to regular and unscheduled repayments of principal, the following factors have resulted in changes to liabilities to banks in connection with financing activities:

In the context of distributions to shareholders in financial year 2013 (see also section I.4), the Company assumed, with discharging effect, the shareholder's loan liabilities amounting to EUR 325,177 thousand. The principal on this loan was reduced by EUR 250,247 thousand to EUR 74,929 thousand as at the reporting date through repayments. In addition, EUR 252,511 thousand in loans were disbursed in financial year 2013 (previous year: EUR 71,200 thousand). All loans were taken out by TLG IMMOBILIEN GmbH.

The loans were collateralised in general through the granting of corresponding liens, the assignment of rights arising from the lease agreements and the pledge of shares. The vast majority of the portfolio properties generally serve as collateral.

As at 31 December 2013, the loan assumed from the shareholder amounting to EUR 74,929 thousand, project finance of EUR 16,065 thousand and the principal repayments falling due in 2014 were reported as falling due within one year.

Liabilities to banks have the following remaining maturities:

	31/12/2013	31/12/2012	01/01/2012
		EUR '000	
Remaining term up to 1 year .....	113,225	87,176	16,793
Remaining term longer than 1 year .....	513,002	392,865	407,267

## 12. Pension provisions

The Group has made pension commitments to (former) executives and former managing directors who had begun working for the Company between 1991 and 2001.

In 2013, current pensions were paid to 11 employees or former managing directors from within this group (2012: 10 employees or former managing directors). 15 eligible persons have accrued vested pension benefits. The average term of the



commitments was 11.54 years for the managing directors and 14.92 years for the general staff. Payments from pension plans are expected to amount to EUR 280 thousand in 2014.

Pension provisions for defined benefit pension plans are calculated on the basis of actuarial assumptions in accordance with IAS 19. The following parameters were applied in the respective financial years:

	2013	2012
	in %	
Discount rate .....	3.10%	3.10%
Pension trend <sup>*)</sup> .....	2.00%	2.00%

<sup>\*)</sup> In some instances, commitments guarantee an interest rate of 1 percent p.a., and then no further trend is applied.

Biometric assumptions are made on the basis of the 2005G mortality tables published by Dr. Klaus Heubeck.

Expenses for the defined benefit pension plans were broken down as follows in the respective financial years:

	2013	2012
	EUR '000	
Past service cost .....	34	24
Interest expense .....	210	261
<b>Total</b> .....	<b>244</b>	<b>285</b>

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

	2013	2012
	EUR '000	
<b>Present value of obligations as at 01/01</b> .....	<b>6,888</b>	<b>5,377</b>
Current service cost .....	34	24
Interest expense .....	210	261
Benefits paid directly by employer .....	(234)	(228)
Actuarial gains/losses .....	33	1,454
<b>Present value of obligations as at 31/12</b> .....	<b>6,931</b>	<b>6888</b>

The actuarial gains/losses incurred in the past financial year were recognised outside profit or loss under other comprehensive income. EUR 33 thousand (2012: EUR 4 thousand) in gains/losses resulted from experience-based adjustments and EUR 0 thousand (2012: EUR 1,450 thousand) resulted in changes in financial assumptions. Overall, other comprehensive income included EUR 33 thousand in actuarial losses (2012: EUR 1,454 thousand).

Expenses for defined contribution plans amounted to EUR 994 thousand in the current year (2012: EUR 1,149 thousand). These related primarily to contributions to the statutory pension system.

Based on the commitments accounted for as at the reporting dates, a change in the individual parameters would have had the following impact on the present value of the obligation, assuming all other assumptions remained constant.

Sensitivity analysis for 2013:

	Change in assumption	Increase in assumption	Reduction in assumption
	EUR '000		
Discount rate .....	0.50%	6,496	7,412
Pension trend <sup>*)</sup> .....	0.50%	7,084	6,789

<sup>\*)</sup> In some instances, commitments guarantee an interest rate of 1 percent p.a., and then no further trend is applied.

Increases and decreases in the discount rate, pension trend, wage and salary trend or mortality do not have the same absolute impact on the calculation of pension obligations. If several assumptions were to change at the same time, the change in the amount of total obligations need not necessarily correspond to the sum of individual effects caused by the changes in the assumptions. It should further be noted that the sensitivities to a change in pension obligations merely reflect the magnitude of the specific change in the relevant assumptions (e.g., 0.5%). If the change in the assumptions takes a different order of magnitude, this will not necessarily have a linear effect on the change in the amount of the pension provisions.

### 13. Other provisions

Other provisions changed as follows during the financial year:

	As at 01/01/2012	As at 01/01/2013	Additions	Utilisations	Reversals	As at 31/12/2013
EUR '000						
Provisions for personnel expenses from restructuring plan.....	1,256	424	2,845	(424)	—	2,845
Provisions for litigation risks .....	22,809	18,217	711	(2,589)	(3,468)	12,871
Other miscellaneous provisions .....	3,617	3,522	55	(94)	(3,006)	477
<b>Total</b> .....	<b>27,682</b>	<b>22,162</b>	<b>3,611</b>	<b>(3,107)</b>	<b>(6,474)</b>	<b>16,192</b>

Provisions for personnel expenses after reconciliation of interests have been recognised due to the restructuring measures resolved by the Company in 2013 and an associated workforce reduction in 2013 and 2014.

TLG has recognised provisions to account for the risk of losing pending proceedings before the courts; the provisions were recognised in the amount of the expected utilisation. The court proceedings relate primarily to legal disputes in connection with a public lending institution's claim for the repayment of subsidies. The reversal of provisions in financial year 2013 related primarily to provisions for interest on liabilities arising from the pass-through of purchase prices, which were reversed in agreement with the creditor.

### 14. Deferred taxes

Deferred tax assets and liabilities result from temporary differences and tax loss carryforwards as follows:

	31/12/2013		31/12/2012		01/01/2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
EUR '000						
Investment property and owner-occupied properties ....	2,167	89,000	3,027	74,733	3,137	35,074
Property, plant and equipment .....	628	—	719	—	702	—
Intangible assets .....	58	—	66	—	—	—
Financial assets.....	—	—	—	12,698	—	7,766
Other assets .....	937	4,468	1,074	6,330	3,360	17,446
Pension provisions.....	627	—	786	—	341	—
Liabilities to banks .....	—	—	—	21	—	43
Financial liabilities .....	5,801	860	13,409	—	13,798	—
Other liabilities.....	1,710	2,191	3,843	3,988	3,801	5,498
<b>Total temporary differences</b> .....	<b>11,927</b>	<b>96,519</b>	<b>22,923</b>	<b>97,771</b>	<b>25,138</b>	<b>65,827</b>
Loss carryforwards.....	—	—	—	—	24,413	—
OBD .....	—	—	—	—	—	16
<b>Total deferred taxes before netting</b> .....	<b>11,927</b>	<b>96,519</b>	<b>22,923</b>	<b>97,771</b>	<b>49,551</b>	<b>65,843</b>
Netting.....	8,379	8,379	18,470	18,470	37,011	37,011
<b>Carrying amount after netting</b> .....	<b>3,548</b>	<b>88,139</b>	<b>4,453</b>	<b>79,300</b>	<b>12,540</b>	<b>28,832</b>

Deferred tax assets and liabilities (before netting) are expected to be realised as follows:

	2013	2012	2011
EUR '000			
<b>Deferred tax assets</b>			
—Realised after more than 12 months Realised after more than 12 months.....	3,480	4,598	4,180
—Realised within 12 months Realised within 12 months .....	8,447	18,325	45,371
<b>Total deferred tax assets</b> .....	<b>11,927</b>	<b>22,923</b>	<b>49,551</b>
<b>Deferred tax liabilities</b>			
—Realised after more than 12 months Realised after more than 12 months.....	89,000	74,754	35,117
—Realised within 12 months Realised within 12 months .....	7,519	23,016	30,726
<b>Total deferred tax liabilities</b> .....	<b>96,519</b>	<b>97,771</b>	<b>65,843</b>

The sum of temporary differences associated with shares in subsidiaries and joint ventures which are not expected to reverse in the foreseeable future in accordance with IAS 12.29 and for which no corresponding deferred taxes were recognised amounted to EUR 7,205 thousand (2012: EUR 7,437 thousand). As in the previous year, no outside basis differences were reported in financial year 2013.

