TTL

FOCUS ON GROWTH

2018 ANNUAL REPORT

TTL BETEILIGUNGS- UND GRUNDBESITZ-AG

2018 MILESTONES

2018

01	JANUARY 2018	Appointment of Thomas Grimm as member of the Management Board and CFO. Extraordinary general meeting of shareholders creates financial framework for further growth through new authorised capital of EUR 7.1 million and an increase in contingent capital by EUR 2.3 million to EUR 7.1 million, including an authorisation to issue convertible bonds and bonds with warrants with a total nominal value of up to EUR 11.5 million.
04	APRIL 2018	Non-cash capital increase through contribution in kind of around EUR 5.7 million by issuing 1.6 million shares to acquire 3.59% of the ordinary shares in TTL Real Estate GmbH (formerly Deutsche Immobilien Chancen Real Estate GmbH). Acquisition of a further 11.67% of the shares in TTL Real Estate GmbH at a purchase price of EUR 18.7 million.
05	MAY 2018	Non-cash capital increase through contribution in kind of around EUR 3.9 million through the issue of 1.1 million shares to acquire a further 2.46% of the ordinary shares in TTL Real Estate GmbH. Cash capital increase of around EUR 2.5 million through the issue of 0.7 million shares excluding shareholders' subscription rights.
06	JUNE 2018	Annual general meeting of shareholders creates financial framework for further growth by creating authorised capital of EUR 8.8 million and increasing the contingent capital to EUR 8.8 million, adjustment of the authorisation to issue convertible bonds and bonds with warrants to a total nominal amount of up to EUR 60 million. Expansion of the Supervisory Board from three to five members. Election of the two new Supervisory Board members Michael Bock and Jan Benedikt Rombach.
07	JULY 2018	Acquisition of a further 4.5% of the ordinary shares in TTL Real Estate GmbH at a purchase price of around EUR 7.2 million.
08	AUGUST 2018	Prof Dr Gerhard Schmidt takes over as Chairman of the Supervisory Board. Conversion of outstanding convertible bonds through the issuance of 3,475,000 new bearer shares; increase of the share capital of TTL AG to EUR 21,075,000. This strengthens the equity base and reduces non-current liabilities by around EUR 8 million.
09	SEPTEMBER 2018	Acquisition of a further 0.5% of the ordinary shares in TTL Real Estate GmbH worth around EUR 1.6 million. Control of 50.00% of the voting rights in TTL Real Estate GmbH, agreement with Deutsche Immobilien Chancen Group under which TTL AG will develop the strategic direction of TTL Real Estate GmbH. Calculated share in the share capital of TTL Real Estate GmbH amounts to 45.2%, in the GEG German Estate Group the figure is 33.9%.

2019

KEY PERFORMANCE INDICATORS

FOR THE FINANCIAL YEAR

FROM 1 JANUARY TO 31 DECEMBER 2018

in TEUR	31/12/2018	31/12/2017	Δ
Value of financial assets	99,440	46,196	+ 115%
Equity	55,426	31,055	+ 78%
Balance sheet total	106,308	47,142	+ 125%

	2018	2017	Δ
Net investment and interest income	6,238	1,227	> 100%
Results for the period	4,135	860	> 100%
Earnings per share	€ 0.19	€ 0.05	> 100%

MISSION STATEMENT

TTL AG is an investment company focused on the German commercial real estate market. The expansion of our investments has made us a well-positioned company in this market segment. Our goal is to continue the growth of the company and to grow and strengthen our investment portfolio both by expanding our existing investments and via acquisitions, in order to further increase the sustainable earning power in the interests of our shareholders.

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Thomas Grimm CFO

Theo Reichert CEO

01

SHAREHOLDERS' LETTER

DEAR SHAREHOLDERS,

2018 was an extremely successful year for us. TTL Beteiligungs- und Grundbesitz- AG (TTL AG) significantly increased its consolidated profit. At the same time, we laid the foundations to ensure that we are on a solid basis to continue to accelerate growth.

TTL AG closed the 2018 financial year with a consolidated net income of more than EUR 4.1 million, more than quadrupling the previous year's result. Earnings per share were several times higher than the previous year, rising from 5 cents to around 19 cents. The significant increase in earnings is primarily due to the fact that TTL AG has consistently expanded its investments and shareholdings in successful companies:

- In the second and third quarters of 2018, we increased our stake in TTL Real Estate GmbH (formerly Deutsche Immobilien Chancen Real Estate GmbH) from 27.3% to a direct and indirect stake of 50%. With this step, we also assumed the strategic management function within the group of shareholders.
- This company holds 75% of the shares in the GEG German Estate Group, one of the leading investment and asset management platforms in the German commercial real estate sector. By expanding its product range and investor base and by acquiring further properties, GEG was able to increase its assets under management from EUR 2.4 billion to more than EUR 3 billion over the course of the year.

TTL AG and its shareholders will benefit from both the broader earnings base and the increased shareholding. The financial result increased from EUR 1.2 million to EUR 6.2 million. Our position in GEG played a major role here.

The performance in the past year is also reflected in the increased value of our company. The price of the TTL share rose by around 27% from EUR 2.48 in January 2018 to EUR 3.12 at the end of the year. This is an impressive endorsement of the strategic realignment of TTL AG, which will continue to have an impact in the current year and in the future. This has made the payment of a dividend possible for the first time. The Management Board and Supervisory Board will propose to the Annual General Meeting that a dividend of 12 cents per share be distributed to shareholders. Based on the closing price of the TTL share on 28 December 2018, this corresponds to a dividend yield of around 4%.

We will resolutely continue along the path we have taken. In the current year, we will focus on the organic growth of our current investments and the expansion of our investment portfolio on the basis of a strengthened equity base. We have set ourselves concrete goals for 2019.

We will

- continue to support the high growth rate of the GEG Group at shareholder level.
- make further investments in companies with sustainable business models and strong cash flows.
- position TTL AG even more strongly on the capital market and expand the free float.

In addition to the effect on earnings of the 2018 increases in investments, these measures will sustainably increase TTL AG's consolidated profit. For 2019, we expect a consolidated result of more than EUR 6 million.

TTL AG is well prepared for to continue this growth. We are operating in a favourable market environment and have aligned the company to our long-term strategy. Supported by the continued good economic situation, the market for commercial real estate will continue to develop positively. At the Annual General Meeting in June 2018, TTL AG created the capital framework for further growth. And the expansion of our Supervisory Board to five members and its appointment of experienced entrepreneurs strengthens TTL AG for the future and for the tasks facing us. We would like to take this opportunity to thank the members of the Supervisory Board for their support of TTL's strategy and for their constructive exchange in all matters of corporate management.

Our special thanks go to you, our shareholders, for your support and assistance in the realignment of TTL AG. The development of the share price in the past year is a clear sign that you are convinced of the course we have taken. Let us continue together on the path to sustainable and profitable growth in 2019.

Theo Reichert
– CEO –

Thomas Grimm
– CFO –

02

CURRENT STRUCTURE AND CORPORATE STRATEGY

CURRENT STRUCTURE AND CORPORATE STRATEGY

Current structure

TTL AG is the parent company of the TTL Group, which has grown into its current structure as a real estate investment and asset management group since its reorganisation in 2016.

TTL AG acquired its indirect stake in the GEG Group by increasing its stake in TTL Real Estate GmbH in several transactions since the end of 2017 from 27.29% of the voting rights to its current level of 50%. TTL AG has agreed with DICP Capital SE, the controlling shareholder of Deutsche Immobilien Chancen Group, that TTL AG will take over the strategic management within the group of shareholders of TTL Real Estate GmbH.

In addition, TTL AG holds a 15% stake in DIC Capital Partners (Europe) GmbH, which is the controlling shareholder of Deutsche Immobilien Chancen Group. The Deutsche Immobilien Chancen Group in turn is a major shareholder of DIC Asset AG, which is listed in the SDAX, and holds around 32% of the voting rights. TTL AG generates regular dividend income from its investment in DIC Capital Partners (Europe) GmbH.

TTL

TTL Real Estate GmbH

TTL AG directly and indirectly holds 50% of the ordinary shares in TTL Real Estate GmbH and exercises strategic management within the TTL Real Estate Group. TTL Real Estate GmbH holds 75% of the shares in the GEG Group and also acts as its partner for mezzanine financing.

GEG German Estate Group

German Estate Group (GEG)

The GEG German Estate Group is one of the leading German investment and asset management platforms in the commercial real estate sector. The investment focus and investment policy concentrate on three segments: Institutional Business, Opportunistic Investments and Developments. Within the framework of this clearly defined strategy, GEG has consistently taken advantage of market opportunities since its foundation and has built up a comprehensive, diversified real estate portfolio with a total of over EUR 3 billion in assets under management. In addition to well-known properties such as the IBC Campus, the Japan Center, the Villa Kennedy in Frankfurt am Main, the Sapporobogen in Munich, the Triforum in Cologne and the Business Center im Park in Düsseldorf, these include project developments such as the Junge Quartier Obersendling in Munich and the Global Tower and Riverpark Tower and Suites in Frankfurt am Main. In September 2018, GEG was given the mandate by Singapore's sovereign wealth fund GIC to create and manage a real estate portfolio with significant potential for appreciation („Value Add“).

In addition to TTL Real Estate GmbH, which holds 75% of the shares, the international investment company KKR Kohlberg Kravis & Roberts holds 25% of the GEG Group.

DIC Capital Partners (Europe) GmbH

TTL AG holds a 15.06% stake in DIC Capital Partners (Europe) GmbH, which is a controlling shareholder of Deutsche Immobilien Chancen Group, which in turn controls more than 30% of the voting rights in SDAX-listed DIC Asset AG. DIC Asset AG specialises in commercial real estate, in particular office real estate, in Germany and currently manages real estate assets of around EUR 5.6 billion.

With funds from operations of EUR 68 million, DIC Asset AG achieved the highest FFO in its corporate history in the 2018 financial year. The company is growing strongly and it acquired more than EUR 500 million in properties in 2018. In addition, the fund business was expanded to around EUR 2 billion. In December 2018, the company also succeeded in concluding contracts for the sale of its stake in TLG Immobilien AG to the buyers Ouram Holding and Bedrock for a total of EUR 376 million.

Finally, DIC Asset AG reported an increase in the value of its commercial portfolio by (180) million euros. DIC Asset AG announced a dividend payment of 48 cents per share for the Annual General Meeting to be held in March 2019. This can be received as a cash dividend or a dividend in kind.

TTL AG regularly receives dividend payments and management fees from its investment in DIC Capital Partners (Europe) GmbH.

Strategy

TTL AG's strategic objective is to build up a value-adding investment portfolio of companies with an entrepreneurial focus on investments in commercial real estate in Germany, both through organic growth and through acquisitions, which regionally and strategically complements the existing investment portfolio. In addition to investments in companies, attractive project investments can also be part of our growth path.

03

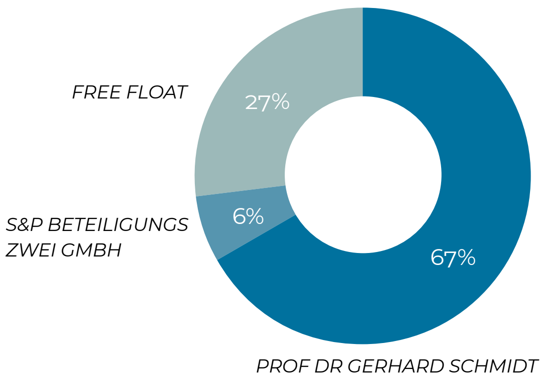
THE SHARE

THE SHARE

SHARE PRICE PERFORMANCE IN THE 2018 FINANCIAL YEAR, IN EUR

Source: Frankfurt Stock Exchange

SHAREHOLDER STRUCTURE



Share capital	EUR 21,075,000
Number of shares	21,075,000 bearer shares
Trading venues	Xetra, all stock exchanges in Germany
Market capitalisation	EUR 65.8 million
Deutsche Börse Segment	Regulated market
WKN/ISIN	750100/DE0007501009

ALIGNMENT AND GOALS 2019

ALIGNMENT AND GOALS 2019

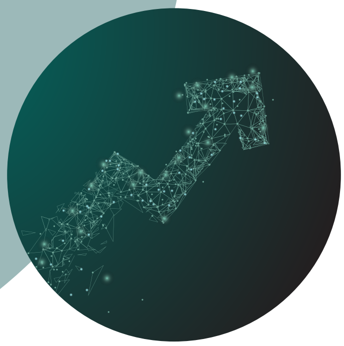
2019

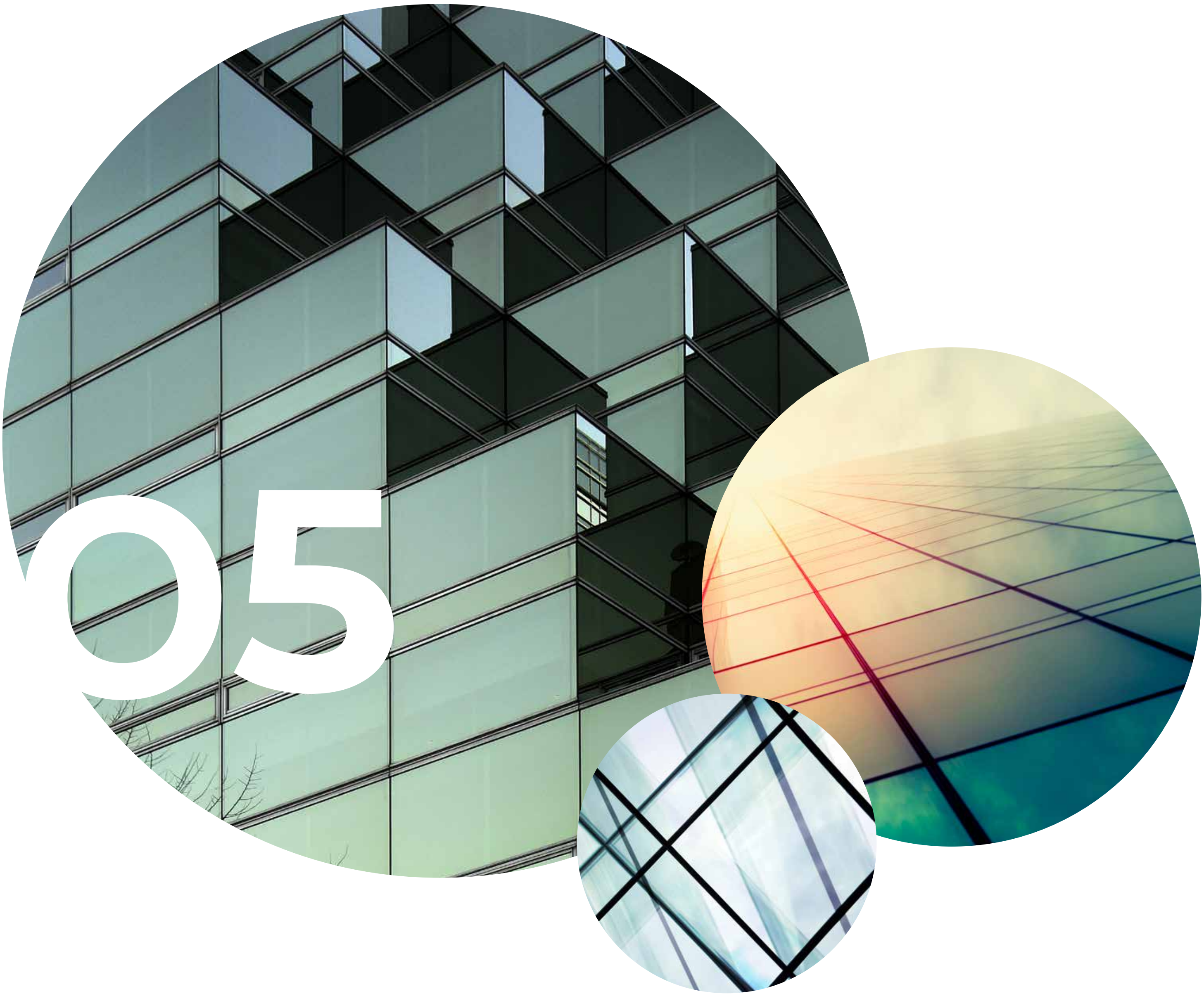
The main strategy of TTL AG is to expand its business activities through both organic growth and acquisitions that regionally and strategically complement the existing investment portfolio. TTL AG therefore intends to increase the volume of its entire business activities by increasing the emphasis on commercial real estate.

In addition, we will enter into project-related joint venture investments with project developers.

For 2019, we also intend to strengthen our company's equity base.

For 2019, we plan to achieve a consolidated net income after taxes for TTL AG of EUR 6 million, at least 50% higher than in the 2018 financial year.





COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

1. GENERAL INFORMATION

The group management report and the management report of TTL Beteiligungs- und Grundbesitz-AG, Munich, (hereinafter „TTL AG“ or „TTL“) for the 2018 financial year are combined in accordance with Section 315 (3) of the German Commercial Code (HGB) in conjunction with Section 298 (2) HGB. For this reason, the individual sections are presented in a differentiated manner by individual Group company where this serves to increase clarity. The TTL Group is also referred to as TTL below. Information on TTL AG and its subsidiaries is labelled accordingly.

2. BASIC INFORMATION ON THE GROUP

TTL Beteiligungs- und Grundbesitz-AG, Munich, is an investment company focusing on the German commercial real estate market. Since the beginning of 2017, TTL AG has acquired, in several stages, direct and indirect stakes in the Deutsche Immobilien Chancen Group and the GEG German Estate Group. TTL AG directly and indirectly controls 50% of the voting ordinary share capital of TTL Real Estate GmbH (formerly Deutsche Immobilien Chancen Real Estate GmbH), which in turn holds 75% of the shares in German Estate Group GmbH & Co. KG (GEG Group). The remaining 50% of TTL Real Estate GmbH is held by Deutsche Immobilien Chancen Group. TTL AG has agreed with the Deutsche Immobilien Chancen Group that TTL AG will develop the strategic orientation and make the associated decisions at TTL Real Estate GmbH. This was underlined by the change of name from Deutsche Immobilien Chancen Real Estate GmbH to TTL Real Estate GmbH.

TTL AG's investment holdings include a 15% interest in DIC Capital Partners (Europe) GmbH, through which TTL AG holds a direct interest in the Deutsche Immobilien Chancen Group. Deutsche Immobilien Chancen AG & Co. Kommanditgesellschaft auf Aktien (Deutsche Immobilien Chancen Group) is a strategic management holding company with a strong investment focus on the German commercial real estate market. It invests in real estate portfolios, individual properties and project developments as well as in investment and asset management platforms in the commercial real estate sector. The focus of the business model is on corporate investments in the listed company DIC Asset AG, based in Frankfurt am Main, and the GEG Group. There are also joint venture investments in project developments and real estate portfolios.

Since August 2018, TTL AG has held a total interest of around 34% in the GEG German Estate Group via its direct and indirect investments.

The GEG Group is one of Germany's fastest growing investment and asset management platforms in the commercial real estate sector. Its focus is on investments in the core segment and opportunistic investments with value creation potential and project developments.

TTL AG is controlled by a Management Board consisting of two members. The main control parameters are the value of the investments reported in the balance sheet, the income resulting from the investments as well as the consolidated profit or loss for the year after taxes of the TTL Group - if necessary eliminating non-recurring effects. Controlling takes place mainly on the basis of budgets and multi-year corporate plans for TTL AG and its investments, as well as their annual financial statements and other financial reports.

3. ECONOMIC REPORT

3.1. Overall statement on business performance and the position of the Group

2018 was a very successful year for TTL Beteiligungs- und Grundbesitz-AG (TTL AG), with the company reaching important milestones for the its profitable growth:

- TTL AG increased its direct and indirect shareholding in TTL Real Estate GmbH (formerly Deutsche Immobilien Chancen Real Estate GmbH) in several stages to more than 50% and assumed the strategic management function among the group of shareholders of TTL Real Estate GmbH.

- TTL Real Estate GmbH holds a 75% stake in the German Estate Group (GEG), which maintained its high growth rate in 2018. By expanding its product range, its investor base and by acquiring further properties, GEG was able to increase its assets under management (AuM) from EUR 2.4 billion at the beginning of the year to over EUR 3 billion at the end of 2018.

- The holders of the convertible bond exercised their conversion rights. As a result, debt was reduced by around EUR 8.1 million compared with the previous year and equity was increased accordingly. In addition, the group of shareholders was expanded and TTL AG benefits from interest savings of around EUR 0.3 million per annum.

- The consolidated profit more than quadrupled to EUR 4.1 million – and that does not include the full-year effect of building up the attractive investment portfolio in 2018.

3.2. Economic environment

German economy grows despite negative factors

After sustained positive economic development, concerns about an escalation of international trade disputes and political uncertainties in some European countries clouded the previously very positive economic climate. In Europe, economic indicators in 2018 were weaker than economists had expected, and the mood in Germany also cooled across all sectors with the exception of the construction industry. Economic analysts continue to believe that the German economy is in good shape and they view GDP growth of 1.5% and the outlook for the next two years as normalised after years of booming economic activity.

In the course of the year, the sentiment indicators showed an increasing awareness of the high level of international uncertainty and the weakening dynamics of the global economy: In December 2018, the Ifo Business Climate Index declined for the fourth month in a row to 101.0, its lowest level since December 2016. In both the manufacturing and service sectors, the business climate cooled noticeably, with only the construction industry remaining at a very high level.

Domestic demand – above all private consumption and construction spending – is expected to remain the guarantor of further growth. The expanding service sector and the impetus from the labour market also continue to contribute to the positive outlook. Employment, including jobs subject to social security contributions, continued to rise strongly in 2018. Compared to the previous year, the average number of people in employment grew by 562,000 to 44.8 million. The majority of the new jobs were created in the area subject to social security contributions. This represents an increase of 705,000 jobs or 2.2% over the previous year.

According to the autumn projections, which were presented in mid-October 2018, the number of employed persons is expected to increase by just over 1.3 million by 2020, the number of unemployed will fall by around 400,000 and the unemployment rate will fall to 4.8%.

In order to remove uncertainty from the market, the monetary authorities decided in June 2018 to take a broader view of key interest rates: Accordingly, the ECB assumes that key interest rates will remain unchanged at least until summer 2019. The key interest rate in the euro area, which has been at 0% since March 2016, the rate at which commercial banks can borrow money from the central bank, remained unchanged at its historic low in 2018. The penalty interest rate on deposits from commercial banks with the ECB also remained unchanged at 0.4%. By contrast, the ECB gradually scaled back its multi-billion-euro programme for the purchase of government and corporate bonds („quantitative easing“).

