Audited Consolidated Financial Statements of TLG Immobilien GmbH as of and for the Fiscal Year Ended December 31, 2011

(Prepared in Accordance with German GAAP)

Disclaimer

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

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CONSOLIDATED BALANCE SHEET

ASSETS		EUR	EUR	31/12/2010 EUR '000
A.	**FIXED ASSETS**			
I.	**Intangible fixed assets**			
	Purchased software		1,901,267.73	1,421
II.	**Tangible fixed assets**			
1.	Land, land rights and buildings, including buildings on third-party land	1,705,896,159.25		1,635,572
2.	Technical equipment and machinery	985,872.06		1,135
3.	Other equipment, operating and office equipment	3,816,222.36		4,090
4.	Prepayments and assets under construction	48,879,342.09		83,882
			1,759,577,595.76	1,724,679
III.	**Long-term financial assets**			
1.	Shares in affiliated companies	131,660.34		518
2.	Shares in associates	34,273,734.21		35,028
			34,405,394.55	35,546
B.	**CURRENT ASSETS**			
I.	**Inventories**			
1.	Real estate	11,466,659.67		14,854
2.	Work in progress	34,087,793.38		31,368
			45,554,453.05	46,222
II.	**Receivables and other assets**			
1.	Trade receivables	16,959,472.67		15,445
2.	Receivables from affiliated companies	9,058.76		9
3.	Other assets	3,400,163.93		3,738
			20,368,695.36	19,192
III.	**Securities**		38,257.69	41
IV.	**Cash-in-hand, bank balances**		42,542,768.62	14,887
C.	**PREPAID EXPENSES**		7,112,269.59	4,287
			1,911,500,702.35	1,846,275

EQUITY AND LIABILITIES		EUR	EUR	31/12/2010 EUR '000
A.	**EQUITY**			
I.	**Subscribed capital**		52,000,000.00	52,000
II.	**Capital reserves**		360,315,548.18	357,478
III.	**Revenue reserves**			
1.	Special reserve in accordance with section 27 (2) of the D-Mark Accounting Act (*D-Mark-Bilanzgesetz,* "DMBilG")	479,180,638.17		479,181
2.	Special reserve in accordance with section 17 (4) of the D-Mark Accounting Act (*D-Mark-Bilanzgesetz*, "DMBilG")	58,568,433.36		58,568
3.	Other revenue reserves	96,657,483.88		96,657
			634,406,555.41	634,406
IV.	**Consolidated net accumulated loss**		84,005,631.73	28,914
V.	**Minority interests**		1,889.64	683
			962,718,361.50	1,015,653
B.	**NEGATIVE CONSOLIDATION DIFFERENCE**		7,936,115.79	7,936
C.	**SPECIAL RESERVE FOR INVESTMENT GRANTS AND SUBSIDIES**		35,799,874.47	35,702
D.	**PROVISIONS**			
1.	Provisions for pensions and similar obligations	7,117,209.20		7,335
2.	Provisions for taxes	39,423,645.97		7,262
3.	Provisions for restitutions	8,619.89		10,169
4.	Other provisions	45,621,095.28		48,020
			92,170,570.34	
E.	**LIABILITIES**			
1.	Liabilities to banks	696,829,982.06		657,772
2.	Payments received	35,703,506.25		35,909
3.	Trade payables	7,035,264.77		4,410
4.	Liabilities to shareholders	53,748,094.51		
5.	Other liabilities thereof taxes EUR 1,468,066.62 (PY: EUR 327 thousand) thereof social security EUR 10,783.41 (PY: EUR 3 thousand)	18,974,730.46		15,375
			812,291,578.05	713,466
F.	**DEFERRED INCOME**		584,202.20	732
			1,911,500,702.35	1,846,275