## 15. Liabilities

Liabilities were broken down as follows:

	31/12/2013	31/12/2012	01/01/2012
	EUR '000		
<b>Trade payables</b> .....	<b>14,573</b>	<b>29,818</b>	<b>19,727</b>
<b>Payables due to shareholders</b> .....	<b>0</b>	<b>0</b>	<b>53,748</b>
<b>Total other liabilities</b> .....	<b>19,520</b>	<b>38,318</b>	<b>46,584</b>
Liabilities to employees.....	5,206	2,178	2,482
Advance payments received.....	465	3,696	884
Other taxes.....	1,620	17,955	24,450
Liabilities from the pass-through of purchase prices.....	5,522	6,987	9,621
Investment subsidies.....	2,418	2,848	3,278
Liabilities to tenants.....	1,200	1,129	1,160
Miscellaneous other liabilities.....	3,088	3,525	4,709
<b>Total liabilities</b> .....	<b>34,093</b>	<b>68,135</b>	<b>120,059</b>

Liabilities have the following remaining maturities:

	up to 1 year	1 – 5 years	more than 5 years
	EUR '000		
31/12/2013.....	30,709	3,384	0
31/12/2012.....	63,869	4,266	0
01/01/2012.....	114,910	5,111	38

The decline in payables was due in particular to the decrease in payments still outstanding in connection with the TLG WOHNEN GmbH spin-off and to declining investing activities in development projects.

Payables due to shareholders as at 1 January 2012 were due entirely to the former shareholder, the Federal Republic of Germany, represented by the Federal Ministry of Finance.

The increase in liabilities to employees was due to the severance measures resolved in 2013.

Advances received relate to the disposal of properties.

The decline in other taxes was attributable to the payment of the land transfer tax in connection with the spin-off of TLG WOHNEN GmbH; this cost was borne in full by TLG on the basis of contractual provisions.

Liabilities from the pass-through of purchase prices include purchase prices received for properties sold by TLG IMMOBILIEN GmbH on behalf of the co-owners BEDIG AG i.L. and the State of BERLIN.

Investment subsidies include grants received, which are reversed to profit or loss *pro rata temporis* over the term of the lease agreements.

Liabilities to tenants include balances resulting from the end-of-year operating costs and utilities statements and excess advance payments by tenants.

## G. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### 1. Net operating income from letting activities

Income from letting activities increased despite a declining properties inventory. The held properties saw an increase in revenue due in particular to higher actual rents and a lower vacancy rate. Property sales had a counter effect. As no or only minor revenue were earned on many of the disposed properties, or they were not sold until the end of the year, the overall result was a slight increase in revenue.

The decline in expenses for letting activities is attributable primarily to the decrease in other services. The subsidies collected for environmental remediation and restoring contaminated sites recognised under other operating income offset the expenses from costs of environmental cleanup.

It is not possible to disclose the expenses for individual properties which have not been let because the corresponding information is not provided for all cost types at the individual property level in the TLG Group's cost accounting.

## 2. Result from remeasurement of investment property

The result from the remeasurement of investment property was again positive in financial year 2013, due primarily to consistently favourable market conditions. The change in the value of the properties was driven primarily by the positive market trend over the past two years, the reduction of the ERPA vacancy rate and the continuous increase in actual rents.

The result from the remeasurement of investment property included EUR 14,180 thousand (previous year: EUR 0 thousand) for properties classified as long-term assets held for sale.

Please refer to section F.1 for further information.

## 3. Other operating income

Other operating income developed as follows in the 2013 and 2012 reporting periods:

	<u>2013</u>	<u>2012</u>
	EUR '000	
Reversal of provisions/liabilities and write-downs .....	(9,525)	(1,279)
Insurance settlement payments.....	(1,013)	(1,330)
TLG WOHNEN business management contract .....	(1,629)	(2,878)
Tenant maintenance contributions .....	(677)	(345)
Subsidies for environmental remediation.....	(279)	(1,336)
Derecognition of liabilities.....	(1,765)	(2)
Income related to other periods.....	(1,453)	(973)
Miscellaneous other income.....	(2,345)	(1,547)
<b>Total.....</b>	<b><u>(18,687)</u></b>	<b><u>(9,691)</u></b>

The reversals of provisions, liabilities and write-downs includes in particular special items such as income from the reversal of real estate transfer taxes amounting to EUR 5,403 thousand. In addition, as arranged with the creditor, accrued interest on the liabilities from the pass-through of purchase prices amounting to EUR 2,993 thousand was reversed.

Income from subsidies for environmental remediation related to refunds by government institutions of expenses incurred by the Group.

## 4. Personnel expenses

Personnel expenses were as follows in financial years 2012 and 2013:

	<u>2013</u>	<u>2012</u>
	EUR '000	
Salaries .....	12,777	14,905
Social security contributions and cost of old age pensions.....	2,482	2,691
Bonuses .....	1,279	1,352
Severance packages.....	6,856	—
<b>Total.....</b>	<b><u>23,394</u></b>	<b><u>18,948</u></b>

The Company initiated significant restructuring measures in the beginning of 2013. Over the course of the year, the activities carried out by branch offices were integrated with the central office, thus concentrating operating activities there. Additionally, the workforce was streamlined. This streamlining goes hand-in-hand with the strategic objectives of the property portfolio.

TLG IMMOBILIEN is conscious of its social responsibility and on 7 March 2013 adopted measures for a reconciliation of interests on the basis of the social plan dated 1 November 2011. In this context, the Company has incurred expenses relating to severance packages.

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

## 5. Depreciation, amortisation and write-downs

Depreciation, amortisation and write-downs developed as follows during the financial year and in the prior-year comparative period:

	2013	2012
	EUR '000	
Amortisation of intangible assets	787	756
Depreciation of land and land rights with buildings	296	343
Depreciation of technical equipment and machinery	125	137
Depreciation of other factory and office equipment	253	337
<b>Total</b>	<b>1,461</b>	<b>1,573</b>

Depreciation on land and land rights with buildings relate to owner-occupied properties. Please refer to section F.2 for further information.