Rental market: advanced space take-up and rising rental prices

After a weaker first quarter, turnover on the office rental market in Germany stabilised again, and the growing employment rate could be seen in the robust demand for space and a further decline in vacancies. According to JLL, the brokerage house, rental revenues are limited by the constantly decreasing supply of space.

– suitable space cannot be found for every company making an inquiry – so that in a year-on-year comparison around 6.5% less turnover in square metres was recorded. The striking lack of space in central locations caused rents to rise, although the low volume of new buildings in recent years did little to ease tensions. In each of the seven real estate strongholds, office vacancy recorded a decline in the double-digit percentage range within one year. The cumulative vacancy rate fell by 110 basis points to 3.6% year-on-year.

Rents continued to rise, fuelled by the lack of supply. According to JLL, rents rose by an average of 6.4% within twelve months. There were very different drivers for this: For example, rents in prime locations rose significantly more strongly than in central inner city locations.

Investment market: Upward trend still intact

The German real estate investment market once again proved to be robust by European standards; despite all the political and economic uncertainties, the commercial real estate investment market recorded a new record year. With revenues of EUR 60.3 billion in the final quarter of 2018, the transaction volume rose above the EUR 60 billion mark for the first time and exceeded the previous year’s result by around 6%.

As in previous years, the office asset class was most popular with investors, with a share of just under 50%. The development of the office rental markets in the top 7 locations is reflected in the investment market. As early as the middle of the year, sub-markets somewhat away from the city centre locations in A locations as well as properties with vacancies and leases expiring in the near term were in greater demand; according to JLL’s analyses, risk premiums and spreads on top yields had shrunk to a historically low level. The background to this is the shift in investors’ investment preferences towards products and locations that do not correspond to the previously valid prime criteria and where there is still potential to achieve the targeted return targets at higher rents through suitable management measures and new contracts. In 2018, managed-to-core properties were in corresponding demand and the prices charged rose significantly.

At the end of the year, the average peak yield in the top 7 cities was 3.11%, compared with 3.27% in the previous year. In combination with strong rental growth, the value of office properties in the top 7 locations increased by around 12% in 2018. JLL forecasts growth averaging around 4% for the overall market for office properties in the strongholds in 2019, due to the advanced compression of yields.

3.3. Performance and position of the TTL Group

HIGHLIGHTS

- The TTL Group participates in the positive business development of all its investments
- Since the beginning of the year, the value of our investments has increased by EUR 53.2 million to EUR 99.4 million.
- The Group's equity increased from around EUR 31.1 million to EUR 55.4 million as a result of various capital measures and the consolidated net income for the year
- Net investment income and net interest income were around EUR 6.2 million, five times higher than the previous year's figure of EUR 1.2 million
- In 2018, consolidated profit rose from EUR 0.9 million in the previous year to EUR 4.1 million

Consolidated profit 2017:

EUR 0.9 million

Increase Consolidated profit 2018:

+

to

EUR 4.1 million

With the strategic realignment of the company as an investment company focused on the German commercial real estate market, TTL AG and the TTL Group continued to grow strongly and profitably in 2018. Due to the positive business development, we were able to raise our earnings forecast several times in the course of the year and, as forecast in September 2018, achieve earnings of EUR 4.1 million. TTL AG's performance was thus significantly better than expected at the beginning of 2018.

We also continue to make good progress in the expansion of our investments. TTL AG has been able to acquire control of 50% of the shares in TTL Real Estate GmbH, allowing it to benefit to even greater extent from the growth of the GEG German Estate Group. Our share price also reflects our continuous growth since our strategic realignment. Although volatility is relatively high due to the low free float, the steady development of the share price, which rose above EUR 4 at times, and the resulting significant increase in market capitalisation show that TTL AG is on the right track. As a result of the performance of the associated companies to date and the resulting higher income from investments, we almost quintupled consolidated net income after taxes to EUR 4.1 million compared with the previous year (EUR 0.9 million).

Investment and capital measures in 2018

Overall, the TTL AG Group's net asset, financial and income situation continued to improve significantly as a result of the capital measures and the expansion of financial investments. The company carried out the following capital measures in 2018 and expanded its investment portfolio considerably:

- In March and April 2018, several minority shareholders of TTL Real Estate GmbH contributed a total of 6.05% of the ordinary shares in this company with a value of EUR 9.7 million to TTL AG in two transactions by way of non-cash capital increases, in return for which they received around 2.8 million new shares in TTL AG. This enabled TTL AG to expand its investment management and at the same time broaden its shareholder base.

- In April 2018, the company acquired a further 11.67% of TTL Real Estate GmbH from Deutsche Immobilien Chancen Group for a purchase price of around EUR 18.7 million, thereby increasing its controlled interest in the company to 45.0%. The acquisition was financed by borrowed funds.

- Furthermore, TTL AG was able to raise cash of around EUR 2.5 million by issuing 701,711 shares as part of a cash capital increase at the end of April 2018. EUR 1.5 million of the funds were used to repay loans.

- In July, TTL AG acquired a further 4.5% of the ordinary shares in TTL Real Estate GmbH at a purchase price of EUR 7.2 million.

- In mid-September, TTL AG acquired further ordinary shares in TTL Real Estate GmbH as part of the cash capital increase for a total issue amount (including premium) of around EUR 1.6 million.

TTL AG's share in the voting capital of TTL Real Estate GmbH (directly and indirectly held investments) thus amounts to 50%. This corresponds to a calculated capital share of approx. 45% (previous year: 24%) in this company and indirectly of approx. 34% (previous year: 17%) in the German Estate Group. At the end of the year, TTL AG had invested around EUR 93.5 million (previous year: EUR 40.3 million) in shares in TTL Real Estate GmbH. This also includes an investment in the form of a silent partnership in the amount of EUR 15.4 million, so that the TTL Group generates interest income as well as investment income.

In August, the holders of the convertible bonds from 2017 exercised their conversion right and received 3,475,000 new shares from the Contingent Capital 2017/I. This increased the share capital of TTL to EUR 21,075,000. As a result of this measure, equity increased and liabilities were reduced by approximately EUR 8.1 million compared to the previous year.

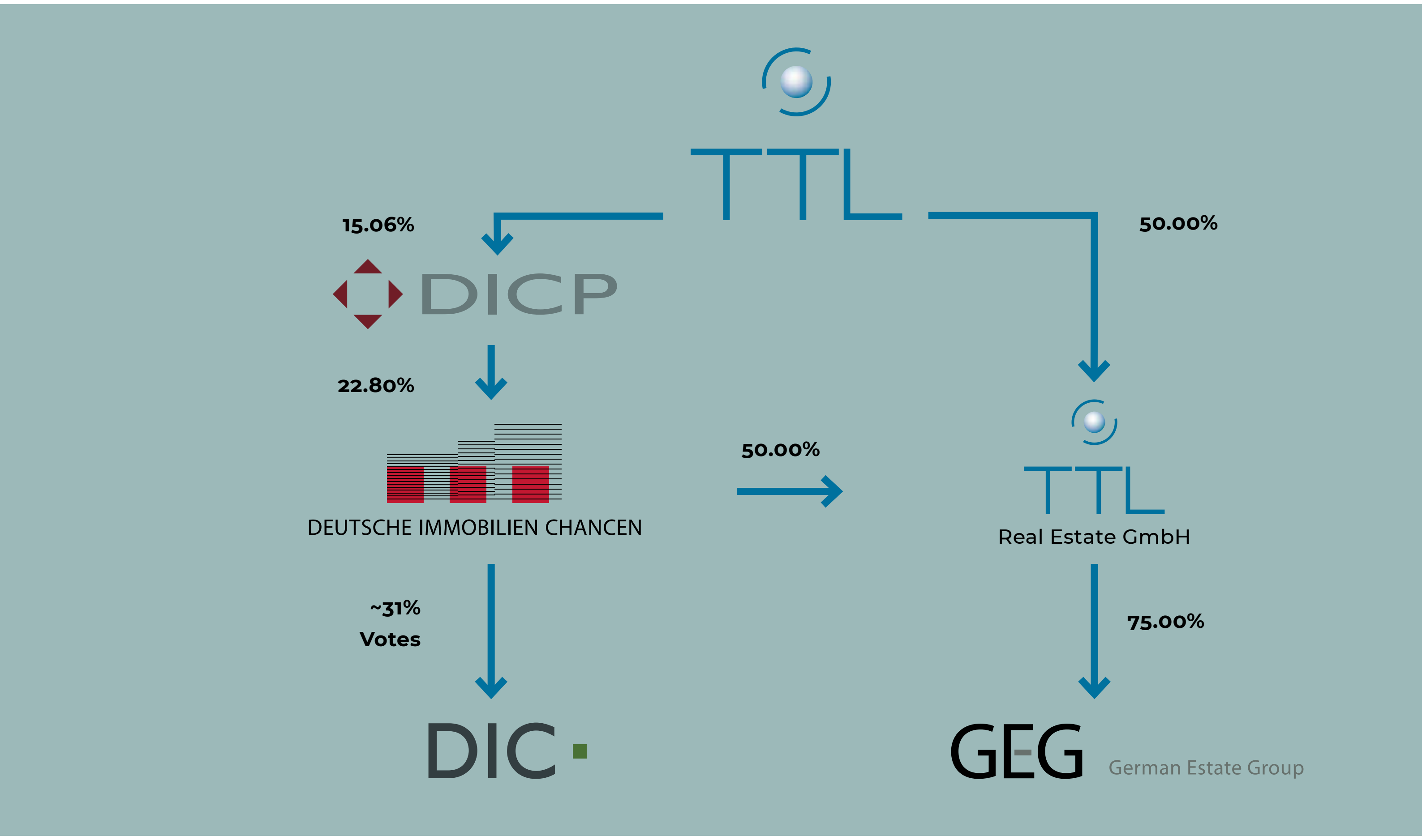
Due to the financing of the expansion of our equity investments through capital increases and long-term loans, this did not result in any cash outflows. The inflows from the cash capital increase were used to repay debt and finance ongoing business operations.

At the end of 2018, TTL was thus able to maintain its

- 50% holding of the ordinary shares in TTL Real Estate GmbH and therefore an indirect share of approx. 34% (previous year: 17%) in the GEG German Estate Group, Frankfurt,
- a stake of approximately 15% in DIC Capital Partners (Europe) GmbH, which is also the controlling shareholder of Deutsche Immobilien Chancen Group. Deutsche Immobilien Chancen Group controls approximately 31% of the votes in the listed company DIC Asset AG, Frankfurt am Main.

Overall, the equity base (including minority interests) increased to around EUR 55.4 million in the year under review, compared with EUR 31.1 million at the end of the previous year. The investment portfolio has a value of over EUR 99.4 million (previous year: EUR 46.2 million). With this development, TTL established itself as a relevant player in the real estate market segment in the year under review.

The current investment structure is as follows:



TTL AG closed the 2018 financial year with consolidated net income of around EUR 4.1 million (previous year: EUR 0.9 million), significantly exceeding our expectations at the beginning of the financial year.

In addition to the expansion of the investment portfolio and the associated measures to improve the asset and capital position, TTL also went through a reorganisation in the year under review. In January 2018, Thomas Grimm was appointed as Chief Financial Officer, the company's first CFO. In addition, operational processes were reorganised as part of the realignment of the company. This includes, in particular, the establishment of controlling and reporting structures with regard to the key control variables, but also the updating of the company's external image.

3.4. Management Board and employees

Since September 2018, TTL has had four employees (including the Management Board).

On 18 January 2018, Thomas Grimm was appointed Chief Financial Officer of the company. He has been a member of the Management Board of the Deutsche Real Estate Opportunities Group since June 2013 and a member of the Management Board of TTL Real Estate GmbH since 2015.

3.5. Net asset, financial and income situation of the TTL Group

The position of the TTL Group is primarily characterised by the expansion of its investment activities. The main control parameters are the value of the investments reported in the balance sheet, the income resulting from the investments as well as the consolidated net income for the year after taxes of the TTL Group - if necessary eliminating non-recurring effects.

Net assets

The net asset situation of the TTL AG Group is characterised by a significant increase in the balance sheet total, which increased from EUR 47.1 million as at the 2017 balance sheet date to EUR 106.3 million as at 31 December 2018. This is almost exclusively attributable to the investments acquired in the 2018 financial year.

On the assets side of the balance sheet, the value of investments in associated companies, including the silent partnership in TTL Real Estate GmbH, reported under non-current assets increased to EUR 99.4 million (previous year: EUR 46.2 million) due to the increase in our indirect investment in the GEG German Estate Group. In addition, the investment in DIC Capital Partners (Europe) GmbH is valued at EUR 6.0 million (previous year: EUR 5.9 million).

On the liabilities side of the balance sheet, equity increased by EUR 20.2 million as a result of capital increases including the conversion of the convertible bond and by a further EUR 4.1 million as a result of the consolidated net income. In the year under review, total consolidated equity increased from EUR 31.1 million to around EUR 55.4 million, of which around EUR 46.8 million (previous year: EUR 23.3 million) was attributable to the shareholders of TTL AG and EUR 8.6 million (previous year: EUR 7.8 million) to minority interests.

On balance, liabilities increased by EUR 34.8 million to EUR 50.9 million. The increase is mainly due to the acquisition of additional shares in TTL Real Estate GmbH in the amount of around EUR 31.4 million. The asset item from the silent partnership in TTL Real Estate GmbH amounting to EUR 15.4 million is offset by a liability of the same amount. The conversion of the convertible bond led to a decrease in financial liabilities of around EUR 8.1 million.

Financial position

The TTL Group's cash and cash equivalents also increased significantly in 2018. At the end of the year, the Group had cash and cash equivalents of around EUR 2.3 million (previous year: EUR 0.6 million).

Financing activities were characterised by cash inflows less issue costs from the cash capital increase of around EUR 2.5 million (previous year: EUR 1.7 million). Dividends received offset cash outflows from investing activities and resulted in a total cash inflow from investing activities of around EUR 0.3 million (previous year: cash outflow of EUR 0.7 million). These payments are offset by net payments of EUR 0.9 million (previous year: EUR 0.4 million) from operating activities.

The investments made were largely financed by contributions in kind or the assumption of corresponding purchase price liabilities, so that no payment transactions resulted from this.

TTL AG's interest-bearing liabilities are generally concluded at fixed interest rates. The average interest rate for interest-bearing liabilities as at 31 December 2018 was 3.7% (previous year: 4.6%). The average remaining term of these financial liabilities is slightly over one year (previous year: 2.2 years).

Results of operations

The profitability of the TTL Group has increased continuously as a result of the measures implemented in 2017 and 2018. TTL generated income of around EUR 0.4 million (previous year: EUR 0.3 million) from its investment in DIC Capital Partners (Europe) GmbH. The investment in the German Estate Group contributed around EUR 6.9 million (previous year: EUR 0.9 million) to consolidated profit, which was considerably higher than in the previous year (previous year: EUR 0.9 million), of which EUR 4.5 million in 2018 relates to income from the silent partnership, which is reported under interest income.

The expansion of business operations is also reflected in increased operating expenses, which are caused in particular by the development of structures in the administrative and controlling areas. Expenses for personnel of around EUR 1.1 million (previous year: EUR 0.1 million) and other operating expenses of EUR 0.9 million (previous year: EUR 0.3 million), mainly for legal and consultancy costs in connection with capital measures as well as for financial statements and auditing costs, are offset by income of around EUR 0.6 million (previous year: EUR 10,000) from the assumption of management positions at subsidiaries and companies in which investments are held.

In the 2018 financial year, the TTL Group generated consolidated net income of EUR 4.1 million, compared with a consolidated net income of EUR 0.9 million in the previous year. Of the consolidated net income, EUR 3.3 million (previous year: EUR 0.5 million) was attributable to the shareholders of TTL AG and EUR 0.8 million (previous year: EUR 0.3 million) to minority interests. Basic and diluted earnings per share amounted to EUR 0.19, after EUR 0.05 in the previous year.

3.6. Net asset, financial and income situation of the TTL Group

Net assets and financial position

The expansion of business operations is also reflected in TTL AG's annual financial statements.

The greatest part of the assets is the indirect investment in the German Estate Group, which is valued at approximately EUR 71.9 million (previous year: EUR 25.8 million) with the shares contributed by the TTL shareholders. Financial assets thus increased by a total of EUR 46.1 million compared with the previous year.

As a result of the merger of GK Beteiligungs GmbH, TTL AG now holds a direct 76% stake in TTL Beteiligungs GmbH (formerly AIRE Asset Investments in Real Estate Beteiligungs GmbH). TTL Beteiligungs GmbH holds a share of around 27% in TTL Real Estate GmbH.

In 2018, a directly held interest of around 23% in TTL Real Estate GmbH was built up in several stages, the acquisition costs for which amounted to EUR 37.3 million. There is also a silent partnership in TTL Real Estate GmbH of EUR 7.1 million.

The interest in DIC Capital Partners (Europe) GmbH is still stated at acquisition costs of around EUR 5.9 million.

Receivables from companies in which a participating interest is held rose from EUR 0.2 million to EUR 2.1 million due to interest income from TTL Real Estate GmbH and result from the typical silent partnership in this company established in 2018.

Current assets rose to EUR 2.3 million (previous year: EUR 0.6 million) in the area of cash and cash equivalents; the deferred item of approximately EUR 0.9 million for the convertible bond issued in the previous year was reversed due to the conversion carried out in August 2018.

Total assets rose to EUR 82.4 million compared with EUR 33.4 million in the previous year.

Equity rose from EUR 23.9 million in the previous year to around EUR 46.5 million as a result of the capital measures carried out and the net income for the year. This also included the conversion of the convertible bond issued in the previous year with a nominal volume of EUR 9.0 million. At the end of 2018, capital reserves of EUR 16.4 million were released to offset the loss carried forward.

At the end of the year, the company was financed in the long-term by borrowed funds in addition to equity in the amount of EUR 34.9 million. The company's financing, in particular in connection with the expansion of its investments, is therefore almost entirely (99%) financed by equity and long-term debt.

Cash and cash equivalents increased by EUR 1.7 million in the past financial year. The funds of EUR 6.0 million raised in connection with financing activities were used for financing activities in the amount of EUR 3.4 million, while operating activities resulted in an outflow of EUR 0.9 million.

Results of operations

The main components of results of operations are sales from service contracts amounting to EUR 0.6 million (previous year: EUR 0 million), income from investments of EUR 0.6 million (previous year: EUR 0.3 million), a merger profit of EUR 1.8 million (previous year: EUR 0.0 million) and interest income of around EUR 2.1 million (previous year: EUR 0.3 million).

Operating expenses, in particular for personnel, in the amount of EUR 1.1 million (previous year: EUR 0.1 million), other operating expenses (mainly consulting and auditing costs) of approximately EUR 1.1 million (previous year: EUR 0.6 million) and interest expenses of EUR 0.6 million (previous year: EUR 0.0 million) had an offsetting effect.

Income from the investment in TTL Real Estate GmbH/German Estate Group AG for 2018 is not yet included in TTL AG's net income for the year here, and will not take effect until next year on the basis of the dividends received.

Overall, TTL AG closed the financial year with earnings of EUR 2.3 million (previous year: EUR -26,000).

Achievement of targets in 2018

TTL AG was thus able to achieve all its targets set at the beginning of the financial year, and in some cases significantly exceed them.

Due to the positive business development, we were able to raise our consolidated earnings forecast several times in the course of the year and, as forecast in September 2018, achieve earnings of EUR 4.1 million.

In connection with the expansion of investments from EUR 46.2 million to EUR 99.4 million, the stable performance of the investments that was forecast was even exceeded.

The significant increase in investment income planned at the beginning of the financial year was achieved by generating an investment and interest result of EUR 6.2 million after EUR 1.2 million in 2017.

4. EVENTS AFTER THE REPORTING DATE

Please refer to the notes for information on events after the end of the financial year.

5. REPORT ON EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

Opportunity and risk management system

Opportunity and risk management is a central component of corporate management. The opportunity and risk policy is derived from the above-mentioned business strategy. Compared with the previous year, opportunity and risk management was expanded, particularly in the areas of monitoring investments, liquidity planning and the controlling and reporting functions. This is done primarily on the basis and analysis of budgets and multi-year corporate plans relating to TTL AG and its investments as well as their annual and other financial reports and information and ad hoc analyses.

The Group's risk management system, in particular the early recognition, identification, analysis and communication of risks, is geared to the TTL Group's current situation, with the aim of identifying at an early stage any developments that might jeopardise the continued existence of the company in order to be able to take effective countermeasures. At the same time, it helps to take advantage of existing opportunities, tap new potential for success and increase the value of the company by taking a controlled approach to managing risks. Balancing opportunities and risks keeps possible negative effects on the company's success to a minimum.

The Management Board controls and monitors the opportunities and risks of the Group on an ongoing basis and reports on these to the Supervisory Board at its meetings.

Opportunities and risks from investing activities

The main focus of opportunity and risk management is on monitoring the development of business and thus the value of the investments entered into. A lack of profit distributions from the associated companies could have a negative impact on both the earnings and the financial position. A negative performance by the associated companies or a deterioration of their economic environment, including the interest rate landscape, could require a correction of their valuation. This in turn would have a negative impact on the financial position of TTL AG.

Opportunities exist in particular in the continued positive development of the companies in which investments have been made, the expansion of the real estate exposure, in particular of the German Estate Group, as well as the expansion of existing investments and the assumption of new exposures to companies and projects in the commercial real estate market.

Due to the successful history of our associated companies, in particular the German Estate Group, and the continued positive market environment in the commercial real estate sector, we currently consider the risks to be low. We consider the potential financial impact of this to be moderate.

Operational opportunities and risks

Since TTL AG, as an investment company, does not conduct any operating business itself, operating risks result primarily from non-compliance with accounting rules and from non-compliance with formal deadlines and dates. In the current environment, the Management Board considers this risk to be low. We consider the possible financial impact of this to be low.

Financing opportunities and risks

The liquidity of TTL AG was significantly improved by the capital measures carried out and the associated higher investment income. TTL is currently financed almost exclusively by equity and long-term debt. By making appropriate use of the funds received as part of the capital measures and the returns from the acquired investments in DIC Capital Partners (Europe) GmbH and the GEG German Estate Group, surpluses in payments are also expected in subsequent years.

Interest rate risks arise from market-related fluctuations in interest rates (market interest rate volatility) and from the company's own interest rate exposure. They can affect the profitability, liquidity, financial position and expansion opportunities of the TTL Group. Due to TTL AG's equity base, we see opportunities to keep TTL AG's financing stable even after taking planned distributions into account and possibly to expand the financing due to the positive capital market environment. To hedge against interest rate fluctuations, TTL AG's interest-bearing liabilities are generally concluded at fixed interest rates.