CONSOLIDATED INCOME STATEMENT

		EUR	EUR	2010 EUR '000
1.	Sales		247,420,566.26	245,180
2.	Increase (PY: decrease) in work in progress		2,719,903.97	-3,285
3.	Other operating income		39,075,782.57	26,735
			289,216,252.80	268,630
4.	Cost of materials			
	a) Disposals of real estate portfolio at carrying amounts	29,290,966.06		33,453
	b) Cost of purchased services	73,712,654.81		73,356
			103,003,620.87	106,809
5.	Personnel expenses			
	a) Wages and salaries	20,136,182.65		20,791
	b) Social security, post-employment and other employee benefit costs thereof for pensions EUR 266,022.46 (PY: EUR 298 thousand)	3,292,400.04		3,397
			23,428,582.69	24,188
6.	Amortisation, depreciation and write-downs			
	a) of intangible and tangible fixed assets	55,877,965.95		64,100
	b) of current assets in excess of the corporation's standard depreciation	502,407.26		531
			56,380,373.21	64,631
7.	Other operating expenses		22,863,851.94	22,342
			205,676,428.71	217,970
8.	Income from participations thereof from affiliated companies EUR 471,483.81 (PY: EUR 174 thousand)	471,483.81		174
9.	Other interest and similar income	758,044.68		805
10.	Write-downs of long-term financial assets	385,337.20		333
11.	Interest and similar expenses	32,364,508.79		29,630
12.	Expenses relating to associates	0.00		628
			-31,520,317.50	-29,612
13.	Result from ordinary activities		52,019,506.59	21,048
14.	Extraordinary expense/Extraordinary result		-23,126,000.00	0
15.	Taxes on income		10,059,762.68	2,014
16.	Other taxes		177,089.60	20
17.	Consolidated net income for the financial year		18,656,654.31	19,014
18.	Accumulated loss brought forward		28,914,187.19	37,834
19.	Profit distribution/Credit to shareholders		73,748,094.51	10,000
20.	Profit attributable to minorities		4.34	94
21.	Consolidated net accumulated loss		84,005,631.73	28,914

CONSOLIDATED CASH FLOW STATEMENT

		2011 EUR million	2010 EUR million
1.	**Cash flows from operating activities**		
	Net income/loss for the period	18.7	19.0
	Depreciation, amortisation and write-downs of intangible and tangible fixed assets/reversals of write-downs of intangible and tangible fixed assets	48.9	60.1
	Increase in provisions	22.2	8.5
	Other non-cash income/expenses	6.8	2.7
	Disposals of real estate portfolio at carrying amount	25.9	30.6
	Increase (PY: decrease) in inventories, trade receivables and other assets	-3.3	9.3
	Increase (PY: decrease) in trade payables, special reserves in accordance with section 27 (2) of the D-Mark Accounting Act (*D-Mark-Bilanzgesetz*, "DMBilG") and other liabilities	5.0	-7.8
	Increase (PY: decrease) in the special reserve	0.1	-1.9
	Cash flows from operating activities	124.3	120.5
2.	**Cash flows from investing activities**		
	Proceeds from disposal of tangible fixed assets	2.6	1.7
	Purchase of tangible fixed assets	-115.4	-169.6
	Purchase of intangible fixed assets	-1.2	-0.7
	Purchase of long-term financial assets	-1.9	-11.5
	Cash flows from investing activities	-115.9	-180.1
3.	**Cash flows from financing activities**		
	Cash proceeds from borrowings	107.3	107.6
	Cash repayments of borrowings	-68.1	-36.9
	Cash payments to shareholders	-20.0	-10.0
	Cash flows from financing activities	19.2	60.7
4.	**Cash and cash equivalents at end of period**		
	Net change in cash and cash equivalents (Subtotals 1 – 3)	27.6	1.1
	Cash and cash equivalents at beginning of period	14.9	13.8
	Cash and cash equivalents at end of period	42.5	14.9
5.	**Composition of cash and cash equivalents**		
	Cash	42.5	14.9
	Cash and cash equivalents at end of period	42.5	14.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital	Capital reserves	Accumulated revenue reserves attributable to group shareholders				
			Special reserve in accordance with DMBilG	Other revenue reserves	Accumulated losses brought forward and consolidated net income for the year	Minority interests	Equity reported in the consolidated balance sheet
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31/12/2009	52,000,000.00	357,478,024.72	537,749,072.53	96,325,509.35	-37,834,450.37	589,506.24	1,006,307,662.47
Consolidated net income for the financial year	0.00	0.00	0.00	0.00	18,920,263.18	93,535.16	19,013,798.34
Profit distribution to shareholders	0.00	0.00	0.00	0.00	-10,000,000.00	0.00	-10,000,000.00
Other comprehensive income	0.00	0.00	-1.00	331,974.53	0.00	0.00	331,973.53
Comprehensive income	0.00	0.00	-1.00	331,974.53	8,920,263.18	93,535.16	9,345,771.87
31/12/2010	52,000,000.00	357,478,024.72	537,749,071.53	96,657,483.88	-28,914,187.19	683,041.40	1,015,653,434.34
Consolidated net income for the financial year	0.00	0.00	0.00	0.00	18,656,649.97	4.34	18,656,654.31
Profit distribution to shareholders	0.00	0.00	0.00	0.00	-73,748,094.51	0.00	-73,748,094.51
Other comprehensive income	0.00	2,837,523.46	0.00	0.00	0.00	-681,156.10	2,156,367.36
Comprehensive income	0.00	2,837,523.46	0.00	0.00	-55,091,444.54	-681,151.76	-52,935,072.84
31/12/2011	52,000,000.00	360,315,548.18	537,749,071.53	96,657,483.88	-84,005,631.73	1,889.64	962,718,361.50