## 6. Other operating expenses

Other operating expenses developed as follows in the 2013 and 2012 financial years:

	2013	2012
	EUR '000	
Valuation allowances and impairment losses on receivables.....	1,883	3,417
Advising and audit fees .....	1,998	961
General IT and administrative costs .....	2,836	2,841
Depreciation of real estate inventory .....	840	541
Ancillary costs for business premises .....	852	826
Advertising and marketing .....	525	1,152
Vehicle and travel expenses .....	452	566
Other taxes.....	132	92
Other.....	2,043	1,622
Reversal of provisions/liabilities .....	(3,748)	(3,727)
<b>Total.....</b>	<b>7,812</b>	<b>8,290</b>

The increase in advising fees was related to the Group's restructuring.

The decrease in the expenses for advertising and marketing was attributable to the realisation of savings potential in connection with the Group's restructuring programme.

The "Other" line item primarily contains losses on disposals of property, plant and equipment, expenses for continuing education and expenses for the liquidation of assets.

The amounts reversed for provisions and liabilities include amounts from prior-period invoices and provisions from the previous year for other expenses; these provisions did not match the amounts invoiced.

## 7. Income from joint ventures

Income from joint ventures resulted primarily from the change in the equity investment in Altmarkt-Galerie Dresden KG, Hamburg (AGD) in the previous year. This was due primarily to the Group's share of the prior-period profit and the result from the fair value adjustment for AGD's properties, less deferred taxes. During the reporting year, this item consisted primarily of the gain on the disposal of the equity interest.

## 8. Interest result

The interest result can be broken down as follows:

	2013	2012
	EUR '000	
Interest income from bank balances.....	(465)	(588)
Interest income from default interest and deferrals.....	(175)	(258)
Other interest income .....	(12)	(47)
<b>Total interest and similar income .....</b>	<b>(652)</b>	<b>(893)</b>
Interest expenses for interest rate derivatives .....	6,996	8,879
Interest on loans .....	28,620	12,808
Interest expense on pension provisions.....	210	261
Other interest expenses.....	214	533
<b>Total interest and similar expenses.....</b>	<b>36,039</b>	<b>22,481</b>
<b>Interest result.....</b>	<b>35,387</b>	<b>21,588</b>

The increase in interest on loans resulted in the assumption of a loan liability from the shareholder, which was largely repaid during the course of the year, (see also section F.11) and an overall increase in financial liabilities.

The interest expense for interest rate hedges was lower, particularly due to the fact that in January 2013 interest rate hedges were unwound without novation in 2013.

## 9. Gain/loss from the remeasurement of derivatives

In financial year 2013, the Company recorded a gain on the fair value remeasurement of derivatives amounting to EUR 6,899 thousand (financial year 2012: loss of EUR 9,951 thousand). The reduction of the negative effects from the fair value remeasurement of interest rate derivatives was attributable primarily to an increase in the yield curve as compared to 31 December 2013. There were no ineffective portions of derivatives used for hedging purposes in financial year 2013. No hedge accounting was applied in financial year 2012.

## 10. Income taxes

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

	2013	2012
	EUR '000	
Current income tax .....	(37,480)	(4,507)
Deferred taxes .....	(9,810)	(59,005)
<b>Tax expense/income.....</b>	<b>(47,290)</b>	<b>(63,512)</b>
Prior-period income taxes .....	(260)	(16)

The expected (notional) income tax expense is reconciled to the income tax reported in the consolidated statement of comprehensive income as follows:

	2013	2012
	EUR '000	
<b>Earnings before taxes in accordance with IFRS .....</b>	<b>146,423</b>	<b>139,776</b>
Group tax rate in % .....	30.88%	30.88%
<b>Expected income taxes .....</b>	<b>(45,215)</b>	<b>(43,163)</b>
Trade tax additions and deductions.....	(671)	137
Differences in tax rates.....	—	(351)
Prior-year tax expense .....	(260)	(16)
Tax-free income .....	(759)	(692)
Non-deductible operating expenses .....	(409)	(38)
Expiry of loss carryforwards .....	—	(17,152)
Other tax effects .....	24	(2,237)
<b>Effective income taxes in accordance with the statement of comprehensive income.....</b>	<b>(47,290)</b>	<b>(63,512)</b>
Effective tax rate in % .....	32.30%	45.44%

Deferred tax assets on loss carryforwards were capitalised for the first time as at 1 January 2012 in the amount of EUR 24,413 thousand. No deferred tax assets were recognised for trade and corporation tax losses amounting to EUR 831,975 thousand. The loss carryforward was partially utilised in financial year 2012. The elimination of the deferred tax assets on the remaining loss carryforwards amounting to EUR 17,152 thousand resulted from a change in shareholders at TLG IMMOBILIEN at the end of financial year 2012. Following the elimination of the entirety of the remaining trade tax loss carryforwards totalling EUR 418,693 thousand and the elimination of the remaining corporation tax loss carryforwards totalling EUR 445,333 thousand, no deferred taxes on loss carryforwards have been recognised since 31 December 2012.

The tax rate used to calculate the notional income tax reflects the currently applicable tax rates as well as expected future rates based on current tax law; the rates used are: 15% for corporation tax (2012: 15%) plus the solidarity surcharge of 5.5% (2012: 5.5%) of adjusted net income. The weighted multiplier for municipal trade taxes for the City of Berlin and the municipalities in which TLG maintains business premises was 430.32% in the financial year (2012: 428.76%). Factoring in the multiplier and the base rate for trade tax of 3.5% (2012: 3.5%), the trade tax rate was thus 15.06% (2012: 15.01%).

The domestic tax rate used as a basis for calculating deferred taxes and the expected (notional) tax expense of the Group was thus 30.875% during the reporting year (2012: 30.875%).

Deferred tax assets and liabilities before balancing developed as follows as at the reporting date:

	2013	2012
	EUR '000	
Deferred tax assets at beginning of reporting year .....	22,923	49,551
Changes recognised in profit or loss .....	(11,062)	(27,077)
Changes recognised in equity .....	66	449
<b>Deferred tax assets at end of reporting year .....</b>	<b>11,927</b>	<b>22,923</b>
Deferred tax liabilities at beginning of reporting year .....	97,771	65,843
Changes recognised in profit or loss .....	(1,252)	31,928
Changes recognised in equity .....	—	—
<b>Deferred tax liabilities at end of reporting year .....</b>	<b>96,519</b>	<b>97,771</b>

Deferred tax assets, which are recognised in equity, result from actuarial losses relating to pension obligations and reserves for hedge accounting.

## H. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows presents the changes in cash and cash equivalents as reported in the statement of financial position resulting from inflows and outflows in accordance with the requirements of IAS 7.

Cash flows are classified as resulting from operating activities, investing activities or financing activities. Cash flows from operating activities are derived using the indirect method in accordance with IAS 7.18 (b), starting from earnings before taxes. Cash flows from investing activities and financing activities are calculated on a cash basis.

Cash and cash equivalents includes cash-in-hand and bank balances. Please refer to section E.10 for further information.

The Group held EUR 138,930 thousand in cash and cash equivalents as at 31 December 2013 (31 December 2012: EUR 60,527 thousand; 1 January 2012: EUR 33,590 thousand), which was not subject to any restrictions.