Under debtor warrant agreements, the company's payment obligations of EUR 1.4 million can be revived if the equity reported in the annual financial statements reaches EUR 100 million. However, on the basis of planning for the development of the Company's equity, the Management Board assumes that it is unlikely that it will be utilized in the foreseeable future; the equity reported in the annual financial statements of TTL AG amounted to EUR 46.5 million at the end of 2018 (previous year: EUR 23.9 million).

Overall, we consider the opportunities and risks of financing to be low in terms of their probability of occurrence and impact.

Overall assessment of the risk and opportunity situation

In summary, the risk and opportunity situation of the company and the Group improved further due to the positive effects of the investment and capital measures.

Risk reporting in relation to the use of financial instruments

The Group's existing financial instruments mainly include long-term financial assets in the form of company shares, long-term and short-term credit liabilities to related companies and bank balances as well as receivables from and payables to suppliers. The conversion right of the convertible bonds issued in 2017 was exercised in 2018. Appropriate measures are taken or adjustments made where default and credit risks are identifiable for financial assets. Liabilities are paid within the agreed payment periods. The Company pursues a conservative risk policy in managing its financial positions..

Internal control and risk management related to the accounting process

The internal control and risk management system of the TTL Group related to accounting methods contains instruments and measures that are appropriate to the business environment and transaction volume of the Group and can be used to prevent accounting-related risks in a coordinated manner or to identify, evaluate and eliminate them in a timely manner. The accounting process of the TTL Group is geared to holding-specific focal points such as the measurement of investments and financing functions. The Management Board is also responsible for the content of these topics. Material information and facts relevant to TTL AG's financial reporting are critically assessed by the Management Board for their conformity with applicable accounting regulations before they are recorded in the outsourced financial accounting system. In addition, the Management Board regularly reviews the monthly evaluations. The Management Board uses an Excel-based planning tool to avoid these risks and to document the workflows to be performed in the process to prepare the individual and consolidated financial statements, their chronological sequence and the (external) persons responsible for them.

Report on expected developments

Based on the forecast stability of the German economy and the German real estate market, we do not expect any significant changes in the direct environment of the company for the 2019 financial year. Nevertheless, unexpected changes in interest rates, further acquisitions or sales of investments and changes in other premises for the 2019 financial year could affect the forecast.

Due to the expansion of the investment portfolio in the past financial year, we expect a further significant increase in investment income for the 2019 financial year, which will more than offset the expected increase in personnel, material and financing costs. We expect the value of our investments to record a stable development.

Both the Group and TTL AG expect a positive result for the year – where relevant excluding non-recurring effects – of approx. 50% above the level for 2018.

TTL AG's capital measures resolved at the extraordinary general meeting in January 2018 also created the basis for further growth. In this context, the Management Board intends to remain squarely on the path of the adopted corporate strategy in the 2019 financial year and to take advantage of opportunities for equity interests in real estate companies. The aim is to further consolidate TTL's position as an important investment company in the real estate sector. In connection with the company's expansion, direct investment in real estate is also conceivable.

Key assumptions for the business forecast are, in particular

- The German economy and labour market remain robust
- No significant worsening of the sovereign debt crisis in the euro area
- No resurgence of the banking crisis in the euro area
- Brexit has no dramatic consequences for the euro area economy
- There is no abrupt departure of the central banks from the policy of cheap money
- There is no significant tightening of requirements in the financing policy of the credit institutions, which would have an inhibiting effect on the transaction process

- No unforeseen regulatory changes enter into force
- There continues to be high demand from institutional investors for real estate investments managed by our investment companies

If the underlying assumptions do not materialise or other extraordinary developments occur, our forecast may differ materially from the actual results.

6. OTHER STATUTORY DISCLOSURES

6.1. Declaration on corporate governance in accordance with Sections 289 f/315 d HGB

The corporate governance statement for 2018 is published on the Company's website at https://www.ttl-ag.de/en/investor-relations/corporate-governance/corporate-governance-report.html

6.2. Remuneration report

Remuneration of the Supervisory Board

According to the Articles of Association of TTL AG, the members of the Supervisory Board receive a fixed basic remuneration of EUR 7,669.50. The Chairman of the Supervisory Board receives twice the fixed basic remuneration. Variable remuneration is not paid. Supervisory Board members who were not in office for the entire financial year receive one-twelfth of the remuneration for each month of service or part thereof. The Supervisory Board is entitled to remuneration totalling EUR 38,789.97 for its activities in 2018. The Supervisory Board waived remuneration for its activities in the 2017 financial year.

Remuneration of the Management Board

For the past financial year, the Management Board is entitled to a remuneration of EUR 931,549.33 (previous year: EUR 116,244.81).

Some of this remuneration includes performance-related components or components with a long-term incentive effect.

MR THEO REICHERT

Mr Reichert received fixed remuneration of EUR 250,000 for his activities in the 2018 financial year. Fringe benefits consist of the provision of a company car, a mobile phone as well as limited contributions to insurance policies, in particular accident, health and pension insurance policies and other private pension plans. There are no commitments for a company pension scheme. He is entitled to a performance-related variable remuneration of a maximum of EUR 250,000 (remuneration with a short-term incentive effect) for the past financial year, which is also determined by the Supervisory Board.

Mr Reichert was also granted variable remuneration with a long-term incentive effect, which is based on the development of the stock market price of the company's shares (virtual stock options). This remuneration is the result of any positive difference between the average closing price in a reference period of ten trading days prior to the exercise of the options and the contractually regulated exercise price of EUR 1.50 per virtual share with regard to 35,000 shares and can be exercised at the earliest on 30 September 2020 (vesting period) and at the latest on 31 March 2021 (expiration date). According to the Black-Scholes model, the value of the stock option was EUR 27,000 as at 31 December 2018, taking into account the previous service period.

No benefits were promised in the event of premature or regular termination of his employment.

MR THOMAS GRIMM

For his work from 18 January 2018, Mr Grimm received a fixed remuneration of EUR 193,000. Fringe benefits consist of the provision of a mobile phone and limited contributions to insurance policies, in particular accident, health and pension insurance policies and other private pension plans. There are no commitments for a company pension scheme. He is entitled to a performance-related variable remuneration of a maximum of EUR 193,000 (remuneration with a short-term incentive effect) for the past financial year, which is also determined by the Supervisory Board.

Mr Grimm was also granted variable remuneration with a long-term incentive effect, which is based on the development of the share price of the company (virtual share options). This remuneration is the result of any positive difference between the average closing price in a reference period of ten trading days prior to the exercise of the options and the contractually regulated exercise price of EUR 1.50 per virtual share with regard to 35,000 shares and can be exercised at the earliest on 30 December 2020 (vesting period) and at the latest on 30 June 2021 (expiration date). According to the Black-Scholes model, the value of the stock option was at EUR 21,000 as at 31 December 2018, taking into account the previous service period.

No benefits were promised in the event of premature or regular termination of his employment.

OVERVIEW OF MANAGEMENT BOARD REMUNERATION IN THE 2018 FINANCIAL YEAR

	THEO REICHERT				THOMAS GRIMM			
	2018			**since 18/01/2017**	**since 18/01/2018**			
In euros	2018 anticipated	2018 minimum	2018 maximum	2017	2018 anticipated	2018 minimum	2018 maximum	2017
Fixed remuneration	250,000	250,000	250,000	62,500	193,374	193,374	193,374	0
	1,352	1,352	1,352	645	0	0	0	0
Total	**251,352**	**251,352**	**251,352**	**63,145**	**193,374**	**193,374**	**193,374**	**0**
One-year variable Remuneration	167,000	0	250,000	42,000	129,000	0	193,374	0
Multi-year variable Remuneration (Long-term incentive plan 2017/18-2020)	22,156	0	22,156	4,950	21,294	0	21,294	0
Total	**189,156**	**0**	**272,156**	**46,950**	**150,294**	**0**	**214,668**	**0**
Pension expense	0	0	0	0	0	0	0	0
Total remuneration	**440,508**	**251,352**	**523,508**	**110,095**	**343,668**	**193,374**	**408,041**	**0**

6.3. Report on the takeover situation and other disclosures pursuant to Section 289a (1), 315a (1) HGB

Composition of subscribed capital

As at 31 December 2018, the subscribed capital of TTL Beteiligungs- und Grundbesitz-AG consisted of 21,075,000 no-par value bearer shares. There are no shares with special rights conferring powers of control.

The Management Board has no authority to buy back shares in the company.

Authorised capital

At the Company's Extraordinary General Meeting on 23 January 2018, the Company's shareholders approved a new Authorised Capital 2018/I in the amount of EUR 7,066,666.00. The non-cash capital increase and cash contributions in March and April 2018, which were entered in the commercial register on 8 May 2018, exhausted the authorised capital of EUR 3,466,667.00.

At the Annual General Meeting on 15 June 2018, the remaining Authorised Capital 2018/I was cancelled and a new Authorised Capital 2018/II was created. Accordingly, the Management Board is authorised, with the consent of the Supervisory Board, to increase the Company's share capital by up to a total of EUR 8,800,000.00 (Authorised Capital 2018/II) on one or more occasions until 14 June 2023 by issuing new no-par value bearer shares against cash contributions and/or contributions in kind.

The number of shares must be increased in the same ratio as the share capital. In principle, the shareholders are to be granted subscription rights. The statutory subscription right may be granted to the shareholders in such a way that the shares are issued by one or more credit institutions or companies within the meaning of Section 186 (5) sentence 1 German Stock Corporation Act (AktG) with the obligation to offer them to the shareholders for subscription (indirect subscription right).

However, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders,

- in order to exclude fractional amounts from the shareholders' subscription rights;

- if the new shares are issued in return for cash contributions and the issue price of the new shares is not significantly lower than the market price of the shares already quoted on the stock exchange with essentially the same features at the time of the final determination of the issue price. The total number of shares issued in this way under exclusion of subscription rights may not exceed 10% of the share capital, either at the time this authorisation becomes effective or at the time it is exercised. Other shares issued or sold during the term of this authorisation under exclusion of subscription rights in direct or corresponding application of Section 186 (3) sentence 4 AktG shall count towards the maximum limit of 10% of the share capital. Shares to be issued to service option or conversion rights or option or conversion obligations from convertible bonds and/or bonds with warrants and/or profit-sharing certificates shall also be included if these bonds or profit-sharing rights are issued during the term of this authorisation under exclusion of subscription rights in corresponding application of Section 186 (3) sentence 4 AktG;

- if the capital increase takes place against contributions in kind, in particular within the framework of mergers or for the purpose of acquiring companies, parts of companies, participations in companies or other assets eligible for contribution in connection with such transactions or claims to the acquisition of other assets including claims against the company;

- if it is necessary to grant holders or creditors of bonds with warrants and/or convertible bonds with option or conversion rights or option or conversion obligations issued by the Company or Group companies in which the Company directly or indirectly holds a 100% interest a subscription right to new shares to the extent to which they would be entitled as shareholders after exercising the option or conversion rights or after fulfilment of option or conversion obligations.

The Management Board is authorised, with the consent of the Supervisory Board, to determine the content of the share rights, the further details of the capital increase and the conditions of the share issue, in particular the issue price. The dividend entitlement of the new shares may also deviate from Section 60 (2) AktG; to the extent permitted by law, the new shares may in particular also carry dividend entitlement from the beginning of the financial year preceding their issue if, at the time of the issue of the new shares, a resolution on the appropriation of profits for this financial year has not yet been passed by the Annual General Meeting.

The Supervisory Board is authorised, after utilisation of Authorised Capital 2018 or after expiration of the period for utilisation of Authorised Capital 2018, to amend the wording of the Articles of Association accordingly.

Contingent Capital 2017/I

The Contingent Capital 2017/I totalling EUR 4,766,666.00 resolved by the Annual General Meeting on 2 June 2017 was utilised in August 2018 by converting the convertible bond issued in December 2017 in the amount of EUR 3,475,000.00 and has amounted to EUR 1,291,666.00 since then.

The purpose of the contingent capital increase is to issue new no-par value bearer shares to the holders or creditors of bonds with warrants and/or convertible bonds (collectively, „bonds"), each with option or conversion rights or option or conversion obligations, which, on the basis of the authorisation resolved by the Annual General Meeting on 2 June 2017 under agenda item 7, will be exercised by the Company or by a Group company in which the Company directly or indirectly holds a 100% interest until 1 June 2022. The number of shares must be increased in the same proportion as the share capital. The new shares will be issued at the option or conversion price to be determined in accordance with the authorisation of the Annual General Meeting on 2 June 2017 under agenda item 7 a). The contingent capital increase will only be implemented if holders or creditors of bonds exercise option or conversion rights or fulfil their option or conversion obligations, or if the Company or the Group company issuing the bond exercises an option to grant no-par value shares in the Company, in whole or in part, upon payment of the amount of money due, and if no cash settlement is granted or treasury shares or shares from authorised capital or shares of another listed company are used to service these rights. The new shares participate in profits from the beginning of the financial year in which they are created by exercising option or conversion rights or by fulfilling option or conversion obligations. The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the contingent capital increase.

Contingent Capital 2018/I and 2018/II

Contingent Capital 2018/I of EUR 2,300,000.00 was resolved at the Extraordinary General Meeting on 23 January 2018. This was cancelled at the Annual General Meeting on 15 June 2018 and a new Contingent Capital 2018/II was created.

The share capital is conditionally increased by up to EUR 4,033,334.00 by issuing up to 4,033,334 new bearer shares (Contingent Capital 2018/II). The number of shares must be increased in the same proportion as the share capital. The contingent capital increase serves to grant new no-par value bearer shares to the holders or creditors of bonds with warrants and/or convertible bonds (together referred to as „bonds"), each with option or conversion rights or option or conversion obligations, which are issued by the Company or by a Group company until 14 June 2023 on the basis of the authorisation resolved by the Annual General Meeting on 15 June 2018 under agenda item 9, in which the Company directly or indirectly holds a 100% interest. The new shares will be issued at the option or conversion price to be determined in accordance with the authorisation of the Annual General Meeting on 15 June 2018 under agenda item 9 b). The contingent capital increase will only be implemented if holders or creditors of bonds exercise option or conversion rights or fulfil their option or conversion obligations, or if the Company or the Group company issuing the bond exercises an option to grant no-par value shares in the Company, in whole or in part, upon payment of the amount of money due, and if no cash settlement is granted or treasury shares or shares from authorised capital or shares of another listed company are used to service these rights. The new shares participate in profits from the beginning of the financial year in which they are created by exercising option or conversion rights or by fulfilling option or conversion obligations. The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the contingent capital increase. The Supervisory Board is authorised to amend the wording of the Articles of Association in accordance with the issue of subscription shares and to make all other related amendments to the Articles of Association that only affect the wording. The same applies mutatis mutandis in the event of non-utilisation of the authorisation to issue bonds after expiration of the authorisation period and in the event of non-utilisation of the Contingent Capital 2018/II after expiration of the periods for exercising option or conversion rights or for fulfilling option or conversion obligations.

Direct and indirect investments in the capital exceeding 10% of the voting rights

According to the latest notification of voting rights received, AR Holding GmbH has held a total of 14,083,545 no-par value bearer shares since 30 August 2018 (corresponding to 66.83% of the voting rights). The Federal Financial Supervisory Authority (BaFin) exempted AR Holding GmbH from the obligation to submit a mandatory offer in connection with the restructuring of TTL AG.

There are no other direct or indirect interests in the capital that exceed 10% of the voting rights.

Statutory provisions and provisions of the Articles of Association regarding the appointment and dismissal of members of the Management Board and amendments to the Articles of Association

The appointment and dismissal of members of the Management Board is governed by Sections 84 et seq. AktG. Pursuant to Article 7 of the Articles of Association, the number and appointment of ordinary and deputy members of the Management Board, the conclusion of employment contracts and the revocation of appointments are determined by the Supervisory Board. The Supervisory Board may appoint a member of the Management Board as Chairman of the Management Board.

Amendments to the Articles of Association are made in accordance with the regulations in Sections 179 et seq. AktG. The resolutions of the Annual General Meeting require a simple majority of the votes cast, unless the law prescribes otherwise (Section 20 of the Articles of Association).

6.4. Relations with affiliated companies

The Company has prepared a dependent company report on its relationships with affiliated companies in accordance with Section 312 AktG. This report lists all legal transactions which the Company or its subsidiaries have undertaken in the past financial year with affiliated companies or at the instigation or in the interest of one of these companies in the past financial year, and all other measures which the Company has undertaken or omitted to undertake at the instigation or in the interest of these companies in the past financial year.

The report concludes with the following declaration:

“We hereby declare that according to the circumstances known to us at the time when the legal transactions were carried out, our Company received appropriate consideration or remuneration for each legal transaction. No action was taken or omitted at the instigation or in the interest of the controlling company.”

Munich, 18 February 2019

Theo Reichert
– CEO –

Thomas Grimm
– CFO –

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT 31/12/2018

ASSETS

	Notes	31/12/2018 TEUR	31/12/2017 TEUR
Non-current assets			
Property, plant and equipment	(20)	5	5
Financial assets			
Financial assets accounted for using the equity method	(21)	78,119	40,346
Other equity investments	(22)	5,971	5,850
Loans to related parties	(23)	15,350	0
		99,445	**46,201**
Current assets			
Other financial assets	(24)	4,532	248
Income tax assets		33	42
Other assets	(24)	10	32
Cash	(25)	2,288	619
		6,863	**941**
TOTAL ASSETS		**106,308**	**47,142**

EQUITY

	Notes	31/12/2018 TEUR	31/12/2017 TEUR
Equity			
Subscribed capital	(26)	21,075	14,133
Capital reserve	(26)	32,578	35,763
Reserve for financial instruments at fair value through other comprehensive income	(26)	114	0
Retained Earnings	(26)	-6,936	-26,641
Equity attributable to shareholders of TTL AG		**46,831**	**23,255**
Non-controlling interests	(26)	8,595	7,800
Equity		**55,426**	**31,055**
Non-current liabilities			
Bonds	(27)	0	8,053
Other liabilities	(27)	48	5
Non-current loans payable	(27)	43,195	343
		43,243	**8,401**
Current liabilities			
Provisions for taxes	(27)	617	0
Trade accounts payable	(27)	341	76
Non-current loans payable	(27)	5,973	7,330
Other liabilities	(27)	708	280
		7,639	**7,686**
TOTAL LIABILITIES		**106,308**	**47,142**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018

	Notes	2018 TEUR	2017 TEUR
Revenues	(14)	605	10
Other operating income	(15)	67	62
Personnel	(16)	-1,147	-124
Depreciation		-3	0
Other operating expenses	(15)	-1,008	-315
Result from operating activities		**-1,486**	**-367**
Income from investments	(17)	350	300
Profit shares of companies accounted for using the equity method	(17)	2,393	911
Other interest and similar income	(17)	4,479	266
Interest and similar expenses	(17)	-984	-250
Financial		**6,238**	**1,227**
Result before income taxes		**4,752**	**860**
Taxes on income and earnings	(18)	-617	0
CONSOLIDATED PROFIT		**4,135**	**860**
of which attributable to shareholders of TTL AG		3,340	525
of which attributable to minority interests		795	335
Basic earnings/diluted earnings per share (EUR)	(19)	0.19	0.05
OTHER INCOME			
Profit/loss from the measurement of financial instruments held for sale (items that cannot be reclassified to the income statement in the future)	(22)	114	0
TOTAL COMPREHENSIVE INCOME		**4,249**	**860**
of which attributable to shareholders of TTL AG		3,454	525
of which attributable to minority interests		795	335

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 2018 FINANCIAL YEAR

	Notes Chapter IX	2018 TEUR	2017 TEUR
Cash flow from operating activities			
Result before income taxes		**4,752**	**860**
Depreciation of property, plant and equipment		-3	1
Increase/decrease in provisions		477	123
Increase/decrease in tax provisions		617	0
Income from investments		-501	-300
Shares of profit or loss of accounted companies		-2,393	-911
Income from sales of financial assets		0	-56
Other non-cash income/expenses		-59	-8
Interest income		-4,479	-266
Interest expenses		0	250
Taxes paid		366	-35
Changes in assets and liabilities			
Other receivables and assets		-5	-46
Other liabilities		303	-7
CASH FLOW FROM OPERATING ACTIVITIES		**-925**	**-394**
Cashflow aus Investitionstätigkeit			
Acquisition/disposal of property, plant and equipment		3	-6
Other equity investments		39	-971
Payments for the acquisition of consolidated companies		-264	-149
Payments for the acquisition of financial assets		-1,600	0
Payments received for short-term loans from affiliated companies		1,600	1,400
Payments made for short-term loans to affiliated companies		0	-1,400
Interest received		0	264
Dividends received		501	149
Proceeds from sales of financial assets		0	56
CASH FLOW FROM INVESTING ACTIVITIES		**279**	**-657**
Cash flow from financing activities			
Inflows from Capital increase		2,526	1,494
Proceeds from loans received from affiliated companies		1,500	1,150
Repayment of loans to affiliated companies		-1,711	-1,000
Interest paid		0	-14
CASH FLOW FROM FINANCING ACTIVITIES		**2,315**	**1,629**
Net change in cash and cash equivalents		**1,669**	**578**
Changes in cash and cash equivalents due to changes in the scope of consolidation		0	21
Cash and cash equivalents at the beginning of the reporting period		619	20
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD		**2,288**	**619**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 2018 FINANCIAL YEAR

	Subscribed capital	Contribution made to implement the resolved capital increase
	TEUR	TEUR
As at 1 January 2017	**6,550**	**1,250**
Capital contribution from owners recognised in equity	7,583	-1,250
Total comprehensive income	0	0
Equity component of the convertible bond	0	0
Change in group of consolidated companies	**0**	**0**
As at 31 December 2017	**14,133**	**0**
Capital contribution from owners recognised in equity	6,942	0
Release of capital reserves	0	0
Consolidated profit or loss	0	0
Other comprehensive income	0	0
AS AT 31 DECEMBER 2018	**21,075**	**0**

Reserve for financial instruments as fair value through other comprehensive income	Capital reserve	Retained Earnings	Total TTL AG shareholder equity	Non-controlling interests	Total equity
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
0	**23,116**	**-26,197**	**4,719**	**0**	**4,719**
0	11,660	0	17,994	0	17,994
0	0	525	525	335	860
0	987	0	987	0	987
0	**0**	**-970**	**-970**	**7,465**	**6,495**
0	**35,763**	**-26,641**	**23,255**	**7,800**	**31,055**
0	13,180	0	20,122	0	20,122
0	-16,365	16,365	0	0	0
0	0	3,340	3,340	795	4,135
114	0	0	114	0	114
114	**32,578**	**-6,936**	**46,831**	**8,595**	**55,426**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2018

I. BASIC INFORMATION

TTL Beteiligungs- und Grundbesitz-AG (hereinafter referred to as „TTL AG“ or the „Company“) operates as a holding company in Germany. The operating indirect investment companies of TTL AG are predominantly active in investment and asset management. The Company is registered with the local court in Munich under HRB 125559, the registered office of the company is Theresienhöhe 28 in 80339 Munich.