STATEMENT OF CHANGES IN FIXED ASSETS

	Cost					Cumulative depreciation, amortisation and write-downs						Carrying amounts
	01/01/2011	Additions	Disposals	Reclassifications	31/12/2011	01/01/2011	Additions	Disposals	Reversals	31/12/2011	31/12/2011	31/12/2010
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
A. Fixed assets												
I. Intangible fixed assets												
1. Purchased software	5,836,036.52	1,153,108.38	17,328.18	0.00	6,971,816.72	4,414,596.36	673,280.81	17,328.18	0.00	5,070,548.99	1,901,267.73	1,421,440.16
2. Goodwill	5,822,807.18	0.00	0.00	0.00	5,822,807.18	5,822,807.18	0.00	0.00	0.00	5,822,807.18	0.00	0.00
	11,658,843.70	1,153,108.38	17,328.18	0.00	12,794,623.90	10,237,403.54	673,280.81	17,328.18	0.00	10,893,356.17	1,901,267.73	1,421,440.16
II. Tangible fixed assets												
1. Land, land rights and buildings, including buildings on third-party land	2,291,202,496.94	2,954,666.51	57,958,623.37	139,991,953.60	2,376,190,493.68	655,630,968.27	54,369,188.17	32,285,354.72	7,420,467.29	670,294,334.43	1,705,896,159.25	1,635,571,528.67
2. Technical equipment and machinery	4,059,368.27	0.00	0.00	0.51	4,059,368.78	2,924,507.78	148,988.94	0.00	0.00	3,073,496.72	985,872.06	1,134,860.49
3. Other equipment, furniture and fixtures	12,610,079.35	414,162.43	298,502.98	-0.51	12,725,738.29	8,520,210.56	686,508.03	297,202.66	0.00	8,909,515.93	3,816,222.36	4,089,868.79
4. Prepayments and assets under construction	83,882,338.38	112,064,086.43	7,075,129.12	-139,991,953.60	48,879,342.09	0.00	0.00	0.00	0.00	0.00	48,879,342.09	83,882,338.38
	2,391,754,282.94	115,432,915.37	65,332,255.47	0.00	2,441,854,942.84	667,075,686.61	55,204,685.14	32,582,557.38	7,420,467.29	682,277,347.08	1,759,577,595.76	1,724,678,596.33
III. Long-term financial assets												
1. Shares in affiliated companies	1,792,384.21	0.00	1,152.62	0.00	1,791,231.59	1,274,234.05	385,337.20	0.00	0.00	1,659,571.25	131,660.34	518,150.16
2. Shares in associates	35,028,192.43	1,876,650.88	2,631,109.10	0.00	34,273,734.21	0.00	0.00	0.00	0.00	0.00	34,273,734.21	35,028,192.43
	36,820,576.64	1,876,650.88	2,632,261.72	0.00	36,064,965.80	1,274,234.05	385,337.20	0.00	0.00	1,659,571.25	34,405,394.55	35,546,342.59
	2,440,233,703.28	118,462,674.63	67,981,845.37	0.00	2,490,714,532.54	678,587,324.20	56,263,303.15	32,599,885.56	7,420,467.29	694,830,274.50	1,795,884,258.04	1,761,646,379.08

NOTES

1. General

The consolidated financial statements for financial year 2011 were prepared on the basis of the annual financial statements of TLG IMMOBILIEN GmbH, Berlin ("TLG IMMOBILIEN" or the "Parent"), and of 7 (PY: 7) of its subsidiaries. The annual financial statements for each of the consolidated companies were prepared as at the same balance sheet date as for the consolidated financial statements.