Earnings before taxes, the starting point for calculating cash flows from operating activities, remained relatively constant. Overall, cash flows from operating activities fell by EUR 120,493 thousand. In particular, material items affecting this figure included the decline of the reduction in inventories by EUR 35,583 thousand as a result of the disposals in line with the corporate strategy and a EUR 37,011 thousand reduction in trade and other liabilities. This development resulted in particular from the settlement of the real estate transfer tax resulting from the spin-off of the residential portfolio. In addition, interest paid increased by EUR 35,272 thousand as compared to the previous year due to the early reversal of interest rate hedges, increased liabilities due to financial institutions and higher interests on loans due to the acquisition financing.

Cash flow from investing activities comprises cash investments and disposals. These items increased by EUR 299,845 thousand to EUR 220,892 thousand in financial year 2013. This change was based primarily on proceeds from disposals of property, plant and equipment and non-current financial assets, which were significantly higher than in financial year 2012 and less acquisitions of investment property.

Cash flows from financing activities consisted primarily of repayments of principle on existing loans (2013: EUR 429,333 thousand; 2012: EUR 15,893 thousand) as well as proceeds from new borrowings (2013: EUR 252,511 thousand; 2012: EUR 71,200 thousand). The assumption of the shareholder's loan liability had no effect on cash (section F.10).

Section B.5 contains notes on the reconciliation of the 2012 HGB and IFRS consolidated statements of cash flows.

## I. OTHER DISCLOSURES

### 1. Disclosures relating to financial instruments

#### Presentation of measurement categories and classes

The table below presents the financial assets and financial liabilities by measurement category and class. The presentation also includes derivatives used in hedges, although they do not belong to any measurement category under IAS 39. In addition, the non-financial liabilities are presented for the purposes of reconciliation to the statement of financial position, although these do not fall within the scope of IFRS 7:

31/12/2013	Measurement category in accordance with IAS 39	Measured at amortised cost		Measured at fair value	No measurement category in accordance with IAS 39	No financial instruments in accordance with IAS 32	Total items in statement of financial position
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount	Carrying amount
EUR '000							
Other non-current financial assets.....	AfS	124	n/a				124
Trade receivables.....	LaR	11,567	11,567				11,567
Other non-current financial assets.....	LaR	4,953	4,953				4,953
Financial derivatives <sup>1)</sup> .....	FAHfT			15			15
Cash and cash equivalents.....	LaR	138,930	138,930				138,930
<b>Total financial assets</b> .....		<b>155,574</b>	<b>155,449</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>155,589</b>
Liabilities due to financial institutions <sup>2)</sup> .....	FLaC	626,227	640,477				626,227
Trade payables.....	FLaC	14,573	14,573				14,573
Financial derivatives <sup>1)</sup> .....	FLHfT			18,608	180		18,788
Other liabilities.....	FLaC	19,520	11,983			7,537	19,520
<b>Total financial liabilities</b> .....		<b>660,321</b>	<b>667,033</b>	<b>18,608</b>	<b>180</b>	<b>7,537</b>	<b>679,109</b>

Categorisation of underlying inputs for *fair value* measurement in accordance with IFRS 13.93(b) and IFRS 13.97:

1) Derivatives: Level 2 within the *fair value* hierarchy (measured on the basis of observable inputs/market data).

2) Liabilities to banks: Level 2 within the *fair value* hierarchy (measured on the basis of observable inputs/market data).

31/12/2012	Measurement category in accordance with IAS 39	Measured at amortised cost		Measured at fair value	No measurement category in accordance with IAS 39	No financial instruments in accordance with IAS 32	Total items in statement of financial position
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount	Carrying amount
EUR '000							
Other financial assets .....	AfS	128	n/a				128
Trade receivables.....	LaR	9,578	9,578				9,578
Other financial assets .....	LaR	10,042	10,042				10,042
Financial derivatives <sup>1)</sup> .....	FAHfT			6			6
Cash and cash equivalents.....	LaR	60,527	60,527				60,527
<b>Total financial assets</b> .....		<b>80,275</b>	<b>80,147</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>80,280</b>
Liabilities due to financial institutions <sup>2)</sup> .....	FLaC	480,041	483,972				480,041
Trade payables.....	FLaC	29,818	29,818				29,818
Financial derivatives <sup>1)</sup> .....	FLHfT			43,431			43,431
Other liabilities.....	FLaC	38,318	10,160			28,158	38,318
<b>Total financial liabilities</b> .....		<b>548,177</b>	<b>523,949</b>	<b>43,431</b>	<b>0</b>	<b>28,158</b>	<b>591,607</b>



Categorisation of underlying inputs for *fair value* measurement in accordance with IFRS 13.93(b) and IFRS 13.97:

- 1) Derivatives: Level 2 within the *fair value* hierarchy (measured on the basis of observable inputs/market data).
- 2) Liabilities to banks: Level 2 within the *fair value* hierarchy (measured on the basis of observable inputs/market data).

01/01/2012	Measurement category in accordance with IAS 39	Measured at amortised cost		Measured at fair value	No measurement category in accordance with IAS 39	No financial instruments in accordance with IAS 32	Total items in statement of financial position
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount	Carrying amount
EUR '000							
Other financial assets .....	AfS	132	n/a				132
Trade receivables.....	LaR	19,065	19,065				19,065
Other financial assets .....	LaR	9,497	9,497				9,497
Financial derivatives <sup>1)</sup> .....	FAHfT			49			49
Cash and cash equivalents.....	LaR	33,590	33,590				33,590
<b>Total financial assets .....</b>		<b>62,284</b>	<b>62,152</b>	<b>49</b>	<b>0</b>	<b>0</b>	<b>62,333</b>
Liabilities due to financial institutions <sup>2)</sup> .....	FLaC	424,060	387,415				424,060
Trade payables.....	FLaC	19,727	19,727				19,727
Payables due to shareholders.....	FLaC	53,748	53,748				53,748
Financial derivatives <sup>1)</sup> .....	FLHfT			33,523			33,523
Other liabilities.....	FLaC	46,584	2,085			44,498	46,584
<b>Total financial liabilities .....</b>		<b>544,119</b>	<b>462,976</b>	<b>33,523</b>	<b>0</b>	<b>44,498</b>	<b>577,642</b>

Categorisation of underlying inputs for *fair value* measurement in accordance with IFRS 13.93(b) and IFRS 13.97:

- 1) Derivatives: Level 2 within the *fair value* hierarchy (measured on the basis of observable inputs/market data).
- 2) Liabilities to banks: Level 2 within the *fair value* hierarchy (measured on the basis of observable inputs/market data).

LaR = Loans and Receivables  
HfT = Held for Trading  
AfS = Available for Sale  
FLaC = Financial Liabilities at Cost  
FAHfT = Financial Assets Held for Trading  
FLHfT = Financial Liabilities Held for Trading

The “Other financial assets” class includes AfS financial instruments amounting to EUR 124 thousand (31 December 2012: EUR 128 thousand). These are shares in entities which are not fully consolidated. The instruments are carried at amortised cost since there is no quoted price available for them on an active market and it is not possible to reliably determine their fair value.

The carrying amounts of cash and cash equivalents, trade receivables, other financial assets, trade payables and other liabilities for the most part have short remaining terms and approximate the fair values as at the reporting date.

#### Net results by measurement category

In accordance with IFRS 7.20 (a), net gains or net losses on financial instruments must be disclosed for every measurement category set out in IAS 39. This does not include gains or losses from derivatives used in hedges since these are accounted for in accordance with special provisions and therefore not allocated to any of the measurement categories set out in IAS 39.