The Company’s shares are listed in XETRA trading and on all German stock exchanges.

The consolidated financial statements are presented in euros. Unless otherwise indicated, all financial information presented in euros has been rounded to the nearest thousand. For legal reasons, rounding differences may occur in tables and references to the values (TEUR; percentages (%) etc.) resulting from the exact subject matter.

II. PRINCIPLES AND METHODS

The consolidated financial statements were prepared in accordance with all International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, Great Britain, applicable on the balance sheet date, as well as all interpretations of the IFRS Interpretations Committee binding for the past financial year as adopted by the European Union. In addition, the provisions of German commercial law pursuant to Section 315e (1) and Section 289a HGB were applied.

The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting and measurement principles. The annual financial statements of the fully consolidated companies are prepared as of the balance sheet date of the consolidated financial statements.

The balance sheet is classified according to the maturity of the assets and liabilities. Assets and liabilities are regarded as current if they are due within one year or are to be sold. Accordingly, assets and liabilities are classified as non-current if they remain in the Group for more than one year. Trade receivables and payables, tax refund claims and tax payables are generally reported as current items. Deferred tax assets and liabilities are generally presented as non-current.

The consolidated financial statements were prepared under the going concern assumption.

To a very limited extent, assumptions and estimates must be made in the consolidated financial statements that affect the amount and disclosure of assets and liabilities, income and expenses and contingent liabilities reported in the balance sheet. The main areas of application for assumptions and estimates are the determination of the fair value of financial assets, the measurement of provisions and the calculation of the fair value of liabilities from debtor warrant agreements. The actual values may differ from the estimates.

All assets and liabilities for which the fair value is determined or reported in the financial statements are classified in the measurement hierarchy described below, based on the input factor of the lowest level that is material for measurement at fair value:

- **Level 1 -** Prices quoted (unadjusted) in active markets for identical assets or liabilities
- **Level 2 -** Measurement techniques where the input factor of the lowest level that is significant overall for fair value measurement is observable directly or indirectly in the marketplace
- **Level 3 -** Measurement techniques for which the input factor of the lowest overall level material to fair value is not observable in the market.

For assets and liabilities recognised in the financial statements on a recurring basis at fair value, the Group determines whether there has been a reclassification between the levels of the hierarchy by reviewing the classification at the end of each reporting period (based on the input factor of the lowest level that is significant overall for measurement at fair value).

III. EFFECTS OF NEW ACCOUNTING STANDARDS

a) New and revised standards and interpretations to be applied for the first time during the financial year

The Group adopted the following new and revised standards and interpretations on 1 January 2018:

> Annual Improvements to IFRSs (Cycle 2014-2016)

On 8 December 2016, the IASB published the Amending Standard Annual Improvements to IFRSs (2014-2016). The changes foreseen in the 2014-2016 cycle comprise three standards and concern in detail:

> IFRS 1: Deletion of short-term exemptions for first-time adopters (paragraphs E3-E7) because they have fulfilled their intended purpose.

> IFRS 12: Clarification regarding the scope of the standard (with the exception of paragraphs B10-B16) with respect to investments held for sale or distribution or classified as discontinued operations in accordance with IFRS 5.

> IAS 28: Clarification that the option of measuring investments in associates and joint ventures at fair value through profit or loss may be exercised for each investment (investment on investment basis) for users to whom this option applies (e.g. venture capital companies).

The amendments to IFRS 12 became effective for financial years beginning on or after 1 January 2017, while the amendments to IFRS 1 and IAS 28 became effective for financial years beginning on or after 1 January 2018. The EU endorsement was issued on 7 February 2018.

The first-time application of these amendments does not result in any changes.

> IFRS 9 Financial Instruments

IFRS 9 relates to the classification and measurement of financial instruments and the recognition of derivatives and hedging relationships and has replaced IAS 39 Financial Instruments: Recognition and measurement. The rules for a portfolio fair value hedge against interest rate risks in accordance with IAS 39 have not been replaced. This part will be pursued further in a separate project called „Macro Hedge“. The new provisions of IFRS 9 change the criteria for categorising financial instruments. First, a new impairment model is being introduced. In addition, the rules for the recognition of hedging relationships are also being revised. The standard is effective at the earliest for reporting periods beginning on or after 1 January 2018, with early adoption permitted. The EU endorsement was issued on 22 November 2016.

TTL AG applied the new accounting standards for the first time as at 1 January 2018 without adjusting the comparison period.

For TTL AG, there are no significant changes in the categorisation. The equity instruments previously classified as available for sale are classified as financial instruments at fair value through other comprehensive income when IFRS 9 is applied for the first time.

Financial instruments classified as loans and receivables in accordance with IAS 39 are classified as financial instruments carried at amortised cost. The classification of financial liabilities remains unchanged in the context of the first-time application of IFRS 9. The amended impairment model in accordance with IFRS 9 has no material impact on the consolidated financial statements. The disclosures required under IFRS 7 in the notes to the financial statements, which were also required by the introduction of IFRS 9, have been applied accordingly in these financial statements.

> IFRS 15 „Revenue from Contracts with Customers“

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. This results in new rules on the timing and amount of revenue recognition. IFRS 15 completely replaces the previous regulations on revenue recognition, consisting of IAS 18 and IAS 11 as well as various standard interpretations, and regulates several new aspects. The standard is effective for financial years beginning on or after 1 January 2018, with early adoption permitted.

The EU endorsement was issued on 22 September 2016. The regulations were taken into account in accounting at the level of the associated company TTL Real Estate GmbH.

> Clarifications to IFRS 15 „Revenue from Contracts with Customers“

The clarification to IFRS 15 was published in April 2016 and contains three specific amendments and facilitating transitional rules to IFRS 15. This results in no changes for TTL AG.

> Amendments to IAS 40 „Investment Property“ - Transfers of Investment Property

The amendment contains guidelines on the transfer to or from the portfolio of properties held as financial investments. The amendment states that a transfer is possible if there is evidence of a change in use. Change in use means that the property now meets or no longer meets the definition of an investment property. The amendments are to be applied for financial years beginning on or after 1 January 2018. The EU endorsement was issued on 14 March 2018. This results in no changes for TTL AG.

> Amendments to IFRS 2 „Share-based Payment“ - Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 contain clarifications regarding the accounting treatment of certain cash-settled share-based payment transactions. IFRS 2 requires companies to report transactions in connection with share-based payments in their financial statements. These contain clarifications regarding the accounting treatment of certain share-based payment transactions. The amendments to IFRS 2 are effective for financial years beginning on or after 1 January 2018. The EU endorsement was issued on 26 February 2018. This results in no changes for TTL AG.

> IFRIC 22 “Transactions in Foreign Currencies and Consideration Paid in Advance”

The interpretation clarifies the accounting treatment of transactions involving the receipt or payment of consideration in a foreign currency. The interpretation is effective for annual periods beginning on or after 1 January 2018. The EU endorsement was issued on 28 March 2018. This results in no changes for TTL AG.

b) Standards and interpretations not applied (published but not yet mandatory or in part not yet applicable in the EU)

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have adopted further standards and interpretations that are not yet mandatory for the 2018 financial year or have yet to be endorsed by the EU.

> Amendments to IAS 28 „Investments in Associates“ - Non-current Investments in Associates and Joint Ventures

The amendments relate to the clarification of the exclusion of equity investments within the meaning of IAS 28 from the scope of IFRS 9. IFRS 9 is not applied to investments in associates or joint ventures accounted for using the equity method. IFRS 9 is always applied to non-current investments that form part of the net investment in an associate or joint venture. The amendments are to be applied for financial years beginning on or after 1 January 2019. The EU endorsement was issued on 8 February 2019.

> IFRS 16 „Leases“

In the future, IFRS 16 will replace the standards and interpretations IAS 17, IFRIC 4, SIC-15 and SIC-27. In future, the new regulations will eliminate the distinction between finance and operating lease agreements. Instead, the lessee must account for the economic right to the leased asset in the form of a right of use, which is depreciated over the term of the lease agreement. Correlating to this, a liability in the amount of the present value of the future lease payments is to be carried as a liability and carried forward using the effective interest method. The definition of leases at the lessor corresponds to the successful application of IAS 17. The standard enters into force on 1 January 2019. The EU endorsement followed on 31 October 2017. TTL AG does not expect any material effects on the consolidated financial statements in the context of the first-time application of IFRS 16.

> Amendments to IFRS 9 „Financial Instruments“ - Prepayment Features with Negative Compensation

The amendment relates to the classification of financial instruments with prepayment features with negative compensation. The cash flow condition is not fulfilled under the previous regulations if the lender has to pay a prepayment penalty in the event of a termination by the borrower. The new regulation provides for measurement at amortised cost (or at fair value through other comprehensive income) even in the case of negative compensation payments. It was also clarified that the carrying amount of a financial liability must be adjusted immediately through profit or loss after modification. The amendments are to be applied retrospectively for financial years beginning on or after 1 January 2019. The EU endorsement was issued on 22 March 2018.

> IFRIC 23 “Uncertainty over Income Tax Treatments”

The new interpretation clarifies the uncertainties about the tax burden to be paid for the financial year, as the tax recognition of the arrangements made will not be clarified until a later point in time. If recognition for tax purposes is uncertain but probable, accounting is in accordance with the tax return, without taking uncertainty into account. If the tax recognition is not probable, the tax burden is valued either at the most probable value or at the expected value. The interpretation is effective for financial years beginning on or after 1 January 2019. The EU endorsement was issued on 23 October 2018.

> IFRS 17 “Insurance Contracts”

IFRS 17 “Insurance Contracts” was issued on 18 May 2017. The new standard pursues the goal of consistent, principle-based accounting for insurance contracts and requires the measurement of insurance liabilities at current settlement value. This leads to the uniform measurement and presentation of all insurance contracts. The standard is effective for financial years beginning on or after 1 January 2021. The EU endorsement is still pending.

> Annual Improvements to IFRSs (Cycle 2015-2017)

On 12 December 2017, the IASB published the Amending Standard Annual Improvements to IFRSs (Cycle 2015-2017). The planned changes within the framework of the 2015-2017 cycle comprise three standards and concern in detail:

> IFRS 3 and IFRS 11: Clarification of accounting for previously held interests in joint operations in the event that joint control is achieved for the first time. If an investor acquires sole control for the first time, the previously held shares must be revalued. If, on the other hand, only joint control is acquired, there is no reason for a remeasurement.

> IAS 12: Clarification of the accounting for tax effects of financial instruments recognised as equity. This made it clear that all income tax effects of dividends must be reported in operating income, regardless of how they arise.

> IAS 23: Clarification of the determination of borrowing costs when an asset previously under construction has been completed. Clarification that borrowed funds raised for a qualified asset are also available to finance other assets after the completion or sale of that asset. The amendments are mandatory from 1 January 2019. The EU endorsement is still pending.

> Amendment to IAS 19: Plan Amendment, Curtailment or Settlement

On 7 February 2018, the IASB published amendments to IAS 19. The amendments to IAS 19 now specifically stipulate that after an amendment, settlement or curtailment of a defined benefit plan during the year, current service cost and net interest for the remaining period must be recalculated using current actuarial assumptions. In addition, the amendment clarifies how changes, reductions or settlements in the plans affect the required asset ceiling. The changes will take effect on 1 January 2019. The EU endorsement is still pending.

> Revision of the Conceptual Framework

On 29 March 2018, the IASB published a revised version of the conceptual framework. It contains revised definitions of assets and liabilities as well as new guidelines on measurement and derecognition, presentation and disclosure. The updates of the cross-references in the individual standards are to be applied from 1 January 2020, subject to the EU adoption planned for 2019.

> Amendments to IFRS 3 “Definition of a Business”

On 22 October 2018, the IASB published amendments to IFRS 3 concerning the “Definition of a Business”. The amendment is intended to clarify whether a business or a group of assets has been acquired. The amendment supplements text numbers in the notes, the application guidelines and examples which clarify the three elements of a business. The amendments are to be applied for financial years beginning on or after 1 January 2020. The EU endorsement is still pending.

> Amendments to IAS 1 and IAS 8 “Definition of Materiality”

On 31 October 2018, the IASB issued amendments to the definition of materiality of financial statement information. The amendments relate to IAS 1 and IAS 8. Together with additional explanatory notes, the amendments are intended in particular to facilitate the assessment of materiality for preparers of IFRS financial statements. In addition, the amendments ensure that the definition of materiality is uniform in the IFRS rules and regulations. The amendments are to be applied for financial years beginning on or after 1 January 2020. The EU endorsement is still pending.

The effects of the first-time application of the aforementioned standards and interpretations on the consolidated financial statements of TTL AG are currently being reviewed or have not yet been finalised, so that no reliable statements on the possible changes are possible at present, unless otherwise described.

IV. PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidation principles

The consolidated financial statements are based on the annual financial statements of the subsidiaries included in the Group as of 31 December 2018, prepared in accordance with the uniform rules of the IFRSs to be applied in the EU. In accordance with the definition in IFRS 10, subsidiaries are all companies whose annual accounts prepared in accordance with the uniform rules of the IFRS to be applied in the EU as at 31 December 2018 the Group uses as the basis for the preparation of the consolidated financial statements.

According to the definition of IFRS 10, subsidiaries are all companies in which the Group has the power to make decisions about the relevant operating processes on a contractual or factual basis and which are used to generate variable returns. Acquired subsidiaries are accounted for using the purchase method. Intragroup sales, expenses and income as well as all receivables and payables between the consolidated companies are eliminated.

2. Group of consolidated companies

In addition to TTL AG, the consolidated financial statements include the following domestic subsidiaries in which TTL AG directly or indirectly holds the majority of voting rights:

Company name and registered office	TTL AG's shareholding	
	31/12/2018	31/12/2017
TTL International GmbH, Munich	100%	100%
1st DATA Solution Vertriebs- GmbH, Munich	100%	100%
TTL Consult IT GmbH, Munich	100%	100%
C-CONNECTION Computer & Network Solutions GmbH, Munich	100%	100%
GK Beteiligungs GmbH, Glattbach	2018 merged	100%
TTL Beteiligungs GmbH (formerly AIRE Asset Investments in Real Estate Beteiligungs GmbH), Glattbach	76%	76%
AIRE Asset Investments in Real Estate GmbH, Glattbach	2018 merged	76%

The Group companies prepare their financial statements on the reporting date of the consolidated financial statements.

The mergers of GK Beteiligungs GmbH, Glattbach, and AIRE Asset Investments in Real Estate GmbH, Glattbach, were carried out to simplify the Group structure. This had no impact on the consolidated financial statements.

3. Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost less depreciation. Operating and office equipment is depreciated over three to five years. Impairment losses exceeding the use-related depreciation are accounted for by write-downs.

4. Shares in financial assets accounted for using the equity method

Associates are entities in which the Group has significant influence, but no control or joint control, over the financial and operating policies. Under the equity method, investments in associates are carried at cost plus directly attributable transaction costs and adjusted for changes in the Group's share of the associate's profit or loss and other comprehensive income after the acquisition date and subsequently adjusted in accordance with IAS 28 and tested for impairment annually.

The Group's share of the profits and losses of associated companies is recognised separately in the income statement from the date of acquisition. Changes in other comprehensive income are recognised proportionately in other comprehensive income. The cumulative changes after acquisition are offset against the carrying amount of the investment. At each balance sheet date, the Group assesses whether there are any indications that impairment losses may have to be recognized on investments in associates. In this case, the difference between the carrying amount and the recoverable amount is recognised as an impairment loss and reported in the income statement as "Share of profit or loss of associates accounted for using the equity method".

The Group's shares in financial assets accounted for using the equity method relate to TTL Real Estate GmbH (formerly Deutsche Immobilien Chancen Real Estate GmbH). The shareholding in TTL Real Estate GmbH developed as follows in the 2018 financial year:

	Share	Carrying amount in TEUR
As at 01/01/2018	**27.29%**	**40,346**
April 2018: Contribution in kind to TTL AG	3.59%	5,745
April 2018: Acquisition	11.67%	18,678
May 2018: Contribution in kind to TTL AG	2.46%	**3,933**
July 2018: Acquisition	4.50%	7,204
September 2018: Subscription of capital increase in TTL Real Estate GmbH	0.49%	1.601
Acquisition costs		**195**
Results for 2018		2,393
Distribution in 2018		-1,976
As at 31/12/2018	**50.00%**	**78,119**

The shares already acquired in the previous year amounting to around 27% are held by TTL Beteiligungs GmbH (formerly AIRE Asset Investments in Real Estate Beteiligungs GmbH), in which TTL AG holds a 76% stake. The remaining shares are held directly by TTL AG.

TTL Real Estate GmbH is itself the parent company, holding 75% of the shares in German Estate Group GmbH & Co. KG; therefore, according to IAS 28.27, when applying the equity method, the profit or loss, other comprehensive income and net assets must be taken into account as reported in the consolidated financial statements of the associated company after adjustments for the application of uniform accounting policies.

TTL Real Estate GmbH is not obliged to prepare consolidated financial statements and has not prepared them voluntarily. TTL AG has therefore determined a consolidated result for the purpose of extrapolating the equity valuation on the basis of information not fully available at the level of TTL AG.

To this end, the Company prepared subgroup results for TTL Real Estate GmbH and German Estate Group GmbH & Co. KG based on information in the companies' balance sheets and determined a consolidated result by extrapolating acquired hidden reserves and taking into account uniform Group accounting methods.

5. Receivables and other financial assets

Receivables and other financial assets are measured at amortized cost if the following criteria are met:

- The business model for managing these financial instruments is geared to holding them in order to generate the underlying contractual cash flows (business model criterion), and
- the resulting contractual cash flows consist exclusively of interest and repayment on the outstanding principal amount (cash flow criterion).

The subsequent valuation of these financial assets is carried out using the effective interest method and is subject to the regulations for impairment in accordance with IFRS 9.5.5 et seq. If the business model criterion and/or the payment flow criterion are not met, the assets are measured at fair value. Depending on the underlying classification rules of IFRS 9.4.1, this is either recognised in profit or loss or other comprehensive income. Debt instruments measured at fair value through other comprehensive income are also subject to the impairment provisions of IFRS 9.5.5 et seq.

Financial assets, with the exception of financial assets measured at fair value through profit or loss, contract assets in accordance with IFRS 15, leasing receivables, loan commitments and financial guarantees, are subject to impairment in accordance with IFRS 9.5.5. Accordingly, the Group recognizes an impairment loss for these assets based on the expected credit losses. Expected credit losses result from the difference between the contractually agreed cash flows and the expected cash flows, measured at present value using the original effective interest rate. Expected cash flows also include proceeds from security sales and other loan collateral that are an integral part of the respective contract.

Expected credit losses are generally recognised in three stages. For financial assets for which there has been no significant increase in the default risk since initial recognition, the impairment is measured at the expected 12-month credit loss (Level 1). In the event of a significant increase in the default risk, the expected credit loss is determined for the remaining term of the asset (Level 2). The Group generally assumes that there is a significant increase in the credit risk if the loan is 30 days past due. This principle can be ignored if, in an individual case, reliable and justifiable information indicates that the credit risk has not increased. If there is objective evidence of impairment, the underlying assets are allocated to Level 3.

The Group applies the simplified approach pursuant to IFRS 9.5.15 for trade receivables. The impairment is then always measured in the amount of the expected credit losses over the term of the loan. For further details on the calculation of impairment losses, please refer to the Risk Management Report.

For the remaining assets that are within the scope of the amended impairment model of IFRS 9 and are subject to the general approach, financial assets are combined accordingly on the basis of common credit risk characteristics or individual default information and existing collateral is used to measure expected losses.

The Group generally assumes default if the contractual payments are overdue by more than 90 days. In addition, in individual cases, internal or external information is also used which indicates that the contractual payments cannot be made in full. Financial assets are derecognised if there is no reasonable expectation of future payment. Other assets are measured at amortised cost.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term time deposits, provided they are available within three months.

7. Non-current assets held for sale

Non-current assets held for sale and associated liabilities are measured in accordance with IFRS 5 and reported as current. Assets held for sale are assets that can be sold immediately in their present condition and whose sale will most probably take place within twelve months of the balance sheet date and whose sale has been approved by management. These may be individual non-current assets or groups of assets (disposal groups) held for sale. Liabilities that are disposed of together with assets in a transaction are classified as held for sale in accordance with IFRS 5.38.

"Liabilities associated with assets held for sale" are also shown separately from other liabilities in the balance sheet.

They are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets classified as held for sale are no longer amortised. The interest and expenses that can be added to the liabilities of this group continue to be recognised in accordance with IFRS 5.25.

8. Share-based payments

Share-based payments issued by the Group are accounted for in accordance with IFRS 2 "Share-based Payment". The "virtual stock options" are cash-settled share-based payment transactions that are measured at fair value at each balance sheet date. Payment expense is accrued pro rata, taking into account the work performed pro rata temporis during the vesting period, and recognised in profit or loss until the vesting date.

9. Liabilities

Financial liabilities mainly comprise loans payable to related parties, trade accounts payable and other liabilities. With the exception of derivative financial instruments, liabilities are recognised at amortised cost using the effective interest method. The Group considers transaction costs directly attributable to the acquisition or issue of financial instruments in determining the carrying amount only to the extent that the financial instruments are not measured at fair value through profit or loss. Liabilities are classified as current if they are due within 12 months of the balance sheet date.

If liabilities have to be derecognised due to a waiver of claims by a shareholder acting in its capacity as shareholder, this is recognised directly in equity. The related obligations from debtor warrant agreements are recognised as financial liabilities at fair value through profit or loss at the time of acquisition. In the event of future changes in the expected payments from a debtor warrant agreement, the financial obligation is adjusted with an effect on income.

In the previous year, TTL AG issued compound financial instruments in the form of a convertible bond in euros, which could be converted into equity shares at the option of the holder. The debt component of the compound financial instrument was initially recognised at the fair value of a similar liability with no option to convert it into equity. The equity component was initially recognised as the difference between the fair value of the compound financial instrument and the fair value at inception of the hedge. Directly attributable transaction costs were allocated in proportion to the carrying amounts of the liability and equity components of the financial instrument at the time of initial recognition. The conversion option was exercised in August 2018 by the holders of the convertible bond and 3,475,000 new shares were issued to the holders of the convertible bond. As a result, the liabilities from the convertible bond in the amount of EUR 8.1 million reported in the previous year no longer applied, and equity increased accordingly.

In the previous year, liabilities amounting to EUR 267,000 were reported under provisions; the underlying circumstances were reclassified to corresponding liabilities.