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

2. Basis of consolidation

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

TLG Technologiepark Ilmenau GmbH i. L., Ilmenau

TLG Gewerbepark Grimma GmbH, Grimma

TLG Gewerbepark Simson GmbH, Suhl

TLG Vermögensverwaltungs GmbH, Berlin

Hotel de Saxe an der Frauenkirche GmbH & Co. KG, Dresden

TLG IMMOBILIEN has owned 100% (PY: 94%) of the shares in Hotel de Saxe an der Frauenkirche GmbH & Co. KG, Dresden, since financial year 2011.

Furthermore, the following company, in which TLG IMMOBILIEN holds a 94% equity interest, has been included in the consolidated financial statements since 2006.

Verwaltungsgesellschaft an der Frauenkirche mbH, Dresden

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

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

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

Investitionsgesellschaft Hausvogteiplatz 11 Verwaltung mbH, Berlin

Investitionsgesellschaft Hausvogteiplatz 11 mbH & Co. KG, Berlin

3. Consolidation principles

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

The carrying amounts recognised upon the initial consolidation of two companies which were still included in the basis of consolidation as at 31 December 2011 were lower than the Parent's share of the equity, resulting in a negative consolidation difference of EUR 7.9 million (PY: EUR 7.9 million). This negative consolidation difference is reported separately in equity. The Parent does not exercise the option set forth under section 309 (2) HGB. Disposals are not recognised until the deconsolidation or liquidation date.

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

4. Accounting policies

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

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

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

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

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

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

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

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

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

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

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

Provisions for pensions and similar obligations are recognised in accordance with the projected unit credit method using the 2005 G mortality tables published by Prof. Klaus Heubeck. The discount rate applied across the board represents the average market rate of interest for a residual term of 15 years at 5.14% (PY: 5.15%) in accordance with the German Regulation on the Discounting of Provisions (*Rückstellungsabzinsungsverordnung*) dated 18 November 2009. As expected, salary increases and staff turnover were not factored into the calculation. Expected pension increases were factored in at 1% (PY: 2%). The option to retain pension provisions which is set forth under Article 67 (1) sentence 2 of the Introductory Act to the German Commercial Code (*Einführungsgesetz zum Handelsgesetzbuch*, "EGHGB") is exercised to the extent that the EUR 1.9 million to be reversed upon revaluation in accordance with the German Accounting Law Modernisation Act ("*Bilanzrechtsmodernisierungsgesetz*", BilMoG) as at the balance sheet date must be added back during the transition period ending on 31 December 2024.

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

Liabilities are carried at their settlement amount.

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

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

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

5. Notes to the consolidated financial statements

Assets

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

After depreciation and write-downs, land, land rights and buildings, including buildings on third-party land amounted to EUR 1,705.9 million.

Long-term financial assets (EUR 34.4 million) included EUR 0.1 million in shares in two joint ventures which were not consolidated, as well as EUR 34.3 million for shares in an associate. A EUR 0.4 million write-down to the lower fair value was recognised in relation to the shares in the investment company HVP 11 mbH & Co. KG, Berlin. The EUR 0.7 million write-down on the shares in the associate, Altmarkt-Galerie Dresden KG, Hamburg, was due on balance to additional capital contributions (EUR 1.7 million), the collection of the 2011 profit (EUR 0.2 million) and the withdrawal of the cash surplus for 2011 (EUR 2.6 million) by TLG IMMOBILIEN.

In addition to the usual utilisations throughout the financial year, the values of properties held as current assets were written down by EUR 0.5 million to their lower fair value and EUR 0.1 million in write-downs were reversed. Accordingly, the carrying amount in the balance sheet was EUR 11.5 million.

Work in progress include operating and heating costs not yet invoiced (EUR 34.1 million).

Trade receivables (EUR 17.0 million) comprise receivables from the sale of real property (EUR 10.1 million), lease receivables (EUR 5.0 million) and other receivables (EUR 1.9 million). Of the trade receivables, EUR 0.4 million have a remaining maturity of more than one year (PY: EUR 0.0 million more than one year).

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

Other assets (EUR 3.4 million) primarily consist of the claim asserted by Hotel de Saxe an der Frauenkirche GmbH & Co. KG, Dresden, for the extension of the lease pursuant to the lease agreement between the company and Steigenberger Hotels AG, Frankfurt am Main (EUR 1.9 million), and tax receivables from the tax office (EUR 0.3 million). EUR 1.9 million of the other assets (PY: EUR 1.6 million) have a remaining maturity of more than one year.