The net results from financial instruments, broken down by individual measurement categories under IAS 39, were as follows:

		2013	2012
		EUR '000	
Loans extended and receivables.....	LaR	(30)	1,586
Available-for-sale financial assets .....	AfS	3	3
Financial assets held for trading (at FV through profit or loss) .....	FAHfT	218	43
Financial liabilities held for trading (at FV through profit or loss).....	FLHfT	(121)	18,787
Financial liabilities at amortised cost.....	FLaC	28,833	13,341
<b>Total.....</b>		<b>28,903</b>	<b>33,761</b>

The net result from the Loans and Receivables measurement category includes interest income arising from cash, write-downs and reversals of write-downs in relation to the reversal of valuation allowances on rent receivables and the write-offs of rent receivables. Of that amount, EUR 652 thousand (previous year: EUR 893 thousand) was included in interest income.

The net result from the Financial Assets Held for Trading measurement category includes interest expenses and income for financial instruments not used in effective hedges and the measurement gains and losses from marking these derivatives to market.

The net result from the Financial Liabilities at Cost measurement category includes interest expenses for current debt servicing and the result from the amortisation of loans, which is also included in the interest expense.

## Principles of financial risk management

In the course of conducting its business activities, the TLG Group is exposed to various financial risks. Specifically, these are interest rate risk, liquidity risk and default risk in the context of sales and lease agreements. These risks are separate risk types which are constantly and systematically monitored under the existing risk management system. Executives from operating areas are responsible for identifying, monitoring, communicating, managing and controlling the various risks affecting the areas for which they are assigned responsibility. In this way, the Group ensures that the risk types are managed by the appropriate risk owners. The basic principles for identifying, monitoring, communicating, managing and controlling these and other entrepreneurial risks are laid out in a risk manual which is constantly updated. Risk management is an integral function of corporate financial controlling.

### Default risk

Default risk is the risk that counterparties—essentially the tenants and acquirers of real properties—will be unable to satisfy their contractual payment obligations and that this will result in a loss for the TLG Group. Credit checks are conducted as part of default risk management.

Trade receivables in particular are exposed to default risk. The TLG Group does not consider itself exposed to any material credit risk from any single counterparty. Given the Group's broad, heterogeneous customer base, the concentration of its credit risk is limited. Default risk is reduced through the careful screening of counterparties by way of professional credit checks. In addition, the Group makes use of standard collateral instruments such as sureties, liens, guarantees, letters of comfort, withholdings and security deposits. Where necessary, valuation allowances are recognised in respect of receivables.

Counterparty creditworthiness is subject to continuous monitoring. If a counterparty's creditworthiness deteriorates significantly, the Company undertakes efforts to reduce its existing exposure as quickly as possible. New exposures to such counterparties are no longer entered into.

TLG IMMOBILIEN GmbH's balances with banks are fully protected against the risk of a bank default through the deposit protection schemes in place for German banks. TLG IMMOBILIEN GmbH regularly monitors the banks' membership and amount subject to deposit protection.

The maximum possible default risk is equal to the book value of financial assets, excluding the value of collateral received or other risk-minimising arrangements. Sureties are not entered into for subsidiaries or equity investments.

The table below presents the financial assets for which write-downs were recognised as at the reporting date:

	Carrying amount prior to impairment	Write downs	Residual carrying amount
<b>31/12/2013</b>			
		EUR '000	
Trade receivables.....	18,586	(7,019)	11,567
Other financial assets .....	5,134	(57)	5,077
<b>Total</b> .....	<b>23,720</b>	<b>(7,076)</b>	<b>16,644</b>
	Carrying amount prior to impairment	Write downs	Residual carrying amount
<b>31/12/2012</b>			
		EUR '000	
Trade receivables.....	17,964	(8,386)	9,578
Other financial assets .....	10,221	(52)	10,170
<b>Total</b> .....	<b>28,186</b>	<b>(8,438)</b>	<b>19,748</b>

01/01/2012	Carrying amount prior to impairment	Write downs	Residual carrying amount
		EUR '000	
Trade receivables.....	27,714	(8,649)	19,065
Other financial assets .....	11,860	(2,232)	9,629
<b>Total</b> .....	<b>39,574</b>	<b>(10,880)</b>	<b>28,694</b>

Gross trade receivables have been secured with collateral (primarily security deposits amounting to EUR 4.6 million; previous year: EUR 3.9 million), which may be used to settle outstanding receivables provided that the legal requirements to do so have been satisfied.

Write-downs developed as follows in financial year 2013:

2013	As at 01/01	Additions	Utilisations	Reversals	As at 31/12
			EUR '000		
Trade receivables.....	8,386	1,621	(1,862)	(1,127)	7,019
Other financial assets .....	52	7	(0)	(2)	57
<b>Total</b> .....	<b>8,438</b>	<b>1,628</b>	<b>(1,862)</b>	<b>(1,129)</b>	<b>7,076</b>

Write-downs developed as follows in financial year 2012:

2012	As at 01/01	Additions	Utilisations	Reversals	As at 31/12
			EUR '000		
Trade receivables.....	8,649	2,563	(1,756)	(1,069)	8,386
Other financial assets .....	2,232	39	(2,008)	(210)	52
<b>Total</b> .....	<b>10,880</b>	<b>2,601</b>	<b>(3,764)</b>	<b>(1,279)</b>	<b>8,438</b>

In addition, the table below presents the age structure of financial assets which were overdue as at the reporting date but which had not been written down.

31/12/2013	Carrying amount	Neither impaired nor overdue as at reporting date	Of which overdue but not impaired as at the reporting date		
			<90 days	90-180 days	> 180 days
			EUR '000		
Trade receivables.....	11,567	2,022	143	34	865
Other financial assets .....	5,077	159	26	6	19
Cash and cash equivalents.....	138,930	143,165	—	—	—
<b>Total</b> .....	<b>155,574</b>	<b>145,346</b>	<b>169</b>	<b>40</b>	<b>884</b>

31/12/2012	Carrying amount	Of which neither impaired nor overdue as at reporting date	Of which overdue but not impaired as at the reporting date		
			<90 days	90-180 days >	> 180 days
			EUR '000		
Trade receivables.....	9,578	1,415	1,097	36	172
Other financial assets .....	10,170	172	6	15	28
Cash and cash equivalents.....	60,527	69,933	—	—	—
<b>Total</b> .....	<b>80,275</b>	<b>71,520</b>	<b>1,103</b>	<b>51</b>	<b>200</b>

01/01/2012	Carrying amount	Neither impaired nor overdue as at reporting date	Of which overdue but not impaired as at the reporting date		
			<90 days	90-180 days	> 180 days
			EUR '000		
Trade receivables.....	19,065	9,859	179	709	599
Other financial assets .....	9,629	125	25	5	19
Cash and cash equivalents.....	33,590	33,590	—	—	—
<b>Total.....</b>	<b>62,284</b>	<b>43,574</b>	<b>204</b>	<b>714</b>	<b>618</b>

Receivables which are neither impaired nor overdue are considered to be recoverable.