10. Current and deferred taxes

Current and deferred taxes are recognised in the tax expense for the period. Taxes are recognised in the income statement unless they relate to items recognised directly in equity or in other comprehensive income. In this case, taxes are also recognised in equity or other comprehensive income.

The effects of deferred taxes resulting from temporary differences between the assets and liabilities in the IFRS financial statements and the tax base are accounted for in accordance with IAS 12. Deferred tax assets and liabilities are measured on the basis of the tax rates and tax laws enacted at the time the differences are reversed. This also includes deferred taxes on tax loss carryforwards pursuant to IAS 12.34.

The decisive factor in assessing the recoverability of deferred tax assets is management's assessment of the recognition of the deferred tax assets. This depends on the generation of future taxable profits during the periods in which tax measurement differences reverse and tax loss carryforwards can be utilised. There were no deductible temporary differences at the balance sheet date.

Deferred taxes are generally measured on the basis of the tax rates that apply or are expected to apply at the time of recognition.

11. Provisions

Provisions are recognised in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) if there are legal or constructive obligations to third parties based on past transactions or events that will probably result in an outflow of resources that can be reliably measured. Provisions are recognised at the expected settlement amount (present value of expected expenses), taking into account all identifiable risks, and are not offset against recourse claims. The settlement amount with the highest probability of occurrence is assumed.

In the previous year, liabilities amounting to EUR 267,000 were reported under provisions; the underlying circumstances were reclassified to corresponding liabilities.

12. Recognition of income and expenses

Revenues and other operating income are recognised when the service has been rendered, the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the Group.

Operating expenses are recognised when the service is rendered or at the time they are incurred. Interest is expensed as incurred.

13. Impairment

IAS 36 requires an entity to assess at each balance sheet date whether there is any indication that an asset may be impaired. If such an indication exists, the recoverable amount of the asset is estimated. Irrespective of whether there is any indication of impairment, an entity must test intangible assets with an indefinite useful life or intangible assets not yet available for use and acquired goodwill for impairment annually. An asset is impaired if its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of future cash flows expected to be derived from its continuing use. If the recoverable amount is less than the carrying amount, the difference represents the impairment, which is recognised in profit or loss. At each balance sheet date, an assessment must be made as to whether an impairment loss continues to exist. If the reasons for an impairment no longer exist, the impairment is reversed. The write-up is made up to a maximum of the amount that would have resulted without prior impairment. Impairments of goodwill may not be reversed.

No impairments were recognized in accordance with IAS 36 in the 2018 financial year.

V. NOTES TO THE CONSOLIDATED INCOME STATEMENT

14. Revenues

Revenues of EUR 605,000 (previous year: EUR 10,000) result in full from services rendered to DIC Capital Partners (Europe) GmbH and TTL Real Estate GmbH.

15. Other operating income

Other operating income related to:

TEUR	2018	2017
Release of provisions	52	6
Sale of financial assets	0	56
Other	15	0
	67	**62**

Other operating expenses break down as follows:

TEUR	2018	2017
Audit expenses	146	105
Public relations expenses	79	30
Legal and advisory expenses	475	101
Other expenses	308	79
Total	**1,008**	**315**

16. Personnel expenses

Personnel expenses rose from EUR 0.1 million in the previous year to EUR 1.1 million in 2018. While in the previous year two persons (including the Management Board) were only employed in the fourth quarter, four persons (including the Management Board) worked for the company throughout the year in 2018.

Personnel expenses include the wages and salaries of the employees of TTL AG and the associated social security contributions totalling EUR 22,000 (previous year: EUR 2,000).

Details regarding the remuneration of the Management Board in accordance with Section 314 (1) No. 6 a) Sentences 5 to 9 HGB are provided in the remuneration report, which is an integral part of the management report, in the "Corporate Governance" section.

17. Financial result

TEUR	2018	2017
Income from investments	350	300
Profit shares in companies accounted for using the equity method	2,393	911
Interest income	4,479	266
Interest expenses	-984	-250
Total	**6,238**	**1,227**

The following income resulted from the investment in TTL Real Estate GmbH:

TEUR	2018	2017
Share of profit according to the equity method	2,393	911
Silent partnership	4,479	0
Total	**6,872**	**911**

18. Taxes on income and earnings

As in the previous year, the Group companies are subject to corporation tax, including the solidarity surcharge of 15.825%. Including trade tax with a mixed assessment rate of 490%, the total tax rate in 2018 was 32.98% (previous year 32.98%). Income taxes include income taxes paid or owed in Germany as well as deferred taxes. Deferred taxes result from the different valuations between IFRS and tax balance sheet values. The reported income tax expense differs from the expected tax expense, which would theoretically have been calculated by applying the domestic tax rate of 32.98% (previous year: 32.98%) on the Group's earnings before taxes. The difference between expected and reported income tax expense is as follows:

TEUR	2018	2017
Result before income taxes	4,752	860
Applicable tax rate	32.98%	32.98%
Expected tax expense (+)/ income (-)	1,567	284
Current year losses for which no deferred tax asset was recognised	0	60
Effects from measurement at equity	-789	-300
Tax-free income according to Section 8b KStG	-110	-44
Other tax-exempt expenses/income	**-51**	**0**
Total actual tax expense (+)/income (-)	617	0
Effective tax rate	**13.0%**	**0.0%**

Deferred tax assets on temporary differences and tax loss carryforwards are only recognised if sufficient taxable income will be available in the future to utilise the deferred tax assets. No deferred taxes were formed on corporation tax loss carryforwards amounting to EUR 10.062 million (previous year: EUR 19.016 million) and trade tax loss carryforwards amounting to EUR 9.124 million (previous year: EUR 17.264 million), as the future use of the loss carryforwards cannot yet be assumed with sufficient certainty at the present time. The reported tax expense comprises the current income taxes of Group companies.

19. Earnings per share

Earnings per share (diluted/basic) according to IAS 33 are calculated as follows:

Basic earnings/diluted earnings per share

EUR	2018	2017
Profit or loss attributable to equity holders of the entity used in calculating basic earnings per share	3,340,277	525,389
Weighted average number of shares outstanding used as denominator in calculating basic earnings per share	17,613,547	11,494,246
Earnings per share	**0.19**	**0.05**

Basic earnings per share are calculated by dividing the profit attributable to shareholders of TTL AG by the average number of shares issued during the financial year.

Diluted earnings per share are calculated by increasing the average number of shares outstanding by all conversion and option rights. Following the conversion of the convertible bond issued in the previous year by issuing 3,475,000 ordinary shares during the financial year, there are no longer any financial instruments that could lead to dilution.

The existing authorised and contingent capital may result in a dilution effect in the future.

For 2018, the Management Board will propose a dividend of EUR 2.529 million (EUR 0.12 per share based on 21,075,000 outstanding shares). The dividend will be paid in full from the tax deposit account and is therefore not subject to any capital gains tax. In these consolidated financial statements, this dividend is not recognised as a liability in accordance with IAS 10.

VI. Notes to the balance sheet

20. Property, plant and equipment

EUR 5,000 (previous year: EUR 5,000) is capitalised as property, plant and equipment. Property, plant and equipment with accumulated historical acquisition costs and depreciation of EUR 134,000 that had already been fully depreciated before 2017 were derecognised in the reporting year.

Assets are depreciated on a straight-line basis pro rata temporis over their useful lives. As at 31 December 2018, property, plant and equipment were made up as follows:

TEUR	**2018**	**2017**
ACQUISITION COSTS		
As at 01/01	140	134
Additions	4	6
Disposals	-134	0
Balance at 31/12	10	**140**
DEPRECIATION		
As at 01/01	135	134
Additions	3	1
Disposals	-134	0
Balance at 31/12	4	135
Carrying amount 01/01	5	0
Carrying amount 31/12	5	5

21. Financial assets accounted for using the equity method

Financial assets accounted for using the equity method relate to the shares in TTL Real Estate GmbH (formerly Deutsche Immobilien Chancen Real Estate GmbH). TTL Real Estate GmbH mainly bundles its operating business in its 75% investment in German Estate Group GmbH & Co. KG.

The investment in the previous year related to a 27.29% interest in TTL Real Estate GmbH, which was held by TTL Beteiligungs GmbH (formerly AIRE Asset Investments in Real Estate Beteiligungs GmbH), in which TTL holds a majority interest of 76%. In 2018, the investment was increased to a total of 50.0% through shares held directly by TTL AG. The shares in TTL Real Estate GmbH developed as follows:

TEUR	2018	2017
Carrying amount 01/01	40,346	0
Additions	37,356	39,435
Income recognised using the equity method	**2,393**	**911**
Distributions	-1,976	0
Carrying amount 31/12	**78,119**	**40,346**

Of the additions in the financial year, only a partial amount of EUR 1.6 million had an impact on cash flow. The aggregated financial statement data of TTL Real Estate GmbH are as follows:

TEUR	2018	2017
Ownership share	**50.00%**	**27.29%**
Non-current assets	27,904	7,335
Current assets	165,526	280,611
Current liabilities	-80,406	-179,124
Non-current liabilities (preference shares)	-60,000	-60,000
Net assets attributable to ordinary shares (100%)	53,015	48,822
Group share of net assets	**26,508**	**13,324**
Goodwill	51,611	27,022
Carrying amount of investment in associates	**78,119**	**40,346**
Revenues	18,366	8,305
Profit from continuing operations (100%)	4,786	3,338
Other comprehensive income (100%)	0	0
Group share of total comprehensive income	**2,393**	**911**

At TTL Real Estate GmbH, there were no changes in other comprehensive income in the past financial year; for this reason there were no effects on the other comprehensive income of TTL AG as at 31 December 2018.

22. Other equity investments

Since the previous year, TTL AG has held 15.06% of the shares in DIC Capital Partners (Europe) GmbH, which is not listed on the stock exchange. There are no prices quoted on an active market (Level 3 in accordance with IFRS 13) for these shares in DIC Capital Partners (Europe) GmbH. The fair value of these shares was determined by discounting the distributions expected by this company. With the first-time application of IFRS 9 from 1 January 2018, TTL AG applied the FVtOCI (Fair Value through Other Comprehensive Income) option for its investment in DICP (Europe) GmbH. This resulted in an increase in the investment of EUR 116,000, deferred taxes in this connection amounting to EUR 2,000 were recorded.

The main input factor in the valuation of the shares in DICP (Europe) GmbH is the discount rate used and the assumptions regarding the expected distribution to TTL. In the event of a change in the distribution amount by +/-10%, this results in a measurement change of approximately EUR +/-0.6 million.

The shares in DIC Capital Partners (Europe) GmbH developed as follows:

TEUR	2018	2017
Balance at 01/01	5,850	4,879
Additions/disposals netted	5	971
Measurement effect	116	0
Balance at 31/12	**5,971**	**5,850**

The measurement effect is reported in other comprehensive income due to its allocation to the measurement category FVtOCI.

As at 31 December 2017 (latest information available), the equity of DIC Capital Partners (Europe) GmbH amounted to EUR 30.662 million (31 December 2016: EUR 34.662 million) and the annual result for 2017 to EUR 881,000 (2016 EUR 786,000).

23. Loans to related parties

The loans to related parties are a typical silent partnership with TTL Real Estate GmbH. With regard to the description and conditions, we refer to the explanations under chapter X “RELATIONSHIPS WITH AFFILIATED COMPANIES”.

24. Current financial assets

The current financial assets of EUR 4.479 million mainly result from remuneration claims from the typical silent partnership with TTL Real Estate GmbH. With regard to the description and conditions, we refer to the explanations under chapter X “RELATIONSHIPS WITH AFFILIATED COMPANIES”.

In the previous year, this item related to a loan granted to AR Holding GmbH in the amount of EUR 90,000 and receivables from the distribution of profits by DIC Capital Partners (Europe GmbH) in the amount of EUR 151,000.

As in the previous year, current assets have a remaining term of less than one year.

If default or other risks exist, they are taken into account by impairments. As in the previous year, no impairment losses were recognised as expenses in the past financial year. As in the previous year, there were no impairments on the balance sheet date.

25. Cash and cash equivalents

The cash and cash equivalents reported relate to bank balances.

Cash and cash equivalents are carried at amortised cost. The development of cash and cash equivalents in accordance with IAS 7 is shown in the cash flow statement.

26. Equity

The individual components of equity and their development in the reporting year are shown in the statement of changes in equity.

Share capital

The share capital of TTL Beteiligungs- und Grundbesitz AG amounted to EUR 21,075,000.00 as at 31 December 2018 and is divided into 21,075,000 no-par value shares with a notional value of EUR 1.00 each. Compared to the previous year, the share capital of EUR 14,133,333.00 developed as follows through the issue of new shares:

- On 21 March 2018, the Management Board resolved to increase the Company's share capital by EUR 1,641,334.00 from EUR 14,133,333.00 to EUR 15,774,667.00 by issuing 1,641,334 no-par value shares. A direct 3.59% stake in TTL Real Estate GmbH (formerly Deutsche Immobilien Chancen Real Estate GmbH) was acquired as part of a non-cash capital increase. The new shares were issued to AR Holding GmbH as a contribution in kind. The value of the contribution in kind was EUR 5,744,670.00. The value of the contribution in kind exceeding the issue price of the new shares of EUR 1.00 per share was added to the capital reserve.

- On 12 April 2018, the Management Board resolved to increase the share capital by EUR 1,123,622.00 from EUR 15,774,667.00 to EUR 16,898,289.00 by issuing 1,123,622 no-par value shares as part of a capital increase against contribution in kind. TTL Beteiligungs- und Grundbesitz-AG acquired 2.46% of the ordinary shares in TTL Real Estate GmbH from various minority shareholders as part of this capital increase. The value of the contribution in kind was EUR 3,932,677.00. The value of the contribution in kind exceeding the issue price of the new shares of EUR 1.00 per share was added to the capital reserve.

- On 20 April 2018, the Management Board resolved to increase the Company's share capital by EUR 701,711.00 to EUR 17,600,000.00 by issuing 701,711 no-par value shares at a price of EUR 3.60 per share against cash contributions totalling EUR 2,526,159.60. Only Rhein-Main Finanz- und Beiligungsgesellschaft bürgerlichen Rechts was admitted to subscribe to and acquire the shares.

- On 30 August 2018, 3,475,000 no-par value bearer shares were issued in exchange for convertible bonds, making partial use of the contingent capital resolved on 2 June 2017. These shares were subscribed by S&P Beteiligungs ZWEI GmbH (1,320,500 shares), SPG Verwaltungs GmbH (1,320,500 shares) and HVC Beteiligungs GmbH (834,000 shares). Since then, the company's share capital has amounted to EUR 21,075,000.00.

Authorised capital

At the Company's Extraordinary General Meeting on 23 January 2018, the Company's shareholders approved a new Authorised Capital 2018/I in the amount of EUR 7,066,666.00. The non-cash capital increase and cash contributions in March and April 2018, 8. which were entered in the commercial register in May 2018, exhausted the authorised capital of EUR 3,466,667.00. At the regular Annual General Meeting on 15 June 2018, the remaining Authorised Capital 2018/I was cancelled and a new Authorised Capital 2018/II was created. The Management Board is now authorised, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions until 14 June 2023 by up to a total of EUR 8,800,000.00 by issuing new no-par value bearer shares against cash and/or non-cash contributions (Authorised Capital 2018/II).

Contingent capital

The Contingent Capital 2017/I totalling EUR 4,766,666.00 resolved by the Annual General Meeting on 2 June 2017 was utilised in August 2018 by converting the convertible bond issued in December 2017 in the amount of EUR 3,475,000.00 and has amounted to EUR 1,291,666.00 since then.

Contingent Capital 2018/I of EUR 2,300,000.00 was resolved at the Extraordinary General Meeting on 23 January 2018. This was cancelled at the regular Annual General Meeting on 15 June 2018 and a new Contingent Capital 2018/II was created. By resolution of this Annual General Meeting the Management Board is authorised, with the approval of the Supervisory Board, to issue one or more bonds with warrants and/or convertible bonds with or without a fixed term up to 14 June 2023 with a total nominal amount of up to 60,000,000 and to grant or impose option or conversion rights or option or conversion obligations on bearer shares of TTL Beteiligungs- und Grundbesitz-AG with a proportionate amount of the share capital of up to EUR 4,033,334.00 in total on the holders or creditors of bonds in accordance with the terms and conditions of the option or convertible bonds.

Capital reserve

In 2018, allocations to the capital reserve totalling EUR 13.180 million were made in connection with capital increases after deduction of the costs for the capital increases. The costs for the capital increase are deducted on an after-tax basis to the extent that the costs lead to realisable tax benefits.

In the financial years 2012 to 2016, additions to the capital reserve in the amount of EUR 1,413,232 were made due to conditional debt waivers by (indirect) shareholders of the parent company. The waived loan receivables are revived under the contractual provisions (compensation agreement) if and to the extent that a certain equity (equity threshold) is exceeded in the parent company's annual financial statements in subsequent periods. The repayment claim does not have to be taken into account when calculating the relevant equity.

Waiving shareholder	Waiving sharehol-der	Waived recei-vables EUR
GR Capital GmbH	31/12/2012	973,086
GR Capital GmbH	31/12/2013	130,000
GR Capital GmbH	31/12/2014	207,752
AR Holding GmbH	31/12/2014	51,870
AR Holding GmbH	22/01/2016	50,525
		1,413,233

The Company's relevant equity pursuant to Section 266 (3) A. HGB amounted to EUR 46.5 million as at 31 December 2018. Based on current corporate planning, the Management Board does not currently consider it probable that the threshold of EUR 100.0 million will be reached. For this reason, the obligation is valued at EUR 0.

At the end of 2018, a partial amount of the capital reserve in accordance with Section 272 (2) No. 4 HGB in the amount of EUR 16.365 million was released in favour of the balance sheet profit, thereby offsetting the existing loss carried forward in the annual financial statements of TTL AG.

Reserve for financial assets measured at fair value directly in equity EUR 114,000 was allocated to the reserve for financial assets measured at fair value directly in equity for the first time in the 2018 financial year. This relates to the change in value after taxes of the 15% interest in DIC Capital Partners (Europe) GmbH recognised at fair value directly in equity.

Non-controlling interests

Non-controlling interests are measured at the acquisition date at their proportionate share of the identifiable net assets as a whole. In the TTL AG Group, non-controlling interests exist in TTL Beteiligungs GmbH (formerly AIRE Asset Investments in Real Estate Beteiligungs GmbH), in which minority interests account for 24%.

TEUR	2018	2017
Percentage of non-controlling interests	**24%**	**24%**
Non-current assets	**48,521**	40,017
Current assets	**2,424**	10
Non-current liabilities	-14,269	-7,522
Current liabilities	-864	-7
Net assets	**35,812**	**32,499**
Net assets of non-controlling interests	8,595	7,800
Revenues	0	0
Profit	**7,607**	**683**
Other income	0	0
Overall result	**7,607**	**683**
Profit attributable to non-controlling interests	795	335
Other comprehensive income attributable to non-controlling interests	0	0
Cash flow from operating activities	-6	-4
Net cash used in investing activities	0	0
Cash flow from financing activities	0	0
(Dividends to non-controlling interests: EUR 0)	0	0
Net increase (decrease) in cash and cash equivalents	**-6**	**-4**

27. Debts

TEUR	Remaining term up to 1 year	Remaining term more than 1 year	Total 31/12/2018	Remaining term up to 1 year	Remaining term more than 1 year	Total 31/12/2017
Non-current liabilities						
Bonds	0	**0**	**0**	**0**	8,053	8,053
Non-current other liabilities	0	48	48	0	5	5
Non-current loan liabilities	0	43,195	43,195	0	343	343
	0	**43,243**	**43,243**	**0**	**8,401**	**8,401**
Current liabilities						
Tax provisions	617	0	617	0	0	0
Trade payables	341	0	341	76	0	76
Current loan liabilities	5,973	0	5,973	7,330	0	7,330
Other liabilities	708	0	708	280	0	280
	7,639	**0**	**7,639**	**7,686**	**0**	**7,686**
	7,639	**43,243**	**50,882**	**7,686**	**8,401**	**16,087**

All financial liabilities are unsecured.

Since 17 May 2017, AR Holding has provided the Company with a facility loan amounting to EUR 1 million. The agreed interest rate is 2.5% p.a. in arrears. The utilisation of this credit line was EUR 0 as at 31 December 2018 (previous year: EUR 150,000).

The non-current loan liabilities in the previous year primarily related to the convertible bond, which was redeemed in August 2018 by conversion of the lenders and issue of 3,475,000 new shares. Non-current loan liabilities relate to liabilities to TTL Real Estate Mezzanine GmbH in the current year. The short-term loan liabilities result from a loan granted by TTL Real Estate Mezzanine Investments GmbH & Co KG (formerly DIC Real Estate Mezzanine Investments GmbH & Co. KG) in the amount of EUR 5.974 million (previous year: EUR 7.112 million) to TTL Beteiligungs GmbH (in the previous year to AIRE Asset Investment in Real Estate GmbH, which was merged into TTL Beteiligungs GmbH in the financial year). The loan bears interest at a rate of 6% p.a. from the date of disbursement. The loan agreement can be terminated by either party with three months' notice before the end of the year. Interest amounting to EUR 341,000 (previous year: EUR 218,000) was recorded for the funds made available in the reporting year.

The obligation from compensation agreements (see Note 25) is measured at fair value as of the balance sheet date. The measurement at fair value was classified as fair value Level 3, based on the input factors of the measurement technique used. The expected value of the future net cash flows was discounted using a risk-adjusted interest rate (8.0%, previous year 8.0%). In addition to the discount rate, the key unobservable input factor is the future estimated annual result of the parent company for determining the development of equity.

With the amendment agreement dated 2 October 2018, the threshold of the equity capital of the parent company for all liabilities associated with compensation agreements, which was previously the decisive threshold for the revival of the waived receivables, was raised to EUR 100 million.

The other non-current liabilities relate to performance-related remuneration agreements in the form of a share price-oriented remuneration model with the members of the Management Board. At the end of 2018, the two Management Board members held options on 70,000 (previous year: 35,000 options of one Management Board member) "virtual" shares of the Company. The prerequisite for exercising these options is the expiration of three years of service as a member of the Management Board of TTL AG. The Company measures the fair value as at 31 December 2018 at EUR 1.86 and EUR 1.89, respectively, for Mr Reichert and Mr Grimm. The measurement is based on the Black-Scholes option pricing model. The main parameters for the measurement model are the share price on the balance sheet date of EUR 3.12 (previous year: EUR 2.56), the exercise price of EUR 1.50 each, the expected volatility of 63.18% (previous year: 85.51%) and the maturity-dependent annual risk-free interest rate of 0.01%, unchanged from the previous year. The volatility measured by the standard deviation of the expected share price yields is based on statistical analyses of the daily share prices of the previous year.