Cash-in-hand and bank balances (EUR 42.5 million) were held primarily in current accounts (EUR 8.5 million) and term deposit balances (EUR 34.0 million). Of that amount, EUR 5.0 million was pledged to DKB as collateral, EUR 3.5 million was pledged to HSBC and EUR 0.4 million was pledged to Volks- und Raiffeisenbank Muldental; thus, those amounts are not available to TLG IMMOBILIEN to dispose over.

Prepaid expenses amounted to EUR 7.1 million and related primarily to subsidies paid in advance by TLG IMMOBILIEN in relation to the Berlin hotel project at Karl-Liebknecht-Str. 32 as well as to fees paid in advance for extended loans.

Deferred tax assets resulted from the following items:

	31/12/2011
	EUR '000
Deferred tax assets relating to differences	
Provisions	2,763
Liabilities	4,151
Deferred tax assets relating to loss carryforwards	69,229
	76,143
Deferred tax liabilities relating to differences of carrying amounts for trade receivables	792
Net deferred tax assets	75,351

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

The calculation was based on a tax rate of 30.875%, which factors in the currently applicable statutory tax rates and bases, as well as an average multiplier for municipal taxes of 430%. Deferred tax assets were recognised in relation to corporation and trade tax loss carryforwards amounting to EUR 230 million. In addition, corporation tax loss carryforwards amounting to EUR 457 million and trade tax loss carryforwards amounting to EUR 390 million were recognised for which no tax relief is expected within the next five years.

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

Equity and liabilities

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

Capital reserves amounted to EUR 360.3 million, representing an increase of EUR 2.8 million as the result of the assumption by the Federal Agency for Unification-related Special Tasks (*Bundesanstalt für vereinigungsbedingte Sonderaufgaben*) of risks arising from the distribution of rental proceeds from the Parent's properties subject to restitution.

As in the previous year, the Group's revenue reserves amounted to EUR 634.4 million. Factoring in the EUR 28.9 million loss carried forward, the distribution in 2011 of the Parent's net retained profits as at 31 December 2010 amounting to EUR 73.7 million and the consolidated net income for financial year 2011 of EUR 18.7 million, equity amounted to EUR 962.7 million in total.

In accordance with section 307 HGB, a special reserve for minority interests is reported under equity in order to account for shares in the Group's net assets held by outside shareholders. These minority interests relate to 6% for Verwaltungsgesellschaft mbH, Dresden, and were reduced by EUR 0.7 million to EUR 2 thousand as a result of the acquisition of minority interests of 6% in Hotel de Saxe an der Frauenkirche GmbH & Co. KG, Dresden, by TLG IMMOBILIEN as at 31 December 2011.

The TLG IMMOBILIEN Group's special reserve for investment grants and subsidies amounted to EUR 35.8 million as a result of additional contributions of EUR 0.9 million and subsidies of EUR 0.7 million, as well as EUR 1.5 million in reversals reflecting the depreciation, amortisation and write-downs of assets. EUR 0.4 million in additional contributions were recognised immediately through profit or loss.

As in the previous year, the negative consolidation difference amounted to EUR 7.9 million.

The EUR 7.1 million in provisions for pensions and similar obligations were calculated on the basis of expert appraisals. The EUR 0.2 million decrease resulted from utilisations in financial year 2011. The exercise of the option to retain pension provisions which is set forth under Article 67 (1) sentence 2 EGHGB resulted in an overfunding by EUR 1.9 million as at the balance sheet date.

Provisions for taxes amounted to EUR 39.4 million and related primarily to the provision for land transfer tax resulting from the spin-off of TLG IMMOBILIEN's residential portfolio into a new company with effect from 1 January 2012 (EUR 23.1 million), corporation tax (EUR 6.6 million), trade tax (EUR 9.3 million) and other taxes (EUR 0.4 million) for the years 2011 and prior.

Other provisions amounted to EUR 45.6 million and related primarily to the repayment of investment grants and subsidies (EUR 10.3 million), litigation risks (EUR 8.2 million), construction costs not yet incurred (EUR 4.4 million), personnel expenses (EUR 4.0 million), property management (EUR 4.0 million), outstanding invoices (EUR 3.4 million), interest expenses (EUR 3.0 million) and expected losses for interest rate hedges (EUR 1.4 million).