### Offsetting financial assets and financial liabilities

The following financial assets and financial obligations are offset against each other:

Financial assets 31/12/2013	Gross carrying amount of financial assets	Gross carrying amount of financial liabilities which were offset in the statement of financial position	Net carrying amount of financial assets reported in the statement of financial position
		EUR '000	
Trade receivables.....	17,289	(16,665)	2,395
<b>31/12/2012</b>			
Trade receivables.....	16,334	(16,291)	2,273
<b>01/01/2012</b>			
Trade receivables.....	34,088	(34,820)	1,311
Financial liabilities 31/12/2013	Gross carrying amount of financial liabilities which were offset in the statement of financial position	Gross carrying amount of financial assets	Net carrying amount of financial assets reported in the statement of financial position
		EUR '000	
Advance payments (utilities and other operating costs).....	(16,665)	17,289	(1,771)
<b>31/12/2012</b>			
Advance payments (utilities and other operating costs).....	(16,291)	16,334	(2,230)
<b>01/01/2012</b>			
Advance payments (utilities and other operating costs).....	(34,820)	34,088	(1,972)

Tenants' advance payments of utilities and other operating costs are offset against corresponding receivables arising from utilities and other operating costs for each tenant.

### Liquidity risk

Liquidity risk is the risk that a company will not be able to fulfil its payment obligations at the contractually stipulated time.

To safeguard the Group's liquidity, Group Treasury constantly monitors and plans the Group's liquidity needs. Sufficient funds are constantly kept at hand to ensure that the Group is able to satisfy its obligations over a certain period.

In addition, the Group has a short-term line of credit for EUR 7,000 thousand which it may draw down as it needs. The credit line is unsecured.

The table below presents the contractually stipulated (undiscounted) payments of interest and principal for the TLG Group's primary financial liabilities and financial instruments with a negative fair value. Maturities are based on the contractually stipulated fixed-interest periods for the financial liabilities.

31/12/2013	Carrying amount	Maturities		
		< 1 year	1-5 years	> 5 years
		EUR '000		
Liabilities due to financial institutions .....	626,227	123,890	261,447	318,064
Financial instruments .....	18,788	6,234	14,431	-279
Trade payables.....	14,573	14,573	0	0
Other liabilities.....	19,520	16,136	3,384	0
<b>Total</b> .....	<b>679,109</b>	<b>160,833</b>	<b>279,261</b>	<b>317,786</b>

  

31/12/2012	Carrying amount	Maturities		
		< 1 year	1-5 years	> 5 years
		EUR '000		
Liabilities due to financial institutions .....	480,041	103,856	200,619	224,894
Financial instruments .....	43,431	9,734	30,835	5,093
Trade payables.....	29,818	29,818	0	0
Other liabilities.....	38,318	34,051	4,266	0
<b>Total</b> .....	<b>591,607</b>	<b>177,459</b>	<b>235,720</b>	<b>229,988</b>

  

01/01/2012	Carrying amount	Maturities		
		< 1 year	1-5 years	> 5 years
		EUR '000		
Liabilities due to financial institutions .....	424,060	26,942	181,498	284,196
Financial instruments .....	33,523	7,955	24,384	5,290
Trade and other payables.....	19,727	19,727	0	0
Payables due to shareholders.....	53,748	53,748	0	0
Other liabilities.....	46,584	41,435	5,111	38
<b>Total</b> .....	<b>577,642</b>	<b>149,807</b>	<b>210,993</b>	<b>289,525</b>

The table includes all instruments held, for which payments had already been contractually agreed as at the reporting date. Planning figures for future new liabilities are not factored in. The floating interest payments for financial instruments are calculated on the basis of the interest rates most recently set prior to the reporting date. Financial liabilities which may be called at any time are always reported under the earliest repayment date.

Certain financing agreements stipulate financial covenants (essentially the Group's equity ratio, loan-to-value and interest and capital servicing cover ratio) which, if breached, may grant the bank an extraordinary call right. The Company counteracts the risk of a breach of covenant through regular monitoring of the covenants and, where necessary, initiates measures aimed to ensure compliance with the covenants. There also exists the option of rendering special payment to remedy a breach of covenant. There were no breaches of covenant in 2013 or 2012. Nor are any covenants expected to be breached in the future.

#### Market risk (interest rate risk + currency risk)

Interest rate movements can also lead to higher financing costs as a result of rising interest rates. The Company counteracts this interest rate risk by concluding interest rate hedges for floating-rate loans and by entering into fixed-interest agreements with multi-year terms. Interest rate derivatives (consisting of interest rate swaps and caps) are used to hedge changes in interest rates. The use of such interest rate derivatives is governed by a set of guidelines. Under those guidelines, financial instruments may be used strictly for hedging purposes and not for trading purposes. In general, there exists an economic hedge relationship for all floating-rate loans. In individual cases, particularly those involving short-term loans, no hedge is concluded.

Currency risk does not affect the TLG Group since material business transactions are conducted in euros.

As at 31 December 2013, the following financial instruments were held by the Group, with maturities presented as at the balance sheet date. Please refer also to section I.10.

Derivatives 31/12/2013	Fair value	< 1 year
	EUR '000	
<b>Derivative HfT assets</b> .....	<b>15</b>	—
of which caps.....	15	15
<b>Derivative HfT liabilities</b> .....	<b>-18,608</b>	—
of which interest rate swaps .....	-16,835	—
of which collars .....	-1,773	—
<b>Derivatives used in hedges</b> .....	<b>-180</b>	—
of which interest rate swaps .....	-180	—

The following financial instruments were held by the Group as at 31 December 2012:

Derivatives 31/12/2012	Fair value	< 1 year
	EUR '000	
<b>Derivative HfT assets</b> .....	<b>6</b>	—
of which caps.....	6	6
<b>Derivative HfT liabilities</b> .....	<b>-43,431</b>	-18,158
of which interest rate swaps .....	-41,103	-18,158
of which collars .....	-2,328	—

The following financial instruments were held by the Group as at 01 January 2012:

Derivatives 01/01/2012	Fair value	< 1 year
	EUR '000	
<b>Derivative HfT assets</b> .....	<b>49</b>	—
of which caps.....	49	—
<b>Derivative HfT liabilities</b> .....	<b>-33,523</b>	—
of which interest rate swaps .....	-31,696	—
of which collars .....	-1,827	—

To the extent the derivatives concluded qualify for hedge accounting, they are used as hedges in accordance with IAS 39. The cash flows from underlying transactions secured in cash flow hedges will flow through the consolidated statement of comprehensive income in the years from 2014 to 2021.

In 2013, as in the previous year, no ineffective portions of hedges were reported in the consolidated statement of comprehensive income as part of hedge accounting.

The table below shows the amount reported directly in other comprehensive income during the reporting period. That amount corresponds to the effective portion of the fair value hedge.

	2013	2012
	EUR '000	
<b>As at 01/01</b> .....	<b>0</b>	<b>0</b>
Recognised in equity during reporting period.....	-180	0
Reversed from equity to income statement .....	0	0
<b>As at 31/12</b> .....	<b>-180</b>	<b>0</b>

### Sensitivity analysis

In accordance with IFRS 7, interest rate risks are presented using sensitivity analyses. These analyses calculate the impacts of a change in market interest rates would have on interest income and expense, trading gains and losses and equity as at the reporting date.