No "virtual stock options" were exercisable as at the balance sheet date; the remaining vesting periods are 2 and 1.75 years, respectively. The fair value of all options granted amounted to EUR 48,000 as at the balance sheet date (previous year: EUR 5,000). This means that a total of EUR 43,000 (previous year: EUR 5,000) in expenses for stock options were recorded under personnel expenses in the financial year.

The total change in debt items in the balance sheet as at 31 December 2018 compared with the previous year amounting to EUR 34.796 million comprises mainly the conversion of convertible bonds and the non-cash dissolution of the 'Bonds' item amounting to EUR 8.053 million, as well as from non-cash capital measures amounting to EUR 29.214 million, the non-cash establishment of a silent partnership amounting to EUR 15.350 million and from the repayment of existing loan items amounting to EUR 1.712 million.

28. Segment information

Taking into account the management approach and the fact that TTL, as an investment company, controls the development of the value of its significant investment in GEG, no segmented management information is available to the Management Board. Therefore, no segment reporting is presented.

VII. INFORMATION ON FINANCIAL RISK MANAGEMENT

The following matrix provides an overview of the financial risks existing in the Group and the respective balance sheet items affected:

	Market risk	Credit-/default risk	Liquidity risk
Financial assets	X	**X**	**X**
Other financial assets	X	**X**	**X**
Trade accounts payable			**X**
Other financial liabilities			X

The Group manages and monitors these risks primarily through its financing activities.

Internal guidelines have been issued at the level of the associated companies which deal with risk controlling processes and regulate the use of financial instruments, including a clear separation of functions with regard to operational financial activities, their settlement and the controlling of financial instruments. The guidelines on which the Group's risk management processes are based are designed to ensure that risks are identified and analysed throughout the Group. They also aim to control and monitor risks. The guidelines are regularly reviewed and adapted to current market and product developments.

Credit risk/default risk

Credit or default risk is defined as the risk of a financial loss arising when a counterparty fails to meet its payment obligations. The maximum default risk is derived from the carrying amounts of the financial instruments recognised in the balance sheet.

The management of credit and default risk in the TTL Group is primarily aimed at concluding transactions exclusively with creditworthy third parties.

The TTL Group is primarily exposed to credit risk with respect to its financial assets. In order to avoid payment defaults, for identifiable risks, appropriate impairments are formed on receivables based on empirical values and age structure. Unrecoverable receivables are written off in full.

There were no impairments on receivables in the financial year and there were no overdue receivables as of the reporting date.

Liquidity risk

Liquidity risk is the risk that a company will not be able to obtain the financial resources it needs to settle obligations it has entered into.

The Group counters liquidity risks through a liquidity management system adapted to the scope and complexity of its business activities, which ensures the availability of sufficient liquidity at all times.

The following table shows the remaining maturities of undiscounted financial liabilities as at 31 December 2018 and 2017. The disbursements are shown including the estimated interest payments.

TEUR	Due within one year	Due between one and five years	Due in more than five years	Total
	2018	**2018**	**2018**	**2018**
Trade accounts payable	341	0	0	341
Loans payable	6,384	44,833	0	51,217
Other liabilities	708	0	0	708
	2017	**2017**	**2017**	**2017**
Bonds	316	10,300	0	10,616
Trade accounts payable	76	0	0	76
Loans payable	7,749	354	0	8,103
Other liabilities	19	0	0	19

Since 17 May 2017, AR Holding has provided the Company with a facility loan amounting to EUR 1 million. The agreed interest rate is 2.5% p.a. in arrears. The credit line was not utilised at the end of 2018 (previous year: EUR 150,000). For the funds made available, TTL AG was debited and paid interest liabilities of EUR 3,000 (previous year: EUR 1,000) in the reporting year. This means that the Group still has EUR 1.0 million available as a liquidity reserve.

In accordance with the contract, the short-term loans payable have a fixed term until 31 December 2018. Thereafter, it is extended by a further year if the contract is not terminated by one of the parties with three months' notice to the end of the year.

There were no impairment losses on financial liabilities as at 31 December 2018, and no liabilities were overdue as of the balance sheet date.

Market risk

Market risk is defined as the risk that the fair value of future cash flows from a financial instrument will change due to changes in market prices. Market risks include interest rate risks and other price risks. Interest rate risk is the risk that the value of a financial instrument may change due to fluctuations in market prices.

In the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes in relevant risk variables on earnings and equity. Since TTL AG is financed by fixed-interest loans, which are carried at amortised cost, there are no effects of changes in market interest rates on earnings and equity. Currency and price risks are also of minor significance for the TTL Group and will therefore not be discussed further.

Capital management

The fundamental objective of capital management in the TTL Group is to effectively achieve the goals and strategies in the interests of all shareholders, employees and other stakeholders. As the companies are currently not operating, the main objective is to secure solvency with regard to ongoing corporate and financing costs and to generate appropriate returns from the venture capital organisations. The capital to be managed comprises all cash and cash equivalents, financial assets and financial liabilities.

The following overview shows shareholders' equity, cash and cash equivalents and total assets as at 31 December 2018 and 31 December 2017:

TEUR	31/12/2018	31/12/2017	Change in
equity of the TTL Group	**55,425**	**31,055**	**24,370**
as % of total capital	52.1%	65.9%	-13.7%
Non-current liabilities	43,243	8,401	34,842
Current liabilities	7,640	7,686	-46
Debt capital of the TTL Group	**50,883**	**16,087**	**34,796**
as % of total capital	47.9%	34.1%	13.7%
Total capital of TTL AG	**106,308**	**47,142**	**59,166**
Cash and cash equivalents	2,288	619	1,669

The capital structure of the TTL Group changed in 2018 as a result of capital increases and the financing of acquisitions. Total capital increased by EUR 59.2 million to EUR 106.3 million. As a result, the equity ratio of the TTL Group fell by 13.7 percentage points to 52.1%, with equity rising by EUR 24.4 million. Correspondingly, the debt ratio increased to 47.9%.

VIII. INFORMATION ON CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the individual financial assets and liabilities for each category of financial instrument and reconciles them to the corresponding balance sheet items. The measurement categories that are fundamentally relevant for the Group in accordance with IFRS 9 are as follows:

- FAAC - Financial assets measured at amortised cost
- FVtOCI - Financial assets at fair value through other comprehensive income
- FLAC Financial liabilities measured at amortised cost
- FLFV - Financial liabilities at fair value through profit & loss.

TEUR	**Measurement category**		**31/12/2018**	**31/12/2018**	**31/12/2017**	**31/12/2017**
Assets	**IFRS 9**	**IAS 39**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Investments	FVtOCI	AfS	5,971	5,971	5,850	5,850
Loans to related parties	FAAC	LaR	15,350	16,596	248	248
Cash and cash equivalents	FAAC	LaR	2,288	2,288	619	619
Total	**FVtOCI**	**LaR**	**5,971**	**5,971**	**5,850**	**5,850**
Total	**FAAC**	**AfS**	**17,638**	**18,884**	**867**	**867**
			23,609	**24,855**	**6,717**	**6,717**
Liabilities						
Trade accounts payable	FLAC	FLAC	341	341	76	76
Bonds	FLAC	FLAC	0	0	8,053	8,053
Loans payable	FLAC	FLAC	49,168	49,168	7,673	7,673
Other financial liabilities FLAC	FLAC	FLAC	708	708	280	280
Total			**50,217**	**50,217**	**16,082**	**16,082**

No prices listed on an active market are available for the unlisted shares in DIC Capital Partners (Europe) GmbH held by the Group (Level 3 in accordance with IFRS 13). The fair value of these shares was determined by discounting the distributions expected by this company. As part of the first-time application of IFRS 9 from 1 January 2018, TTL AG applied the FVtOCI (Fair value through other comprehensive income) option for its investment in DICP Capital Partners (Europe) GmbH. This resulted in an increase in the investment of EUR 116,000, deferred taxes in this connection amounting to EUR 2,000 were recorded.

In the previous year, the investment was carried at amortised cost in accordance with IAS 39.46 (c).

The main input factor in the measurement of the shares in DICP (Europe) GmbH is the discount rate used and the assumptions regarding the expected distribution to TTL. A change of +/- 10% in the distribution amount results in a measurement change of approximately EUR +/- 0.6 million.

The changes in the fair value of Level 3 financial instruments are as follows:

TEUR	2018	2017
Balance at 01/01	5,850	4,879
Additions/disposals netted	5	971
Measurement effect	116	0
Balance at 31/12	**5,971**	**5,850**

The measurement effect is reported in other comprehensive income due to its allocation to the measurement category FVtOCI.

The loans include a silent partnership in TTL Real Estate GmbH amounting to EUR 15.350 million, which was added at the end of the 2018 financial year. The cash flows due up to the earliest maturity date were discounted at a discount rate of 8% to the balance sheet date. Their fair value was thus calculated at EUR 16.596 million.

The market value of cash and cash equivalents, financial assets, trade receivables and payables as well as current financial receivables and payables roughly corresponds to the carrying amount. The reason for this is in particular the short term of such instruments or an acquisition date shortly before the balance sheet date.

Cash and cash equivalents are measured at fair value in accordance with Level 1 of the measurement hierarchy of IFRS 13. This is based on market prices used in an active market.

Net financial income

TEUR	2018	2017
From financial assets measured at amortised cost (previous year: from loans and receivables)	4,479	266
From financial assets at fair value through other comprehensive income (previous year: available-for-sale financial assets)	464	300
From financial liabilities measured at amortised cost	-984	-250
Total	**3,959**	**316**

Net profits and losses on financial liabilities measured at amortised cost and on loans and receivables relate to interest income.

Net profits from financial assets measured at fair value through other comprehensive income include profit distributions of EUR 350,000 (previous year: EUR 300,000) and measurement effects of EUR 114,000 (previous year: EUR 0) recognised directly in equity.

IX. INFORMATION ON THE CASH FLOW STATEMENT

The cash flow statement shows the origin and use of cash flows in the financial years compared. In accordance with IAS 7 "Cash Flow Statements", a distinction is made between cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statement comprise all cash and cash equivalents reported in the balance sheet, i.e. cash in hand, cheques, Bundesbank balances and bank balances, insofar as they are available within three months. Cash and cash equivalents are not subject to any restrictions on disposal. The cash flows from investing and financing activities are determined on the basis of payments, while the cash flow from operating activities is derived indirectly from net income before taxes.

The cash and cash equivalents reported in the cash flow statement comprise cash on hand and bank balances.

For an explanation of non-cash changes in liabilities, please refer to Note 27 Liabilities.

X. RELATIONSHIPS WITH AFFILIATED COMPANIES

Related parties within the meaning of IAS 24 are, in particular, companies belonging to the same group as the reporting entity and persons and their close relatives who control or have significant influence over the reporting entity or hold a key position in the management of the reporting entity.

The following persons or companies are or were related to the TTL Group:

- AR Holding GmbH, Frankfurt am Main
- GCS Verwaltungs GmbH, Glattbach
- GR Capital GmbH, Glattbach
- DICP Capital SE, Munich
- Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main
- Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main
- Deutsche Immobilien Chancen Real Estate GmbH, Frankfurt am Main
- DIC Capital Partners (Europe) GmbH, Munich
- DIC Capital Partners GmbH, Erlangen
- TTL Real Estate Mezzanine Investments GmbH & Co. KG
- TTL Real Estate Beteiligungs GmbH, Frankfurt am Main
- DIC Grund- und Beteiligungs GmbH, Erlangen
- German Estate Group GmbH & Co. KG, Frankfurt am Main
- GEG Verwaltungs GmbH, Frankfurt am Main
- GEG German Estate Group AG, Frankfurt am Main
- DIC Beteiligungsgesellschaft bürgerlichen Rechts, Frankfurt am Main
- Prof Dr Gerhard Schmidt (Chairman), since 23 January 2018
- Mr Klaus Kirchberger (Deputy Chairman)
- Dr Daniel Schütze
- Mr Klaus W Schäfer, until 23 January 2018
- Mr Jan B Rombach, since 15 June 2018
- Mr Michael Bock, since 15 June 2018
- Mr Theo Reichert, Chairman of the Management Board
- Mr Thomas Grimm, Member of the Management Board, since 18 January 2018.

Remuneration of key management personnel

EUR	2018	2017
Current benefits*	888,099	113,145
share-based remuneration	43,450	4,950
	931,549	**118,095**

* maximum contractual claim

Please refer to the remuneration report for details of the remuneration of the Management Board and Supervisory Board.

Balances and transactions between the TTL Group and its subsidiaries, which are related parties, have been eliminated in the course of consolidation and are not explained in these notes. Details of transactions between the TTL Group and other related parties are given below:

EUR	2018	2017
Revenues and other income		
DIC Capital Partners (Europe) GmbH (revenues)	255,000	10,000
TTL Real Estate GmbH (revenues)	350,000	0
DIC Capital Partners (Europe) GmbH (profit distribution)	350,000	300,017
TTL Real Estate GmbH (profit share)	2,390,365	910,847
TTL Real Estate GmbH (interest income from silent partnership.)	4,478,836	0
DIC Beteiligungsgesellschaft bürgerlichen Rechts (interest income)	0	266,211
	7,824,200	**1,487,075**
Interest expenses		
TTL Real Estate Mezzanine Investments GmbH & Co. KG	983,222	0
AR Holding GmbH	1,563	15,252
TTL Real Estate GmbH	0	196,469
	984,784	**211,721**

EUR	31/12/2018	31/12/2017
Receivables		
TTL Real Estate GmbH (silent partnership)	15,350,000	0
TTL Real Estate GmbH (Interest income from silent partnership)	4,478,836	0
AR Holding GmbH	0	90,000
DIC Capital Partners (Europe) GmbH	0	150,600
	19,828,836	**240,600**
Liabilities		
TTL Real Estate Mezzanine Investments GmbH & Co. KG	49,168,013	0
AR Holding GmbH	0	151,063
	49,168,013	**151,063**

GR Capital GmbH, the legal successor to TR Asset Management GmbH, made additional payments to TTL AG's equity totalling EUR 1.311 million (previous year: EUR 1.311 million) in the years 2012 to 2014 (see Note 26). The debtor warrant agreements agreed in this connection for the individual debt waivers lead to repayment claims by GR Capital GmbH to the extent that TTL AG's balance sheet equity capital exceeds the respective equity thresholds described in Note 26 in subsequent periods. The maximum value of the repayment obligation corresponds to the sum of the debt waivers and amounts to EUR 1.311 million.

In June 2018, TTL AG concluded a service agreement for analyses, controlling and consulting with DIC Capital Partner (Europe) GmbH, Munich, which is affiliated with TTL AG via the indirect sole shareholder of AR Holding GmbH, Professor Dr Schmidt. In 2018, TTL AG received remuneration of EUR 255,000 for this service.

In March 2018, TTL AG also concluded a service agreement for analyses, controlling and consulting with TTL RE GmbH, Frankfurt, in which TTL AG holds a direct 22.98% interest. In 2018, TTL AG received remuneration of EUR 350,000 for this service.

Under a loan agreement dated 17 December 2018, TTL AG received a loan in the amount of EUR 1.5 million from TTL Real Estate Mezzanine Investments GmbH & Co. KG. The loan bears interest at a rate of 3.5% p.a. The contract has a fixed term until 31 January 2020. Thereafter, it will be extended by a further year if it is not terminated by one of the parties with a notice period of three months.

With the contract amendments dated 18 December 2018, all loan agreements between TTL Real Estate Mezzanine Investments GmbH & Co. KG and TTL AG were extended until 31 January 2020. Thereafter, the contracts will be extended for a further year if they are not terminated with twelve months' notice to the end of the quarter.

Under an agreement dated 1 November 2018, TTL Real Estate GmbH and TTL AG entered into a partnership agreement with TTL Beteiligungs GmbH to establish a typical silent partnership. The two companies have contributed a total 15.350.1 of EUR 7,054,860 and EUR 8,295,140, respectively, in accordance with their shares.

The contributions were made on 1 November 2018 through the contribution of a corresponding receivable of TTL Real Estate GmbH with respect to the companies. Interest at a rate of 3.5% p.a. shall be charged on the respective receivables until they are settled or offset. The two companies receive remuneration of 25% p.a. on each capital contribution. In this connection, with the contribution agreement dated 1 November 2018, TTL Real Estate GmbH transferred its existing receivable from the agreement on the establishment of the silent partnership to TTL Real Estate Mezzanine Investments GmbH & Co. KG in the amount of the aforementioned EUR 15,350,000.

With the assignment agreement of 27 April 2018 for EUR 6,242,764.42, all receivables from the TTL Group arising from loan agreements with Deutsche Immobilien Chancen AG & Co. KGaA were transferred to TTL Real Estate Mezzanine Investments GmbH & Co. KG.

Pursuant to Section 15a WpHG and Section 6.6 of the German Corporate Governance Code, members of the Management Board and the Supervisory Board of the Company must report securities transactions relating to the Company's shares. Securities transactions by close relatives are also subject to reporting requirements.

AR Holding GmbH is the direct majority shareholder of TTL AG. Their total voting rights are attributable to GR Capital GmbH, GCS Verwaltungs GmbH and Supervisory Board member Prof Dr Gerhard Schmidt. Following the change in the total number of voting rights as a result of the capital measure of 8 May 2018, Prof Dr Gerhard Schmidt is entitled to 58.13% of the voting rights in TTL AG via GCS Verwaltungs GmbH, GR Capital GmbH and AR Holding GmbH.

Including the votes indirectly attributed via Rhein-Main-Finanz-und Beteiligungsgesellschaft bürgerlichen Rechts, the total number of votes attributed to Prof Dr Gerhard Schmidt was 14,092,545 or 66.87%.

In the reporting period, the following transactions were carried out by Supervisory Board member Prof Dr Gerhard Schmidt or companies attributable to him:

Transaction	Date	Price (EUR/ share)	Volume (EUR)	Shares (units)	Company
Purchase via stock exchange	10/12/2018	3.48	31,320	9,000	AR Holding GmbH
Purchase via stock exchange		3.90	3,155	809	Rhein-Main Beteiligungsgesellschaft mbH
Purchase via stock exchange	25/05/2018	3.88	74,461	19,191	Rhein-Main Beteiligungsgesellschaft mbH
Purchase of 501,711 shares by intragroup contribution via Rhein-Main Finanz- und Beteiligungsgesellschaft bürgerlichen Rechts	24/05/2018	n/a	n/a	501,711	Rhein-Main Beteiligungsgesellschaft mbH
Subscription/purchase of shares from capital increase		3.60	1,806,160	501,711	Rhein-Main Finanz- und Beteiligungsgesellschaft bürgerlichen Rechts
Subscription/purchase of shares from non-cash capital increase	21/03/2018	3.50	5,744,670	1,641,334	AR Holding GmbH

XI. CORPORATE BODIES

Supervisory Board of the stock corporation:

- 2018; Chairman since 23 August 2018), attorney at law/tax consultant and partner in the law firm Weil, Gotshal & Manges LLP
- Klaus Kirchberger, (Chairman of the Supervisory Board until 23 August 2018, since 23 August 2018 Deputy Chairman), Chairman of the Management Board of OFB Projektentwicklung GmbH
- Dr Daniel Schütze (Deputy Chairman until 23 August 2018), attorney at law, partner in the law firm Böttcher Bruch Schütze
- Klaus W Schäfer, independent business consultant (until 23 January 2018)
- Michael Bock, graduate in business administration, (since 15 June 2018), Managing Partner, REAL-KAPITAL Vermögensmanagement GmbH, Leverkusen
- Jan Benedikt Rombach, BA (Hons) (since 15 June 2018), Owner and Managing Director of Steripower GmbH & Co KG, Starnberg

In the 2018 financial year, the members of the Supervisory Board served on the Supervisory Board or other supervisory bodies of the following companies:

Prof Dr Gerhard Schmidt:

- GEG German Estate Group AG, Frankfurt am Main, Chairman of the Supervisory Board*
- DIC Asset AG, Frankfurt am Main, Chairman of the Supervisory Board*
- DICP Capital SE, Munich, Chairman of the Management Board/Managing Director**
- Novalpina Capital Group S.à r.l., Luxembourg, Non-Executive Chairman
- Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main, Chairman of the Supervisory Board*
- Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main, Chairman of the Supervisory Board*
- DICP Erste Family Office Beteiligungsgesellschaft mbH & Co. KGaA, Munich, Chairman of the Supervisory Board*
- DIC Capital Partners (Germany) GmbH & Co. Kommanditgesellschaft auf Aktien, Munich, Chairman of the Supervisory Board

- DICP Asset Management Beteiligungsgesellschaft mbH & Co. KGaA, Munich, Chairman of the Supervisory Board
- DIC Capital Partners (Germany) Verwaltungs GmbH, Munich, Chairman of the Supervisory Board**
- DIC Capital Partners Beteiligungs GmbH, Munich, Chairman of the Supervisory Board**

* Mandates within the meaning of Section 100 (2) sentence 2 AktG
** No supervisory board is legally required to be formed

Klaus Kirchberger:

- AVW Versicherungsmakler GmbH, Bosau, Member of the Supervisory Board**
- ImmoMediaNet GmbH & Co. KG, Schenefeld, Member of the Supervisory Board**

** No supervisory board is legally required to be formed

Jan Benedikt Rombach:

- B&D Central AG, Zollikon/Switzerland, Chairman of the Board of Directors
- R&B Immo Invest AG, Zurich/Switzerland, Vice Chairman of the Board of Directors
- DICP Erste Family Office Beteiligungsgesellschaft mbH & Co. KGaA, Munich, Member of the Supervisory Board

Michael Bock:

- MEDICLIN AG, Offenburg, member of the Supervisory Board and Chairman of the Audit Committee.

Dr Daniel Schütze:

- Kraichgau-Klinik AG, Bad Rappenau, Chairman of the Supervisory Board

Management Board:

- Theo Reichert (Chairman of the Management Board), graduate in business administration
- Thomas Grimm (since 18 January 2018), graduate in business administration

In the 2018 financial year, the members of the Management Board served on the Supervisory Board or other supervisory bodies of the following companies:

Theo Reichert

- CGS AG Zurich, Switzerland: Member of the Board of Directors

Further information on the remuneration of the members of the Supervisory Board can be found in the remuneration report in the management report.

XII. PROPOSED APPROPRIATION OF RESULTS

For 2018, the Management Board will propose a dividend of EUR 2.529 million (EUR 0.12 per share based on 21,075,000 outstanding shares). The dividend will be paid in full from the tax deposit account and is therefore not subject to any capital gains tax. In these consolidated financial statements, this dividend is not recognised as a liability in accordance with IAS 10.