Liabilities have the following remaining maturities:

	31/12/2011				31/12/2010	
Liabilities	**Total**	**Remaining maturity**			**Total**	
		up to 1 year	**1-5 years**	**more than 5 years**		**up to 1 year**
	EUR million	**EUR million**	**EUR million**	**EUR million**	**EUR million**	**EUR million**
to banks	696.8	30.0	136.7	530.1	657.8	62.4
relating to payments received	35.7	35.7	—	—	35.9	35.9
relating to trade payables	7.0	5.6	1.2	0.2	4.4	3.1
to shareholders	53.8	53.8	—	—	—	—
to affiliated companies	—	—	—	—	—	—
other liabilities	19.0	14.3	0.7	4.0	15.4	10.6
Total	**812.3**	**139.4**	**138.6**	**534.3**	**713.5**	**112.0**

Liabilities to banks amounted to EUR 696.8 million and were primarily attributable to TLG IMMOBILIEN (EUR 696.5 million), mainly in relation to loans from the Kreditanstalt für Wiederaufbau, Berlin, which were disbursed to TLG IMMOBILIEN via Landesbank Berlin, Deutsche Kreditbank AG, Bremer Landesbank and Sächsische Aufbaubank (EUR 197.1 million). In total, EUR 624.3 million is collateralised through land charges and EUR 68.2 million through negative pledges.

Payments received amounted to EUR 35.7 million and related primarily to advance payments for operating costs paid by tenants (EUR 34.8 million). Other payments received related to purchase agreements which had been negotiated in the course of managing properties but which had not yet entered into force (EUR 0.9 million).

Trade payables amounted to EUR 7.0 million and related primarily to liabilities incurred in connection with site development (EUR 2.0 million), liabilities from the retention of guarantees (EUR 2.5 million), liabilities from general business operations (EUR 0.8 million), liabilities from the acquisition of properties (EUR 0.6 million) and liabilities from payments received but not yet allocated (EUR 0.4 million).

Liabilities to shareholders (EUR 53.8 million) related to the distribution—not yet effected as of the balance sheet date—of the remainder of TLG IMMOBILIEN's net retained profits from financial year 2010. The distribution took place in January 2012.

Other liabilities amounted to EUR 19.0 million and included EUR 7.0 million for obligations to transfer purchase price payments collected on behalf of third parties and EUR 4.8 million for subsidies for leased properties which must be passed on the lessees in the form of reduced lease rates over the term of the lease. This item also includes EUR 1.5 million for tax liabilities.

Liabilities other than liabilities to banks are not collateralised.

Deferred income amounted to EUR 0.6 million and related primarily to advance payments of rent and ground rent.

Contingent liabilities

TLG IMMOBILIEN has pledged EUR 8.9 million as collateral for loans granted. This figure includes amounts pledged for derivatives with HSBC Trinkaus & Burkhardt AG (EUR 3.5 million), to which HSBC has recourse if TLG IMMOBILIEN fails to satisfy its payment obligations under the interest rate hedges concluded. This is considered highly unlikely. In addition, in a guarantee facility agreement with DKB (Deutsche Kreditbank), TLG IMMOBILIEN has undertaken to indemnify the bank for guarantees issued which do not expire until the end of the term of the guarantee facility. EUR 5.0 million in balances has been pledged to DKB as collateral. To date, TLG IMMOBILIEN has duly satisfied its obligations and no collateral has been realised. It is therefore considered unlikely that DKB will assert any claims. In addition, EUR 0.4 million has been pledged to Volks- und Raiffeisenbank Muldental as collateral for a development loan from the Sächsische Aufbaubank, which was granted to the subsidiary, TLG Gewerbepark Grimma. The risk that the pledged balances will be realised is considered low given that the subsidiary's financial position is sufficiently sound.

Material off-balance sheet transactions and other financial obligations

Material off-balance sheet transactions

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

TLG WOHNEN spin-off agreement

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

Other financial obligations

The TLG IMMOBILIEN Group has entered into various lease agreements for administration buildings, warehouses, parking places and cellars. In addition, there are leases for vehicles in the Group's vehicle fleet and service agreements for IT services, cleaning, reception and security. The notice periods for terminating the leases and service agreements are between 2012 and 2013.

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

EUR 1 thousand related to rental agreements, EUR 623 thousand to service agreements and EUR 142 thousand to leases.