The sensitivity analysis examines what effects a parallel shift in the yield curve by +/- 100 basis points would have on the TLG Group's equity and consolidated statement of comprehensive income. A -100 bp shift in the yield curve would result in a reduction of the interest rate by a maximum of 0%. The cash-flow effects of a shift in the yield curve relate solely to interest expenses and income for the subsequent reporting period.

Based on the financial instruments held or issued by TLG as at the reporting date, a hypothetical change—quantified by way of sensitivity analysis—in the interest rates applicable to the relevant instruments would have had the following (pre-tax) effects as at the reporting date.

Financial Instruments 31.12.2013 in EUR '000	OCI - effect		Earnings - effect	
	+ 100 BP	- 100 BP	+ 100 BP	- 100 BP
	Financial liabilities .....	0	0	-3,088
Financial derivatives .....	3,973	-4,340	7,009	-6,784

  

Financial Instruments 31.12.2012 in EUR '000	OCI - effect		Earnings - effect	
	+ 100 BP	- 100 BP	+ 100 BP	- 100 BP
	Financial liabilities .....	0	0	-2,572
Financial derivatives .....	0	0	13,259	-13,846

  

Financial Instruments 01.01.2012 in EUR '000	OCI - effect		Earnings - effect	
	+ 100 BP	- 100 BP	+ 100 BP	- 100 BP
	Financial liabilities .....	0	0	-2,499
Financial derivatives .....	0	0	14,389	-15,559

## 2. Number of employees

As at 31 December 2013, the Company employed 197 people (31 December 2012: 241).

	31/12/2013	Average number of employees in 2013	31/12/2012	Average number of employees in 2012
Permanent employees .....	185	205	223	225
Temporary employees .....	12	13	17	19
<b>Total</b> .....	<b>197</b>	<b>219</b>	<b>240</b>	<b>244</b>

1.8% of the employees worked part-time as at 31 December 2013. For that reason, the number of employees is not depicted in FTEs.

## 3. Total auditors' fees

The following fees have been expensed for the services rendered by the auditor during the financial year:

	2013	2012
	EUR '000	
Audit services .....	143	128
Other assurance services .....	35	18
Tax advisory services .....	0	0
Other services .....	97	12
<b>Total fees</b> .....	<b>275</b>	<b>158</b>

Other assurance services primarily consist of enquiries and examinations in connection with the separate and aggregate balance sheets to be prepared by TLG IMMOBILIEN GmbH as at the specified date as well as specific schedules to be prepared pursuant to section 5 of the purchase agreement dated 19 December 2012.

Other services related primarily to services rendered in connection with the project “Supporting the efficiency enhancement through process evaluation”.

## 4. Related parties

Related parties are defined as companies or persons which have the ability to control or exercise a material influence over the TLG Group, or which the TLG Group controls or exercises a material influence over.

Accordingly, the members and immediate relatives of the management, Supervisory Board and Advisory Board of TLG IMMOBILIEN GmbH are considered related parties, as are members of management who exercise key executive functions, as well as the TLG Group's subsidiaries, associates and joint ventures.

As a result of the change in shareholders with effect from 31 December 2012, TLG's related parties included the Federal Republic of Germany, represented by the Federal Ministry of Finance, until that date, as well as LSREF II EAST ACQUICO S.à r.l. and Delpheast Beteiligungs GmbH & Co. KG and their respective related parties beginning from that date.

The members of the Company's Supervisory Board, which had existed prior to the change in shareholders, resigned with effect from 26 December 2012 due to the change in shareholders at the end of 2012.

By resolution dated 30 January 2013, the new shareholders have formed an Advisory Board for the Company, comprising a chairman and two members.

### **Related companies**

#### **a) Related companies prior to the change in shareholders as at 31 December 2012**

Prior to 31 December 2012, the German federal government and the companies which it controlled or had the ability to exercise a material influence over were considered related companies to TLG. TLG's business relationships are maintained directly between the Company and the individual companies, authorities and other government agencies as parties which are independent of each other.

EUR 83.7 million was distributed to the former shareholder in financial year 2012. That distribution comprised the corresponding net retained profits from the previous year (EUR 18.4 million), the reversal of the capital reserves (EUR 11.6 million) and liabilities as at 1 January 2012 from the prior-year profit.

Transactions conducted in financial year 2012 with German state-owned enterprises within the meaning of IAS 24 related for the most part to the operating division and, unless stated otherwise below, were insignificant on the whole for TLG.

### **Revenue**

In financial year 2012, TLG generated revenue from German state-owned enterprises. A significant portion of that revenue was attributable to Germany's Federal Office for Real Estate Management (*Bundesanstalt für Immobilienaufgaben*).

### **Service and agency agreements**

Subsequently to the spin-off of TLG WOHNEN GmbH (see also section F.9) from TLG IMMOBILIEN GmbH as at 1 January 2012, the two companies entered into an agency agreement. Under that agreement, TLG IMMOBILIEN assumed a variety of services for TLG WOHNEN. The agreement covered a volume of EUR 2,878 thousand in 2012.

In the context of the sale of its shares at the end of 2012, the previous shareholder of TLG IMMOBILIEN, the Federal Republic of Germany, decided to engage the Federal Office for Real Estate Management (*Bundesanstalt für Immobilienaufgaben*) as an agent to carry out certain tasks from TLG IMMOBILIEN's "prior business" in conjunction with the sale (particularly in the 1990s) of a number of plots of land. This agency agreement has a term until the end of 2027 and was entered into at the end of 2012; the services will be rendered free of charge to TLG IMMOBILIEN on the basis of its current shareholder structure.

### **Restitution risk**

TLG IMMOBILIEN faces the risk of claims from former owners or their successors for the return of property (in rem restitution) or claims for disbursement of the purchase price of properties sold or the disbursement of the market value of the properties (financial restitution). The basis for such claims lies in the special legal situation stemming from Germany's reunification.

On the basis of an agreement between TLG IMMOBILIEN and the Federal Agency for Unification-related Special Tasks (*Bundesanstalt für vereinigungsbedingte Sonderaufgaben*, BvS), all risks of TLG IMMOBILIEN and its subsidiaries arising from financial restitution had been transferred to the BvS as at 1 January 2008. With respect to the (residual) risk of rem restitution of properties, TLG IMMOBILIEN and its subsidiaries have had the right since 1 January 2012 to assert a claim for full and complete compensation from the BvS. In 2012, the BvS disbursed approximately EUR 1,200 thousand to third parties on behalf of TLG IMMOBILIEN.

#### **b) Related companies subsequent to the change in shareholders as at 31 December 2012**

In financial year 2013, TLG distributed EUR 199.8 million from capital reserves, EUR 96.4 million from retained earnings and EUR 29.0 million from current net income to shareholders. In place of a cash distribution, the shareholders' loan liabilities (EUR 325.2 million) were assumed with discharging effect.

In addition, EUR 20.5 million was paid into capital reserves.



Receivables and liabilities as at the reporting date, as well as expenses and income for the financial year attributable to related companies following the change in shareholders are presented in the tables below.

	2013	2012
	EUR '000	
<b>Statement of financial position and statement of comprehensive income</b>		
Liabilities to other related companies .....	87	19,599
Expenses for other related companies (interest) .....	547	0
Expenses for other related companies (guarantee commissions).....	159	0

Income from joint ventures is reported separately in the consolidated statement of comprehensive income.