XIII. GROUP AFFILIATION

GCS Verwaltungs GmbH, Glattbach, is the immediate and ultimate parent company of the group. The consolidated financial statements for the smallest group of consolidated companies are prepared by TTL AG.

XIV. AUDITOR'S FEE

The total fee of the Group auditor Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft (previous year: Warth & Klein Grant Thornton AG) for services provided to TTL AG and it subsidiaries for the 2018 financial year totalled EUR 157,000 (previous year: EUR 45,000) and relates to audit services in the amount of EUR 57,000 (previous year: EUR 37,000), other certification services EUR 63,000 (previous year: EUR 8,000) and other services EUR 37,000 (previous year EUR 0). In 2017 and 2018, the auditor services include the statutory audit of the annual financial statements and consolidated financial statements of TTL AG as well as the review of the annual financial statements of subsidiaries of TTL AG and, in 2018, the review of the half-year financial report of TTL AG.

XV. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Liabilities to GR Capital GmbH are revived up to an amount of EUR 1.311 million (previous year: EUR 1.311 million) to the extent that TTL AG's equity exceeds an amount of EUR 100 million in future periods within the meaning of Section 266 (3), A. of the German Commercial Code (HGB) (debtor warrant agreement). In addition, liabilities to AR Holding GmbH in the amount of EUR 102,000 (previous year: EUR 102,000) are revived to the extent that the balance sheet equity of the company within the meaning of Section 266 (3), A. HGB exceeds EUR 100 million in future periods.

As at 31 December 2018, TTL AG reported equity of EUR 46.5 million in its annual financial statements in accordance with Section 266 (3), A. HGB. Based on current corporate planning, it is currently not probable that the threshold of EUR 100.0 million will be reached. For this reason, a revival of liabilities is not included in the financial statements.

XVI. INFORMATION ON THE GERMAN CORPORATE GOVERNANCE CODE

The declaration of conformity pursuant to Section 161 AktG on compliance with the German Corporate Governance Code was issued by the Management Board and Supervisory Board and made permanently available on the TTL AG website (https://www.ttl-ag.de/de/investor-relations/corpo-rate-governance/entsprechenserklaerung.html).

XVII. EMPLOYEES

As at December 2018, two employees were employed in addition to the Management Board. This results in a number of employees within the meaning of Section 285 No. 7 HGB of two (previous year: one).

XVIII. EVENTS AFTER THE REPORTING DATE

There were no significant events after the balance sheet date prior to the preparation of the consolidated financial statements.

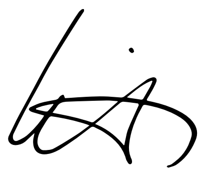
XIX. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved

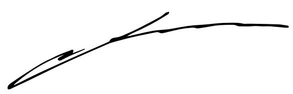
for publication by the Management Board on 18 February 2019.

Munich, 18 February 2019

TTL Beteiligungs- und Grundbesitz-AG, Munich



Theo Reichert
– CEO –



Thomas Grimm
– CFO –

CORPORATE GOVERNANCE REPORT

DECLARATION ON CORPORATE MANAGEMENT AND CORPORATE GOVERNANCE REPORT OF TTL BETEILIGUNGS UND GRUNDBESITZ-AG (TTL AG)

The Management Board reports – also on behalf of the Supervisory Board – on the Company's corporate governance in accordance with Section 3.10 of the German Corporate Governance Code.

The corporate governance statement for the Company and the Group is an integral part of the management report and the consolidated management report.

Corporate governance stands for the responsible management and control of companies aimed at long-term value creation. In the 2018 financial year, the Management Board and Supervisory Board again dealt with compliance with the recommendations of the German Corporate Governance Code. The discussions resulted in the adoption of an updated annual declaration of conformity dated 3 December 2018, which was made permanently available to the public on the Company's website.

Declaration of Conformity pursuant to Section 161 AktG

The Management Board and Supervisory Board of TTL AG declare in accordance with Section 161 AktG:

TTL AG has complied with and will comply with the recommendations of the „Government Commission on the German Corporate Governance Code" in the version dated 7 February 2017, published in the official section of the Federal Gazette since issuing its last declaration of compliance with the following exceptions:

Section 3.8.

In a D&O insurance policy for the Supervisory Board, a deductible corresponding to the statutory requirements for the Board of Management shall be agreed.

There is a D&O insurance policy for the members of the Supervisory Board which does not provide for a deductible for the members of the Supervisory Board. We are of the opinion that the motivation and responsibility with which the members of the Supervisory Board perform their duties would not be improved by a deductible in the D&O insurance.

Section 4.1.3.

Employees should be given the opportunity, in a suitable manner, to give protected indications of violations of the law within the company.

Compliance with the recommendation is not necessary due to the currently low number of employees.

Section 4.2.3.

Both positive and negative developments should be taken into account in the structure of the variable remuneration components. The variable remuneration components shall be based on demanding, relevant comparison parameters.

The members of the Management Board are promised performance-related payments (bonuses) and options on so-called „virtual" shares as variable remuneration components. In accordance with Section 4.2.3 (2) sentence 4 of the Code, the variable remuneration components take account of positive and negative developments within the agreed assessment period to the extent that the payments are correspondingly higher or lower or can be cancelled altogether. When exercising the options, the members of the Management Board receive share price-dependent payments which are based solely on the stock market price of the Company's share within a reference period. Contrary to Section 4.2.3 (2) sentence 7 of the Code, the options on virtual shares are therefore not based on „demanding, relevant comparison parameters" within the meaning of the Code. We are of the opinion that no increase in motivation and sense of responsibility can be achieved by additional comparison parameters.

The total remuneration and the variable components of the remuneration should be capped.

The options on so-called „virtual" shares granted to members of the Management Board as long-term variable remuneration components were and are limited in number. Upon exercise, the options grant a right to a cash payment, the amount of which is calculated as the positive difference between the average closing price of the TTL Beteiligungs- und Grundbesitz-AG share in a reference period prior to exercise of the options and the contractually agreed exercise price. The members of the Management Board can therefore benefit from the potential for an increase in the share price during the reference period. In relation to the participation in the share price increase potential at the time the options were exercised, there was and is no limit on the amount. In our opinion, such a further limitation of this share-based remuneration component would counteract its major incentive, namely to work towards increasing the value of the company. In view of this lack of a limit on the amount, the remuneration of the members of the Management Board does not therefore have any maximum limits on the total amount.

When concluding Management Board contracts, care should be taken to ensure that payments made to Management Board members upon premature termination of their contract, including fringe benefits, do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract.

The Company has not and will not agree a severance payment cap when concluding Management Board contracts. Such an agreement contradicts the basic understanding of the Management Board contract, which is regularly concluded for the duration of the appointment period and cannot in principle be terminated in an orderly manner. In addition, the Company cannot unilaterally enforce a limitation on the severance payment if, as is frequently the case in practice, the Management Board activity is terminated by mutual consent. In the event of premature termination of a Management Board contract, we will endeavour to take the basic idea of the recommendation into account.

The Chairman of the Supervisory Board shall inform the Annual General Meeting once about the main features of the remuneration system for the Management Board and then about any changes to it.

The principles of the remuneration system for the Management Board and any changes thereto are set out in the management report and reproduced in the annual report. The corresponding information is thus available to the shareholders and no further information was provided at the Annual General Meeting. We intend to comply with the recommendation in the future.

Section 5.1.2

In the composition of the Management Board, the Supervisory Board should also pay attention to diversity.

The Supervisory Board primarily decides on the composition of the Management Board on the basis of expert knowledge and competence. Other characteristics such as gender or national or religious affiliations were and are of secondary importance for the decision.

Section 5.3.1.

Depending on the specific circumstances of the company and the number of its members, the Supervisory Board shall form committees with qualified expertise.

The Supervisory Board consists of five members. In view of this small number of members, the formation of committees would not lead to the more efficient operation of the Supervisory Board.

Section 5.3.2

The Supervisory Board shall set up an Audit Committee which shall deal in particular with the monitoring of accounting, the accounting process, the effectiveness of the internal control system, risk management and the internal audit system, the audit of the financial statements and compliance.

In view of the small number of Supervisory Board members, the formation of an Audit Committee would not lead to a more efficient operation of the Supervisory Board.

Section 5.3.3

The Supervisory Board shall form a Nomination Committee composed exclusively of shareholder representatives, which shall nominate suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of Supervisory Board members.

Since the Supervisory Board consists only of shareholder representatives and the previous practice of preparing election proposals in the full Supervisory Board has proven to be efficient, the Supervisory Board sees no need to form a nomination committee.

Section 5.4.1.

The Supervisory Board shall specify concrete goals for its composition and develop a competence profile for the entire Supervisory Board. For its composition, it shall take due account of the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members, an age limit for Supervisory Board members to be determined and a rule limit for the length of service on the Supervisory Board as well as diversity within the framework of the company-specific situation.

With the exception of an age limit for members of the Supervisory Board and the proportion of women on the Supervisory Board, the Supervisory Board has not specified any specific objectives for its composition contrary to Item 5.4.1 (2) of the Code and has not developed a competence profile for the entire Supervisory Board and will not specify such objectives and will not develop a formal competence profile. The Supervisory Board is of the opinion that it currently has an appropriate number of independent members. However, the Code does not conclusively regulate the concept of the independence of Supervisory Board members, but rather defines negatively by means of rule examples in which cases independence, “in particular”, no longer exists. In addition, independence is to be eliminated if conflicts of interest may arise that are material and not merely temporary, irrespective of whether they actually arise or not. For the Supervisory Board, therefore, the question of when independence according to Section 5.4.2. of the Code in individual cases is associated with too much legal uncertainty to warrant the determination of a specific figure. With regard to the standard limit for the length of service on the Supervisory Board, the Supervisory Board is of the opinion that it is more in the interests of the Company to be able to draw on the long-standing expertise of individual members of the Supervisory Board in individual cases and to weigh continuity against renewal in individual cases. Potential conflicts of interest and competence requirements are also taken into account without formal stipulations by the Supervisory Board. For these reasons the Supervisory Board dispenses with any formal determinations. In the absence of appropriate targets and a competence profile for the entire Supervisory Board, and in deviation from Section 5.4.1 (4) of the Code, the Supervisory Board’s election proposals to the Annual General Meeting do not take into account the current status of implementation, including the number of independent members and their names.

The proposal of candidates shall be accompanied by a curriculum vitae and published on the website annually updated for all members of the Supervisory Board, and the Supervisory Board shall disclose the personal and business relationships of each candidate to the company, to the corporate bodies of the company and to a shareholder significantly involved in the company in the case of election proposals to the Annual General Meeting for the election of the Supervisory Board.

In the opinion of the Company, the recommendation of the German Corporate Governance Code does not regulate specifically enough which relationships of each candidate are to be disclosed individually and to what extent in election proposals to the Annual General Meeting in order to comply with the recommendation. In the interest of legal certainty in future elections to the Supervisory Board, the Management Board and the Supervisory Board have decided to declare a deviation from this recommendation. We are of the opinion that the statutory disclosure requirements in Section 124 (3) sentence 4 and Section 125 (1) sentence 5 AktG already take into account the shareholders' need for information and will examine and decide in due course whether additional information on the candidates and/or the other members of the Supervisory Board will be made available voluntarily and without being bound by the recommendation of the Code on the occasion of election proposals to the Annual General Meeting.

Section 5.4.6.

The deputy chairmanship of the Supervisory Board and the chairmanship and membership of committees shall be taken into account in the remuneration of the Supervisory Board.

In the opinion of the company, separate remuneration for the Deputy Chairman of the Supervisory Board is not necessary, as the number of occasions for representation was and is low. There are no committees.

The remuneration of the members of the Supervisory Board should be reported individually in the notes to the financial statements or in the management report, broken down by components. The remuneration paid by the Company to the members of the Supervisory Board for the benefits granted for services rendered personally, in particular advisory and agency services, shall also be disclosed individually.

To date, the members of the Supervisory Board have not received any remuneration, so that individualised reporting has not been required. The remuneration will be disclosed on an individualised basis from the 2018 financial year onwards.

Section 7.1.2.

The half-year financial report shall be publicly accessible within 45 days of the end of the reporting period.

The 2018 half-year financial report was made available on the company's website 51 days after the end of the reporting period. The company intends to follow the recommendation in the future.

Munich, 3 December 2018

Corporate governance practices

The Management Board and Supervisory Board view it as their duty to ensure the continued existence of the company and sustainable value creation through responsible and long-term corporate management. For TTL AG and its Group companies, good corporate governance also includes the responsible handling of risks. The Management Board therefore ensures appropriate risk management and risk controlling within the company (see also the comments in the Risk and Opportunity Report) and ensures compliance with the law in the Company and the Group as well as with the recommendations of the German Corporate Governance Code in accordance with the annual declaration of conformity. The Management Board regularly informs the Supervisory Board about existing risks and their development. Internal corporate control, reporting and compliance structures are regularly reviewed, further developed and adapted to changing conditions.

Working methods of the Management Board and the Supervisory Board

In accordance with German stock corporation law, TTL AG has a dual management system consisting of a Management Board and a Supervisory Board. This means that the management and control bodies are clearly separated. The company's management body is the Management Board, which is supervised and advised by the Supervisory Board in the management of the company. Good corporate governance requires trusting and efficient cooperation between the Management Board and the Supervisory Board. To this end, open communication and close cooperation are of particular importance. The Management Board informs the Supervisory Board regularly, promptly and comprehensively about all relevant issues.

The Management Board performs its management function as a collegial body. It determines the corporate goals, strategic orientation, corporate policy and Group organisation, coordinates these with the Supervisory Board and ensures their implementation. It is bound by the interests of the Group as a whole and committed to achieving a sustained increase in the value of the company as well as the interests of shareholders, customers, employees and other groups associated with the company. The members of the Management Board jointly bear responsibility for overall management of the company. Irrespective of the overall responsibility, the individual members of the Managing Board are responsible for managing the departments assigned to them within the framework of Management Board resolutions. The allocation of responsibilities among the members of the Management Board is set out in the schedule of responsibilities. The Management Board has a quorum if at least a majority of the members participate in the passing of resolutions and passes its resolutions by a simple majority of votes. The Supervisory Board appoints and dismisses the members of the Management Board and, together with the Management Board, ensures long-term succession planning. According to the rules of procedure for the Management Board, the approval of the Supervisory Board is required for individually defined measures of major importance, such as major investments.

The Management Board involves the Supervisory Board in strategy and planning and in all matters of fundamental importance to the company. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the interests of the Supervisory Board externally. The Management Board informs the Supervisory Board promptly and comprehensively in writing, by telephone and at Supervisory Board meetings about the development of business and the situation of the Group. In the event of significant events, an extraordinary meeting of the Supervisory Board may be convened. The Supervisory Board has adopted rules of procedure for its work. As a rule, the Supervisory Board passes its resolutions at meetings. By order of the Chairman of the Supervisory Board, they may also be passed in telephone conferences or outside a meeting, e.g. by telephone, in writing or by voting by e-mail. Resolutions may also be passed by a combination of votes cast in meetings and other forms of voting. The Supervisory Board has a quorum if all members are invited and at least three members take part in the vote. Resolutions of the Supervisory Board are generally passed by a simple majority of the votes cast, unless a different majority is prescribed by law. The meetings of the Supervisory Board are recorded in minutes, the minutes are signed by the chairman of the meeting (usually the chairman of the Supervisory Board). Resolutions passed outside of meetings shall also be recorded in writing. A copy of the minutes or the resolution passed outside the meeting shall be sent immediately to all members of the Supervisory Board.

No committees have been formed.

Composition of the bodies

When appointing members to the Management Board and Supervisory Board, priority is given to the knowledge, skills and professional experience required to perform their duties.

With effect from 18 January 2018, Mr Thomas Grimm was appointed by the Supervisory Board in addition to Mr Theo Reichert (Chairman of the Management Board) as a further member of the Management Board (Chief Financial Officer). At the time this report was prepared, the Management Board of TTL AG therefore consisted of two members.

The Supervisory Board consists of five members, all of whom are elected by the Annual General Meeting. The Supervisory Board has elected a Chairman and a Deputy Chairman. During the 2018 financial year and as of today, the Supervisory Board consists of the following persons:

- Prof Dr Gerhard Schmidt, since 23 January 2018, since 23 August 2018 Chairman
- Mr Klaus Kirchberger (Chairman until 23 August 2018, Deputy Chairman since 23 August 2018)
- Dr Daniel Schütze (Deputy Chairman until 23 August 2018)
- Mr Klaus W Schäfer, until 23 January 2018
- Mr Jan B Rombach, since 20 June 2018
- Mr Michael Bock, since 20 June 2018

The terms of office of the Supervisory Board members Prof Dr Gerhard Schmidt, Mr Klaus Kirchberger and Dr Daniel Schütze run until the end of the Annual General Meeting which resolves on the discharge for the 2018 financial year. The terms of office of the members of the Supervisory Board Mr Jan B. Rombach and Mr Michael Bock will run until the end of the Annual General Meeting which resolves on the discharge for the 2022 financial year.

Objectives of the Supervisory Board with regard to its composition

The Supervisory Board has specified an age limit for Supervisory Board members in the rules of procedure for the Supervisory Board. Accordingly, only persons who have not yet reached the age of 70 shall be proposed for election to the Supervisory Board.

As a listed and not co-determined company, TTL AG is legally obliged to set target figures for the proportion of women on the Supervisory Board and Management Board. In the absence of a management level below that of the Management Board, the Management Board was under no corresponding obligation to determine the management level.

The Supervisory Board has set a target of 0% for the proportion of women on the Supervisory Board and 0% for the Management Board. The targets are to be reached by 30 November 2020 in each case.

In deviation from Section 5.4.1 (2) of the German Corporate Governance Code (GCGC), the Supervisory Board has not specified any further specific objectives for its composition and has not drawn up a formal competence profile for the entire Supervisory Board. Please refer to the above declaration of conformity for the reasons for this.

The Supervisory Board and the Management Board in their current composition meet the aforementioned targets.

Disclosure of conflicts of interest

Each member of the Management Board and Supervisory Board discloses any conflicts of interest that may arise in compliance with the GCGC. No conflicts of interest arose in the 2018 financial year.

D&O insurance

There is a Directors & Officers insurance policy (D&O insurance) for the members of the Management Board and Supervisory Board. This insurance covers claims for damages by the company, its shareholders or third parties which can be asserted due to breaches of duty of care by the executive bodies. The costs for the insurance are borne by the company. In the event of an insured event, the members of the Management Board are required to pay a deductible.

Transparency – communication with the capital market and accounting principles

All relevant corporate information, including annual and interim reports, is published and made permanently accessible on our homepage at www.ttl-ag.de. In the Investor Relations section, TTL AG also publishes the current declaration of conformity and an archive of previous declarations of conformity.

Regular reporting and ad hoc publicity

The corresponding reports are published twice a year as part of the annual and semi-annual reporting. Ad hoc announcements are distributed throughout Europe and made immediately available on the Internet.

Financial calendar

The company's most important dates are published in a financial calendar.

Accounting principles

The consolidated financial statements of TTL AG are prepared in accordance with International Financial Reporting Standards (IFRS). The annual financial statements of TTL AG as the parent company of the Group are prepared in accordance with the accounting regulations of HGB. Both financial statements are audited and certified by an independent auditing firm.

Remuneration structures of the Management Board

The Management Board of TTL AG has a contractual relationship with the company in addition to its function as an executive body. The Supervisory Board is responsible for concluding employment contracts with the Management Board. The contract defines the rights and duties of the members of the Management Board, including their remuneration.

Remuneration system for the Management Board:

The Supervisory Board determines the total remuneration of the individual members of the Management Board, decides on the remuneration system for the Management Board and reviews it regularly.

The total remuneration is commensurate with the duties of the respective Management Board member, his personal performance, the economic situation, the success and future prospects of TTL AG and is also commensurate with the comparative environment and the remuneration structure that otherwise applies in the company. The remuneration structure, in particular with share-based compensation, provides long-term incentives for behaviour and is geared overall to sustainable corporate development. At the same time, the remuneration is structured in such a way that it is competitive.

The remuneration of the Management Board consists of three components. It comprises (i) fixed remuneration and fringe benefits, (ii) variable remuneration dependent on the achievement of certain targets (short-term performance-related component) and (iii) share-based remuneration (long-term incentive component).

Fixed remuneration and fringe benefits:

The fixed remuneration is paid in equal monthly instalments. The fringe benefits consist of the provision of a company car, a mobile telephone and limited contributions to insurance policies, in particular accident, health and pension insurance policies and other private pension plans.

Variable, performance-related remuneration:

The variable, performance-related remuneration of the Management Board (bonus) is based on the operating result of TTL AG and thus takes into account both positive and negative developments. A prerequisite for the granting of the bonus for all members of the Management Board is a positive operating result of the TTL AG Group. The amount of the bonus depends on the extent to which company-related and personal goals have been achieved. Company-related and personal targets are weighted by the Supervisory Board at 50% each when the bonus is determined. The variable remuneration (bonus) is limited to 50% of the total remuneration (total of fixed remuneration and variable remuneration). The Supervisory Board decides on the bonus by 31 May of the following year each year. The bonus is paid out on the last banking day of the month in which the Supervisory Board decides on the bonus.

Share-based remuneration with a long-term incentive effect:

In addition, the members of the Management Board hold options on so-called „virtual“ shares in TTL AG, which also take account of both positive and negative developments. The number of options granted is contractually regulated on an individual basis and has an upper limit. The options are notional and only grant the right to cash payment. The exercise of the options is linked to the completion of a certain number of years of service (vesting period). The vesting period is three years. When the options are exercised, the special remuneration is calculated as the positive difference between the average closing price over a reference period of ten trading days before the options are exercised and the contractually agreed exercise price of EUR 1.50 per virtual share. Management Board members can therefore benefit from the share price appreciation potential during the reference period. There is no limit on the amount of participation in the share price appreciation potential at the time the options are exercised. The fair value of the options earned as at 31 December 2018 amounted to EUR 48,400.

Activities performed by Management Board members in management and/or supervisory functions at subsidiaries or associated companies of TTL AG are covered by the Management Board remuneration of TTL AG.

Provisions in the event of termination of a Management Board member's contract:

The Management Board contracts of the current Management Board members do not contain any express severance payment commitments. Contrary to the recommendation in Section 4.2.3

GCGC, it is not agreed that Payments to members of the Management Board in the event of premature termination of their contract, including fringe benefits, do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the employment contract.

If a Management Board member dies during the term of his contract, the fixed annual salary and the variable remuneration are to be paid pro rata temporis to the surviving dependants for a period of six months after the end of the month in which the Management Board member died. If a member of the Management Board becomes permanently disabled during the term of the contract, the contract ends three months after the end of the half-year in which the permanent disability was determined. In the event of illness, remuneration will continue to be paid for a period of six months, but no longer than until the end of the Management Board contract.