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

The urban development agreement concerning the "Wohnpark Karlshorst" resulted in obligations to implement public and private development measures and to make plots of land available for the public development infrastructure. The measures and conditions stipulated in the urban development agreement must be satisfied depending on the marketing of the individual construction phases; the profitability must be documented for each construction phase. More than 60 percent of space has been leased as at 31 December 2011. Development measures have already been conducted for spaces which have already been marketed, or provisions have been recognised to that effect. To the extent the remaining spaces are marketed, there exist under certain conditions future obligations arising from the committed development measures as at the time the risks and benefits of ownership of the marketed spaces has been transferred. Two partial spaces were sold in 2011 for which the risks and rewards of ownership will be transferred in 2012, giving rise to such obligations beginning in financial year 2012, amounting to EUR 3 million.

Derivative financial instruments
(excluding interest-linked transactions of TLG IMMOBILIEN)

Type (number)	Amount as at 31/12/2011	Term	Fair value	Book value (if available)	Balance sheet item (if recognised in balance sheet)
	EUR million		EUR million	EUR million	
Interest rate cap (2)	9.0	30/06/2006 – 30/06/2016	0.2	0.0	n/a
Interest rate swap with cap	9.0	30/06/2006 – 30/06/2016	-0.4	0.0	n/a
Forward swap	9.0	31/08/2006 – 31/08/2016	-0.8	0.0	n/a
Forward swap	9.0	30/11/2006 – 30/11/2016	-0.8	0.0	n/a
Forward swap (3)	17.6	31/01/2007 – 31/01/2017	-2.2	0.0	n/a
Forward swap (3)	24.8	30/06/2007 – 30/06/2017	-3.3	0.0	n/a
Forward swap (15)	61.2	30/11/2007 – 30/11/2017	-9.4	0.0	n/a
Forward swap (3)	13.6	29/02/2008 – 28/02/2018	-1.8	0.0	n/a
Forward swap (5)	27.4	30/06/2008 – 30/06/2018	-3.9	0.0	n/a
Forward swap (5)	16.5	30/09/2008 – 28/09/2018	-2.8	0.0	n/a
Forward swap (7)	27.9	31/03/2009 – 29/03/2019	-4.8	0.0	n/a
Forward swap	0.9	30/06/2009 – 28/09/2018	-0.2	0.0	n/a
Collar (3)	14.1	30/06/2009 – 29/06/2019	-2.4	0.0	n/a
Forward swap (3)	18.9	30/09/2009 – 30/09/2019	-3.1	0.0	n/a
Forward swap (4)	25.2	31/03/2010 – 31/03/2020	-3.6	0.0	n/a
Forward swap (3)	19.3	30/06/2010 – 30/06/2020	-2.2	0.0	n/a
Forward swap (4)	14.7	31/03/2011 – 31/03/2021	-1.2	0.0	n/a
Forward swap (2)	9.3	30/06/2011 – 31/03/2021	-1.3	0.0	n/a
Forward swap (2)	9.9	30/06/2011 – 30/06/2021	-0.8	0.0	n/a
Forward swap	0.9	30/06/2009 – 28/09/2018	-0.2	-0.2	Provision for expected losses
Forward swap	0.5	30/06/2011 – 31/03/2021	-0.1	-0.1	Provision for expected losses
Forward swap	9.9	30/06/2011 – 30/06/2021	-0.7	-0.7	Provision for expected losses
Forward swap	5.0	31/03/2012 – 31/03/2022	-0.4	-0.4	Provision for expected losses
	Σ 353.6			Σ -1.4	

Interest rate derivatives serve to hedge against changing interest rates for loans already taken out or loans to be taken out in the future. They are marked to market. The interest rate caps are simply eliminated over their term. Provisions for expected losses from executory contracts amounting to EUR 1.4 million have been recognised for forward swaps with a negative market value which thus far had not been allocated to an underlying transaction or which are currently in run-up.

The following hedging relationships have been created:

Underlying/hedge	Risk/Type of hedge	Amount involved	Amount of hedged risk
Loan to banks/interest rate derivatives	Interest rate risk/portfolio hedge	EUR 330.9 million	EUR 333.9 million

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

Related-party transactions

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

Income

Sales amounted to EUR 247.5 million (PY: EUR 245.2 million) and included EUR 194.6 million (PY: EUR 190.0 million) from property management, EUR 50.5 million (PY: EUR 52.3 million) from the disposal of properties and EUR 2.4 million (PY: EUR 2.9 million) from other services. Of the sales from the disposal of properties, EUR 43.0 million was attributable to properties classified as fixed assets and EUR 7.5 million to properties classified as current assets.

The EUR 2.7 million change in inventories was due to the relatively higher amount of operating costs not yet invoiced as compared to in the previous year.