## Related persons

In 2012 and 2013, the remuneration of the managing directors of TLG was structured as follows:

The total remuneration for the management amounted to EUR 1.3 million in 2013 (2012: EUR 1.2 million). Of that amount, EUR 0.5 million (2012: EUR 0.5 million) related to fixed components and EUR 0.3 million (2012: EUR 0.7 million) to variable components. In addition, in 2013 EUR 0.5 million in termination benefits were paid. Moreover, individual managing directors were employed by Hudson Advisors Germany GmbH in financial year 2013 and received their salaries from there.

Remuneration of former members of the management amounted to EUR 0.15 million in 2013 (2012: EUR 0.15 million). In 2013, EUR 2.7 million was set aside as provisions for pension obligations to former members of the management (2012: EUR 2.8 million).

The total remuneration for the Supervisory Board amounted to EUR 0.1 million in 2012. The Supervisory Board ceased its activities at the end of the year 2012 and the members either resigned or were recalled.

## 5. Contingent liabilities

Contingent liabilities relate to items for which the Group has issued guarantees to various counterparties, and were as follows:

	31/12/2013	31/12/2012
	EUR '000	
Land charges .....	623,175	474,541
Negative pledges .....	78	806
	<b>623,253</b>	<b>475,347</b>

## 6. Other financial obligations

The Group's other financial obligations as at the reporting date consisted of future payments (net) for operating leases amounting to EUR 691 thousand (2012: EUR 603 thousand) and a purchase commitment for investment property and property, plant and equipment amounting to EUR 41,005 thousand (2012: EUR 65,278 thousand).

The Company is party to a variety of service agreements for IT services, cleaning, reception and security services, as well as vehicle leases for the Company's vehicle fleet. The notice periods for terminating the leases and service agreements are in 2014. 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.

The obligations from future minimum lease payments arising from non-cancellable operating leases fall due as follows:

	Remaining term up to 1 year	Remaining term up to 2 years	Remaining term up to 3 years	Total
	EUR '000			
31/12/2013.....	145	65	37	247
31/12/2012.....	103	26	0	129

Moreover, there exist future payment obligations under service agreements amounting to EUR 444 thousand (previous year: EUR 474 thousand).

The expense for minimum lease payments in 2013 amounted to EUR 577 thousand (2012: EUR 766 thousand).

## 7. List of equity investments

As in the previous year, TLG IMMOBILIEN GmbH held a 100% equity interest in the following fully consolidated companies as at 31 December 2013:

<u>Name and domicile of company</u>	<u>Equity as at 31/12/2013</u>	<u>Net income/loss for financial year 2013</u>
	EUR '000	EUR '000
TLG Gewerbepark Grimma GmbH, Grimma .....	11,248	-6,623
TLG Vermögensverwaltungs GmbH, Berlin .....	251	-10
Hotel de Saxe an der Frauenkirche GmbH, Dresden .....	26,428	1,370
Verwaltungsgesellschaft an der Frauenkirche mbH, Dresden .....	21	-8

Until they were deconsolidated in financial year 2012, TLG Gewerbepark Simson GmbH, Suhl and TLG Technologiepark Ilmenau GmbH, Ilmenau, had been fully consolidated.

In addition, in 2012 and 2013, the Parent held equity interests in the following companies, which for reasons of immateriality were reported at cost as part of the Group's non-current financial assets:

<u>Name and domicile of company</u>	<u>Interest</u>	<u>Equity as at 31/12/2013</u>	<u>Net income/loss for financial year 2013</u>
		EUR '000	EUR '000
Investitionsgesellschaft Hausvogteiplatz 11 Verwaltung mbH, Berlin .....	50%	23	1
Investitionsgesellschaft Hausvogteiplatz 11 mbH & Co. KG, Berlin .....	50%	267	43

The Group's shareholdings changed as compared to 31 December 2012 only as a result of the disposal of Altmarkt-Galerie Dresden KG, Hamburg (AGD) in which TLG still held a 33% interest as at the end of the preceding financial year, which was previously accounted for in accordance with the equity method.

### Management

The management team of TLG IMMOBILIEN GmbH consists/consisted of the following members:

Mr Jochen-Konrad Fromme (until 10 June 2013)

Mr Niclas Karoff

Mr Peter Finkbeiner (since 2 January 2013)

Dr Michael Damnitz (from 2 January 2013 to 30 January 2013)

### Supervisory Board/Advisory Board

The Advisory Board of the Company has been composed of the following members since 30 January 2013:

Mr Alexander Hesse  
*Chairman*

Mr Olivier Brahin

Mr Philippe Couturier

The members of the Supervisory Board which was in place prior to the change in shareholders resigned with effect from 28 December 2012 or were recalled as at 2 January 2013. The Supervisory Board was composed of the following members until then:

Ms Barbara A. Knoflach  
*Chairwoman*  
until 26 December 2012

Dr Bruno Kahl  
*Deputy Chairman*  
until 26 December 2012

Mr Peter Alltschekow  
until 26 December 2012

Ms Annegret Aust  
until 26 December 2012

Mr Jörg Carstensen  
until 31 August 2012

Mr Jürgen Ehrlich  
until 26 December 2012

Mr Hansjörg König  
until 26 December 2012

Dr Eugen von Lackum  
until 26 December 2012

Ms Beate Lippold  
from 31 August 2012  
until 26 December 2012

Prof. Wolfgang Pelzl  
until 26 December 2012

### **Events after the reporting date**

As at 31 March 2014, the Company called interest hedging instruments early. This resulted in an outflow of EUR 20,573 thousand. In keeping with the Company's strategy, interest rate hedges were concluded in March and April for all loans with the exception of one, which is classified as short term.

Further tranches amounting to EUR 188,868 thousand from already existing and new loan agreements were drawn down after 31 December 2013, and EUR 75,409 thousand was repaid on existing loans.

TLG purchased or had a notarised agreement for two properties with a volume of EUR 40,500 thousand in 2014. The transfer of benefits and risks of ownership for one property occurred on 8 February 2014. The transfer of benefits and risks of ownership for the second property is planned for September 2014.

As part of the further strategic portfolio adjustment, sales of 91 properties with a disposal volume of EUR 78,906 thousand were notarised by 30 June 2014.

Distributions totalling EUR 233,000 thousand were made to the shareholders in May and June 2014.

On 11 April 2014, the management of TLG IMMOBILIEN GmbH entered into a bilateral bonus agreement with the shareholders of the Company. Under the agreement, an appreciation in the value of the Company realised through a potential exit or partial exit will be passed on to the beneficiaries in the form of a cash bonus payment.

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

The bonus payment by the shareholders falls due if several cumulative requirements have been met.

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

The incentive programme stipulates a direct payment from the shareholders to the managing directors. The TLG Group is not obligated to make these payments. The bonus programme described is therefore accounted for analogously to share-based payments granted to the management of TLG IMMOBILIEN GmbH in accordance with IFRS 2. This is offset by an additional contribution by the shareholders into capital reserves.

Based on the assessment of the management of TLG IMMOBILIEN GmbH as to the likelihood of the aforementioned conditions being satisfied, a bonus payment is to be expected. The bonus will vest over a total of 18 months after the agreement of the bonus arrangement.

Berlin, 28 August 2014

The Management

[Signed]