There are no commitments for the company pension scheme for members of the Management Board.

Remuneration structure of the Supervisory Board

According to the Articles of Association of TTL AG, the members of the Supervisory Board receive a fixed basic remuneration of EUR 7,669.50. Variable remuneration is not granted. The Chairman of the Supervisory Board receives twice the fixed basic remuneration. Supervisory Board members who were not in office for the entire financial year receive the remuneration pro rata temporis. In 2018, the remuneration of the Supervisory Board members totalled EUR 39,000.

Supervisory Board remuneration in EUR	from	to	2018 Remuneration	2017 Remuneration
Prof Dr Gerhard Schmidt (Chairman*)	23/01/2018	31/12/2018	9,897	0
Klaus Kirchberger (Deputy Chairman**)	23/08/2018	31/12/2018	12,523	0
Dr. Daniel Schütze (Deputy Chairman***)	01/01/2018	31/12/2018	7,648	0
Michael Bock	20/06/2018	31/12/2018	4,076	0
Jan B. Rombach	20/06/2018	31/12/2018	4,076	0
Klaus W. Schäfer	01/01/2018	23/01/2018	462	0
			38,684	0

* Chairman since 23 August 2018
** Chairman until 23 August 2018, Deputy Chairman since 23 August 2018
*** Deputy Chairman until 23 August 2018

VALUE OF GRANTS MADE TO MEMBERS OF THE MANAGEMENT BOARD FOR THE YEAR UNDER REVIEW

	THEO REICHERT				THOMAS GRIMM			
	2018			since 1/10/2017	since 18/01/2018			
In EUR	2018 anticipa-ted	2018 minimum	2018 maxi-mum	2017	2018 anticipa-ted	2018 minimum	2018 maxi-mum	2017
Fixed remuneration	250,000	250,000	250,000	62,500	193,374	193,374	193,374	0
	1,352	1,352	1,352	645	0	0	0	0
Total	**251,352**	**251,352**	**251,352**	**63,145**	**193,374**	**193,374**	**193,374**	**0**
One-year variable Remuneration	167,000	0	250,000	42,000	129,000	0	193,374	0
Multi-year variable Remuneration (Long-term incentive plan 2017/18-2020)	22,156	0	22,156	4,950	21,294	0	21,294	0
Total	**189,156**	**0**	**272,156**	**46,950**	**150,294**	**0**	**214,668**	**0**
Pension expense	0	0	0	0	0	0	0	0
Total remuneration	**440,508**	**251,352**	**523,508**	**110,095**	**343,668**	**193,374**	**408,041**	**0**

INFLOW OF BENEFITS GRANTED TO MEMBERS OF THE MANAGEMENT BOARD FOR THE REPORTING YEAR

	THEO REICHERT		THOMAS GRIMM	
		since 01/10/2017	since 18/01/2018	
In EUR	2018	2017	2018	2017
Fixed remuneration	250,000	62,500	193,374	0
	1,352	645	0	0
Total	**251,352**	**63,145**	**193,374**	**0**
One-year variable Remuneration	42,000	0	0	0
Multi-year variable Remuneration (long-term incentive plan 2017-2020)	0	0	0	0
Total	**42,000**	**0**	**0**	**0**
Pension expense	0	0	0	0
Total remuneration	**293,352**	**63,145**	**193,374**	**0**

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Prof Dr Gerhard Schmidt

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In the following, we report on the work of the Supervisory Board in the 2018 financial year:

Advice, monitoring and review by the Supervisory Board

In the 2018 financial year, the Supervisory Board continuously monitored the management of TTL Beteiligungs- und Grundbesitz-AG by the Management Board and regularly and carefully advised the Management Board. In 2018, the Management Board informed the Supervisory Board regularly and in a timely manner about all matters of material importance to the Company. In particular, the corporate planning, the situation and development of the Company and the Group as well as risk management and the internal control system were the subject of oral and written reports.

The Management Board informed the Supervisory Board comprehensively about the situation of TTL Beteiligungs- und Grundbesitz-AG and its affiliated companies. The Supervisory Board monitored the legality, regularity and efficiency of the Company's management and performed the duties incumbent upon it under the law and the Articles of Association. The Supervisory Board received regular reports on corporate planning, sales and earnings development, the financial and liquidity situation, and details and background information on the main influences on earnings and other key financial figures.

The reports of the Management Board met the requirements of the law and the Supervisory Board with regard to their content and scope. The Supervisory Board examined the reports of the Management Board for plausibility and critically evaluated them. The Supervisory Board passed its resolutions on the basis of the detailed information provided by the Management Board. The Supervisory Board has no reason to believe that the management of the Company in 2018 was illegal, improper, inappropriate or inefficient. The discussions with the auditors at the meetings of the Supervisory Board also did not give rise to any indications of this.

In the 2018 financial year, four ordinary Supervisory Board meetings and fifteen extraordinary Supervisory Board meetings were held in the form of face-to-face meetings and telephone conferences. No member of the Supervisory Board attended only half or less of the meetings of the Supervisory Board during his term of office. The Chairman of the Supervisory Board was also informed by the Management Board between meetings. The Management Board attended all meetings of the Supervisory Board, with the exception of the meeting regarding the decision on the variable remuneration of the Management Board.

The Management Board explained and discussed the business development and the financial situation with the Supervisory Board in all ordinary meetings. The Supervisory Board received the documents in good time for the preparation of each meeting. Where required, decisions were made by circular procedure.

Focal points of the meetings

At the Supervisory Board meeting on 16 January 2018, Thomas Grimm was appointed as a new member of the Management Board/CFO of TTL AG. In addition, the Management Board employment contract to be concluded with Mr Grimm, including remuneration, was discussed, approved and resolved.

Furthermore, a meeting was held in January 2018 to prepare the Extraordinary General Meeting and a constituent meeting was held following the election of Prof Dr Gerhard Schmidt as a new member of the Supervisory Board of TTL AG.

The ordinary meeting in February 2018 focused on the adoption of the annual financial statements and the approval of the consolidated financial statements for the 2017 financial year. The Supervisory Board approved the Management Board's report on relations with affiliated companies and concurred with the auditor's findings in examining this report.

At its meetings in March, April and May, the Supervisory Board dealt with the acquisition of 3.59% of the ordinary shares in TTL Real Estate GmbH by way of a non-cash capital increase of around EUR 1.6 million and the acquisition of a further 11.67% of the shares in TTL Real Estate GmbH, including the underlying financing agreement. Finally, a non-cash capital increase of EUR 1.1 million was approved for the acquisition of a further 2.46% of the ordinary shares in TTL Real Estate GmbH.

In April, the cash capital increase for the issue of 701,711 shares at an issue price of EUR 3.60 per share, excluding shareholders' subscription rights, was also approved.

The Supervisory Board meeting on 23 May 2018 served as a preliminary meeting for the subsequent 2018 Annual General Meeting and to discuss various options for capital measures to finance growth and potential banking partners.

At the Supervisory Board meeting in July, the Supervisory Board approved the purchase agreement for an additional 4.5% of the shares in TTL Real Estate GmbH and the subscription by TTL AG of an additional 0.5% in new shares in TTL Real Estate GmbH at a subscription price of around EUR 1.6 million.

At the meeting on 23 August 2018, the half-year report 2018 was adopted.

At several meetings held from September to November, the Supervisory Board discussed in detail the planned capital measure relating to a capital increase with subscription rights of up to EUR 8.8 million from Authorised Capital 2018/II and the placement of up to 3.475 million shares from the conversion of the convertible bond. In mid-October, the Supervisory Board approved the implementation of the capital measure, which called for publication of the subscription offer by 24 October 2018. Due to the weak market environment, the Supervisory Board approved the Management Board's proposal not to implement the capital measure for the time being on 23 October 2018.

In November 2018, the Supervisory Board was informed in detail about the course of business to date and the budget of the associated companies.

Corporate governance reviewed and declaration updated

In the 2018 financial year, the Supervisory Board again regularly dealt with the company's corporate governance. In addition, it conducted an efficiency audit of its activities in the fourth quarter of the year. The current declaration of compliance with the recommendations of the German Corporate Governance Code pursuant to Section 161 AktG was issued by the Supervisory Board together with the Management Board on 3 December 2018. It is available on the company's website, where the Declaration of Conformity is reproduced in full.

There were no conflicts of interest in the reporting period.

Annual and consolidated financial statements for 2018 audited and approved

Before the Supervisory Board proposed to the Annual General Meeting that Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Nuremberg, be appointed auditor for the 2018 financial year, the Supervisory Board satisfied itself that the auditor was independent.

The Management Board prepared the annual financial statements for the 2018 financial year in accordance with the provisions of HGB, the consolidated financial statements in accordance with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315e HBG and the management report created with the group management report. These were audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Nuremberg, which was appointed as the auditor by the Annual General Meeting on 15 June 2018, and each received an unqualified audit opinion.

The annual and consolidated financial statements for the 2018 financial year, the management report combined with the group management report and the Management Board's proposal for the appropriation of profits were examined by the Supervisory Board. The auditor's reports were available to the Supervisory Board for this examination. On 18 February 2019, the auditor reported to the Supervisory Board on the focal points and key findings of its audit, discussing the key audit matters and the audit procedures performed. No significant weaknesses in the internal control and risk management system relating to the accounting process were reported. In addition, the auditor was available to the members of the Supervisory Board for discussion and further questions. There were no circumstances that could indicate a bias on the part of the auditor. The documents submitted by the Management Board and the reports were finally discussed and examined at the Supervisory Board meeting on 18 February 2019. At this meeting, the members of the Supervisory Board were able to satisfy themselves that the audit had been properly conducted by the auditor and that the audit reports had been properly prepared. The Supervisory Board concurred with the results of the audit. On the basis of its own examinations, it came to the conclusion that there were no objections to be raised. In its assessment of the situation of TTL Beteiligungs- und Grundbesitz-AG and the TTL Group, the Supervisory Board concurred with the assessment of the Management Board in its management report and group management report and approved the annual and consolidated financial statements prepared by the Management Board. The annual financial statements of TTL Beteiligungs- und Grundbesitz-AG were thus adopted.

Audit of relations with affiliated companies

The Management Board prepared a report on relations with affiliated companies for the period from 1 January 2018 to 31 December 2018. The auditor also examined this report, reported on the results in writing and issued the following unqualified audit opinion:

"Based on our audit and assessment performed in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct,

2. that the consideration paid by the company for the transactions listed in the report was not inappropriately high or that disadvantages were offset."

The reports of the Management Board and the auditors were submitted to the individual members of the Supervisory Board in good time for examination. These reports were also discussed in detail at the Supervisory Board meeting on 18 February 2019. The auditor attending the meeting reported on the main results of its audit. Following its own examination, the Supervisory Board approved the Management Board's report on relations with affiliated companies and also concurred with the results of the auditor's examination of the report. On the basis of its own examination, the Supervisory Board came to the conclusion that there were no objections to the declaration of the Management Board at the end of the report on relations with affiliated companies.

Personnel changes

With effect from 18 January 2018, Mr Thomas Grimm was appointed as an additional member of the Management Board and Chief Financial Officer of the Company until the end of 31 December 2020.

Supervisory Board member Klaus W Schäfer resigned his mandate with effect from the end of the Extraordinary General Meeting on 23 January 2018. His successor, Prof Dr Gerhard Schmidt, was elected to the Supervisory Board by the Annual General Meeting on 23 January 2018 for a term of office until the end of the Annual General Meeting which resolves on the discharge for the 2018 financial year.

The Supervisory Board would like to thank Mr Schäfer for his many years of service on the Supervisory Board of the Company, in particular for his services to the realignment of the Company. We are very pleased that Mr Schäfer will continue to be associated with the company as a shareholder.

At the Annual General Meeting on 15 June 2018, it was resolved to amend the Articles of Association to expand the Supervisory Board from three to five members. The amendment to the Articles of Association was entered into the Commercial Register on 20 June 2018. Mr Michael Bock and Mr Jan Benedikt Rombach were elected to the Supervisory Board as further Supervisory Board members until the end of the Annual General Meeting which resolves on the discharge for the 2022 financial year.

On 23 August 2018, Prof Dr Gerhard Schmidt was elected as the new Chairman of the Supervisory Board. Mr Klaus Kirchberger assumes the role of Deputy Chairman.

Committees

The Supervisory Board of TTL Beteiligungs- und Grundbesitz-AG did not form any committees in the 2018 financial year.

2018 was an important year for the company. Thanks to the successful realignment, an impressive result was achieved and a dividend was proposed for the first time in many years. The Supervisory Board would like to thank the Management Board and the employees for their outstanding work in the 2018 financial year.

Munich, 18 February 2019 The Supervisory Board

Prof Dr Gerhard Schmidt
– Vorsitzender –

RESPONSIBILITY STATEMENT

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which is combined with the management report of TTL Beteiligungs- und Grundbesitz-AG, including the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Munich, 18 February 2019

Theo Reichert
– CEO –

Thomas Grimm
– CFO –

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To TTL Beteiligungs- und Grundbesitz-AG

NOTE ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of TTL Beteiligungs- und Grundbesitz-AG and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2018 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of TTL Beteiligungs- und Grundbesitz-AG for the financial year from 1 January to December 2018. In accordance with German legal requirements, we have not audited the content of the components of the combined management report listed in the appendix.

In our opinion, based on the findings of our audit, the accompanying consolidated financial statements

- comply in all material respects with IFRSs as adopted by the EU, the additional requirements of German law pursuant to Section 315e (1) HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2018 and of its results of operations for the financial year from 1 January to 31 December 2018 in accordance with these requirements,
- and the combined management report as a whole provides a suitable view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the contents of the components of the combined management report listed in the appendix.

In accordance with Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the combined management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with Section 317 HGB and the EU Auditor's Regulation (No. 537/2014; hereinafter „EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the combined management report" of our audit opinion. We are independent of the Group companies in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. In addition, we declare in accordance with Article 10 (2) f) EU-APrVO that we have not provided any prohibited non-audit services pursuant to Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the combined management report.

Particularly important audit facts in the audit of the consolidated financial statements

Those audit facts of particular importance in our audit are those facts which, in our judgement, were most significant in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These facts have been considered in connection with our audit of the consolidated financial statements as a whole and in the determination of our audit opinion thereon; we do not express a separate opinion on these matters.

Initial valuation from non-cash capital increases of financial assets accounted for using the equity method

- **Risk for the financial statements**

The consolidated financial statements of TTL Beteiligungs- und Grundbesitz-AG as at 31 December 2018, include investments in companies accounted for using the equity method in the amount of EUR 78.119 million. The additions of EUR 37.356 million to shares in the 2018 financial year result from non-cash capital increases and acquisitions. For the shares transferred as part of the non-cash capital increases, the Management Board determined a fair value of EUR 9.677 million as acquisition costs. The measurement depends in particular on the assessment of the assumed planning assumptions and the capitalisation interest rate applied. In addition, the measurement was compared with the measurement methods of the non-cash contributions already made in the 2017 financial year and checked by the Management Board to ensure that they were up to date. The measurements are therefore subject to uncertainties. Against this background and in view of the material significance for the net assets and financial position of the Company, this matter was of particular importance in the context of our audit.

- **Our audit procedure**

We have satisfied ourselves that the fair values have been determined appropriately. To this end, we checked whether the underlying measurement assumptions were correctly derived and we ensured that they were appropriate. We critically assessed the assumptions and methods used and their consistency in relation to the previous period. We carried out our own comparative calculations for the measurement parameters updated as at the measurement date. As a result, our analysis did not lead to any restrictions with regard to the usability of the submitted valuations for the purposes of the consolidated financial statements.

- **Our conclusions**

We were able to reconstruct the measurement of additions from non-cash capital increases for financial assets accounted for using the equity method in the amount of EUR 9.677 million on the basis of the documents submitted. For further details, please refer to the company's disclosures in the notes to the consolidated financial statements on financial assets accounted for using the equity method.

Subsequent measurement of financial assets accounted for using the equity method

- **Risk for the financial statements**

The consolidated financial statements of TTL Beteiligungs- und Grundbesitz-AG as at 31 December 2018, include financial assets accounted for using the equity method in the amount of EUR 78.119 million. These include profit shares in the amount of EUR 2.393 million from the proportionate consolidated earnings of TTL Real Estate GmbH for the 2018 financial year. TTL Real Estate GmbH is itself the parent company, but is not obliged to prepare consolidated financial statements. For the purpose of using the equity method, corresponding consolidated financial statements were prepared for consolidation purposes. In accordance with IAS 28.27, this also includes the pro rata result of the German Estate Group GmbH & Co. KG. The necessary adjustments to the uniform Group accounting and valuation principles, the determination and adjustment of hidden reserves and the determination of a consolidated result were determined by the Management Board of TTL Beteiligungs- und Grundbesitz-AG on the basis of available information, the financial statements prepared in accordance with German commercial law and its own estimates and assumptions. Due to the existing estimation uncertainties and discretionary liability, this matter is of particular importance from our point of view.

- **Our audit procedure**

Our audit procedures included, firstly, ensuring that the Management Board's methodology for determining the consolidated results of TTL Real Estate GmbH remained unchanged over time. In addition, we satisfied ourselves of the appropriateness of the calculation on the basis of the descriptions submitted and interviews with the Management Board. In assessing the appropriateness of the use of the equity valuation method, we used our knowledge from the audit of the financial statements of TTL Real Estate GmbH and the reports of a sub-division auditor of German Estate Group GmbH & Co. KG. We have used these findings to understand and assess the adjustments made to the uniform Group accounting and measurement principles, the determination and adjustment of hidden reserves and the determination of consolidated earnings.

- **Our conclusions**

We were able to reconstruct the result of EUR 2.393 million recorded by TTL Beteiligungs- und Grundbesitz-AG according to the equity method on the basis of the documents submitted. For further details, please refer to the company's disclosures in the notes to the consolidated financial statements on financial assets accounted for using the equity method.

Other information

The legal representatives are responsible for the other information. The other information includes:

- the components of the combined management report listed in the appendix to the auditor's report that have not been audited with regard to content,
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements, the combined management report and our audit opinion,
- the Corporate Governance Report according to No. 3.10 of the German Corporate Governance Code and
- the assurance pursuant to Section 297 (2) sentence 4 HGB for the consolidated financial statements and the assurance pursuant to Section 315 (1) sentence 5 HGB for the combined management report.

Our audit opinions on the consolidated financial statements and the combined management report do not extend to the other information and, accordingly, we do not express an audit opinion or any other form of audit conclusion thereon.

In connection with our audit, we have the responsibility to read the other information and to assess whether the other information

- is materially inconsistent with the consolidated financial statements, the combined management report or
- our audit findings or otherwise appears to be materially misstated.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the combined management report

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the EU, the additional requirements of German law pursuant to Section 315e (1) HGB and all material aspects of these IFRSs as adopted by the EU, and for the presentation of the asset, financial and income situation of the Group in accordance with these requirements. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for evaluating the Group's ability to continue operations. Furthermore, they have the responsibility to disclose facts relating to the continuation of the business, if relevant.

In addition, they are responsible for accounting on the basis of the going concern principle unless there is an intention to liquidate the Group or cease operations or there is no realistic alternative.

Moreover, the legal representatives are responsible for the preparation of the combined management report, which as a whole provides a suitable view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. In addition, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to permit the preparation of a combined management report in accordance with the applicable German legal requirements and to provide sufficient and suitable evidence for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Our objective is to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the combined management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to express an opinion that includes our audit opinion on the consolidated financial statements and the combined management report.

Sufficient assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with Section 317 HGB and the EU-APr-VO and German principles of proper auditing promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are considered material if it could reasonably be expected that they would individually or collectively influence the economic decisions of users made on the basis of these consolidated financial statements and the combined management report.

During the audit, we exercise due judgement and maintain a critical attitude. In addition,

- we identify and evaluate the risks of material misstatement, whether intentional or not, of the consolidated financial statements and the combined management report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to form the basis of our audit opinions. The risk that material misstatements will not be detected is greater in the case of violations than in the case of inaccuracies, as violations may involve fraudulent interaction, falsification, intentional incompleteness, misrepresentation or the termination of internal control.

- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the procedures and measures relevant to the audit of the combined management report to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the reasonableness of accounting estimates made and related disclosures made.

- We draw conclusions about the appropriateness of the accounting policies used by management to continue the business and, based on the audit evidence we have obtained, whether there is significant uncertainty about events or circumstances that could give rise to material doubts about the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the related consolidated financial statements and on the combined management report or, if the information is inappropriate, to modify our opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances could cause the Group to cease operations.

- In our opinion, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, as well as whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the asset, financial and income situation of the Group in accordance with IFRS as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB.

- We obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the group management report. We are responsible for the direction, monitoring and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- We express an opinion on the consistency of the combined management report with the consolidated financial statements, its legal pronouncements and the combined management report.

- We perform audit procedures on the forward-looking statements presented by the management in the combined management report. On the basis of sufficient and suitable audit evidence, we particularly verify the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, together with those responsible for monitoring we discuss the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.

We make a representation to those responsible for governance that we have complied with relevant independence requirements and discuss with them all relationships and other matters that may reasonably be expected to affect our independence and the safeguards we have in place.

Of the matters discussed with those responsible for monitoring, those matters are considered to be of the greatest importance in the audit of the consolidated financial statements for the current reporting period and are therefore the most important. We describe these facts in the auditor's report unless laws or other legal provisions exclude public disclosure of these facts.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Other information according to Article 10 EU-APrVO

We were appointed as auditors of the consolidated financial statements by the Annual General Meeting on 15 June 2018. We were appointed by the Supervisory Board on 26 November 2018. Since the 2018 financial year, we have acted as auditors of the consolidated financial statements of TTL Beteiligungs- und Grundbesitz-AG.

We declare that the audit opinions contained in this opinion are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (Audit Report).

AUDITOR RESPONSIBLE

The auditor responsible for the audit is Karsten Luce.

Nuremberg, 18 February 2019

Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

signed Hübschmann Auditor

signed Luce Auditor

APPENDIX TO THE AUDITOR'S REPORT: COMPONENTS OF THE COMBINED MANAGEMENT REPORT NOT AUDITED FOR CONTENT

We have not examined the content of the following components of the combined management report:

- the corporate governance statement contained in Section 6.1 of the combined management report.

NOTICES

ADDRESS AND LEGAL NOTICE

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FORWARD-LOOKING STATEMENTS

This Annual Report contains information relating to future developments. These statements represent estimates that we have made on the basis of the information currently available to us. Should the assumptions on which the statements are based fail to materialise or risks – as mentioned in the risk report – materialise, actual results may differ from those currently expected.

NOTE

This report is published in German (original version) and English (non-binding translation).

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