Other operating income amounted to EUR 39.1 million and included EUR 4.3 million in prior-period income, thereof EUR 3.9 million resulted from property management income. Other operating income also included EUR 14.1 million from the reversal of provisions, EUR 2.1 million from the reversal of impairments on receivables, EUR 7.5 million from reversals of write-downs on the carrying amounts of real property, EUR 1.5 million from the reversal of the special reserve for investment grants and subsidies and EUR 0.4 million from the immediate collection of investment grants and EUR 1.5 million from insurance payouts.

Income from long-term equity investments (EUR 0.5 million) resulted primarily from the distribution from the equity of a non-consolidated subsidiary and from the transfer of the profit from the associate, Altmarkt-Galerie Dresden KG, Hamburg, amounting to EUR 0.2 million.

Other interest and similar income (EUR 0.8 million) consisted primarily of interest income in connection with short-term investment of cash (EUR 0.5 million).

Expenses

Cost of materials amounted to EUR 103.0 million, consisting of EUR 29.3 million from disposals of real estate portfolio at carrying amounts due to disposals, EUR 63.8 million in property management expenses and EUR 9.9 million in expenses for other purchased services. Of the disposals of real estate portfolio at carrying amounts, EUR 25.9 million related to properties classified as fixed assets and EUR 3.4 million for properties classified as current assets.

Personnel expenses amounted to EUR 23.4 million and related to an average of 303 permanent and an average of 19 temporary employees. In addition, the Group employed on average 24 trainees, 5 employees on maternity leave and 3 employees in the retirement phase of the partial and early retirement scheme.

Depreciation and amortisation amounted to EUR 50.6 million. In addition, EUR 5.3 million in write-downs to the lower fair value were recognised due to permanent impairments.

Write-downs of current assets in excess of the corporation's standard depreciation relate to write-downs to the lower fair value resulting from falling prices on local real estate markets (EUR 0.5 million).

Other operating expenses amounted to EUR 22.9 million and included valuation allowances and write-downs on receivables and other assets (EUR 3.4 million), transfers to provisions for other uncertain liabilities (EUR 5.0 million), transfers to provisions for real property restitution (EUR 1.4 million), transfers to provisions for expected losses for interest rate hedges (EUR 1.4 million), transfers to provisions for litigation risks (EUR 1.6 million), and prior-period expenses resulting from subsequent corrections in income recognised in prior years (EUR 1.6 million).

Write-downs of long-term financial assets amounted to EUR 0.4 million during the financial year. Write-downs were recognised as a result of revaluations relating to a subsidiary which is not included in the consolidated financial statements.

Interest and similar expenses (EUR 32.4 million) resulted primarily from interest paid on loans (EUR 22.3 million) and for compensatory payments on interest rate hedges (EUR 9.8 million).

Extraordinary expenses of EUR 23.1 million were recognised this financial year in relation to the provision for land transfer tax incurred due to the transfer of residential properties to TLG WOHNEN under the spin-off agreement.

Taxes on income (EUR 10.1 million) related to the advance payment of corporation tax (EUR 0.9 million) and trade tax (EUR 0.3 million), as well as the transfer to provisions for corporation tax (EUR 3.6 million) and trade tax (EUR 5.3 million) for the current financial year. Corporation tax of EUR 1.4 million was levied in relation to ordinary operations and EUR 3.1 million for extraordinary items.

Trade tax of EUR 2.6 million was levied in relation to ordinary operations and EUR 3.0 million for extraordinary items resulting from the spin-off of TLG IMMOBILIEN's residential property portfolio to TLG WOHNEN GmbH with 31 December 2011 as the effective date for taxation purposes.

6. Assets in trust

The TLG IMMOBILIEN Group holds EUR 8.7 million (PY: EUR 7.3 million) in rental deposits in trust.

7. Auditors' fees

The EUR 193 thousand in auditors' fees are included in other operating expenses. Of that amount, EUR 185 thousand related to audit services and EUR 8 thousand to other services.

8. Other disclosures

The total remuneration for the management of TLG IMMOBILIEN amounted to EUR 573,919.13 in 2011. The pension provisions for former members of the management amounted to EUR 2,956,323.36 as at 31 December 2011.

The remuneration for the Supervisory Board of TLG IMMOBILIEN amounted to EUR 104,842.20 in 2011.

Berlin, 28 March 2012

The Management

[*Signed*]