



Michael Zahn
Chairman of the Supervisory Board

DEAR SHAREHOLDERS,

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

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

A TRUSTING PARTNERSHIP WITH THE MANAGEMENT BOARD

In the 2015 financial year, the Supervisory Board fulfilled the responsibilities incumbent upon it in line with the law, Articles of Association, German Corporate Governance Code and rules of procedure with the greatest of care. It regularly advised the Management Board on the management of the company and monitored its activities.

The Management Board provided the Supervisory Board with regular, prompt and comprehensive reports on business policies, strategy and planning and the position of the company, including opportunities and risks, the course of business and risk management. Any discrepancies between planned and actual developments were explained in detail. The Management Board coordinated all significant transactions with the Supervisory Board.

Even outside of the meetings of the Supervisory Board and its committees, the Chairman of the Supervisory Board and other members of the Supervisory Board were in regular contact with the Management Board and discussed key issues. These issues included the strategic direction of the company and business developments.

As described in more detail below, the Supervisory Board was quickly and directly involved in all decisions of fundamental importance to the company. The Supervisory Board examined transactions requiring its approval and discussed each one with the Management Board.

MEETINGS OF THE SUPERVISORY BOARD

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

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

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

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

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

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

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

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

EFFICIENT WORK IN TWO SUPERVISORY BOARD COMMITTEES

In order to efficiently fulfil its duties, the Supervisory Board formed committees and continuously evaluated their requirements and activities during the reporting year.

Specifically, the following two committees existed in the reporting year:

- ▼ Presidential and nomination committee,
- ▼ Audit committee,



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

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

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

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

CORPORATE GOVERNANCE



The Supervisory Board continuously monitored and discussed the development of the corporate governance standards of the company. The Corporate Governance Report available at <http://ir.tlg.eu/corporategovernance> contains detailed information on corporate governance within the company, including the structure and amount of remuneration paid to the Supervisory Board and Management Board.



The Management Board and Supervisory Board have discussed the requirements of the German Corporate Governance Code as applicable in the reporting year, as well as the implementation of these requirements. They issued their updated joint declaration of compliance pursuant to § 161 AktG and published it on the website of the company. The declaration of compliance is available at <http://ir.tlg.eu/declaration-of-compliance>.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS DISCUSSED IN DETAIL

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

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

The Chairman of the audit committee reported on the annual financial statements and the audit in detail at the meeting of the Supervisory Board held on **29 March 2016**. Additionally, the auditor explained the main outcomes of the audit, answered questions and provided more information to the members of the Supervisory Board. The Supervisory Board carefully examined the annual financial statements, the consolidated financial statements, the report on the position of the company and of the Group, the proposed appropriation of net retained profits and the audit reports prepared by the auditor. No objections were raised. Therefore, the Supervisory Board accepted the recommendation of the audit committee and approved the annual and consolidated financial statements as at 31 December 2015 that had been prepared by the Management Board. The annual financial statements were therefore accepted.

The accepted annual financial statements contained net retained profits. The Supervisory Board accepted the proposal made by the Management Board as to the appropriation of the net retained profits. Therefore, the agenda of the annual general meeting will include a vote on the payment of a dividend of EUR 0.72 per eligible share.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

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

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

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

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

Berlin, March 2016
For the Supervisory Board

A handwritten signature in black ink, appearing to be 'M Zahn', written in a cursive style.

Michael Zahn
Chairman of the Supervisory Board