QUARTERLY FINANCIAL REPORT

AS AT 31 MARCH 2015

TLG IMMOBILIEN

KEY FIGURES

KEY GROUP FIGURES ACCORDING TO IFRS

	Unit	01.01.2015–31.03.2015	01.01.2014–31.03.2014	Change in %
Result of operations				
Rental income	in EUR k	30,374	28,446	6.8
Net operating income from letting activities	in EUR k	26,451	24,516	7.9
Disposal profits	in EUR k	5,790	2,944	96.7
Net income	in EUR k	32,124	15,455	107.9
FFO	in EUR k	15,753	12,590	25.1
FFO per share[1]	in EUR	0.26	0.24	6.1

	Unit	31.03.2015	31.12.2014	Change in %
Balance sheet metrics				
Investment property	in EUR k	1,575,372	1,489,597	5.8
Cash and cash equivalents	in EUR k	145,546	152,599	-4.6
Balance sheet total	in EUR k	1,779,403	1,738,000	2.4
Equity	in EUR k	778,561	747,964	4.1
Equity ratio	in %	43.8	43.0	0.8 pp
Liabilities to financial institutions	in EUR k	762,055	770,447	-1.1
Net debt	in EUR k	616,509	617,848	-0.2
Net LTV[2]	in %	38.8	40.3	-1.5 pp
EPRA NAV	in EUR k	958,173	914,008	4.8
EPRA NAV per share	in EUR	15.63	14.91	4.8

[1] Before the company became an Aktiengesellschaft (stock corporation) on 5 September 2014, it was a limited liability company (GmbH). Therefore, for the purposes of comparison, the number of the issued shares is the value that would have existed if the company had always been an Aktiengesellschaft with the same number of shares. Total number of shares as at 31 December 2014 and 31 March 2015: 61.3 mn; as at 31 March 2014: 52.0 mn

[2] Calculation: Net debt divided by property value, for the composition see page 21

Cover
Ferdinandplatz 1–2, 01069 Dresden, Germany,
acquired in the first quarter of 2015

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MANAGEMENT BOARD

Peter Finkbeiner (left),
Niclas Karoff (right)

DEAR SHAREHOLDERS,
DEAR SIR OR MADAM,

Both the positive development of key corporate figures and the performance of the shares of TLG IMMOBILIEN in the first three months of 2015 attest to a successful start to the year. We were also able to add strategic acquisitions with a total volume of EUR 60.8 mn to our portfolio and, as planned, sell further properties that did not belong to our strategic portfolio.

Our net operating income from letting activities was EUR 26.5 mn as at 31 March 2015, which represents an increase of 7.9% over the net income in the first quarter of 2014 (31.3.2014: EUR 24.5 mn). In the first quarter of 2015 the funds from operations (FFO) totalled EUR 15.8 mn, which represents an increase of 25.1% over the first quarter of 2014 (31.3.2014: EUR 12.6 mn). In light of these quarterly figures, we remain certain that our FFO at the end of the year will be at least 10% higher than on 31 December 2014.

Likewise, the shares of TLG IMMOBILIEN performed well in the first quarter. They peaked at EUR 15.99 in March, having been unexpectedly admitted to the SDAX in February. By the end of the quarter, the former major shareholder LSREF II East AcquiCo S.à r.l. (Lone Star) had reduced its shareholding to 18.48%.

We would like to thank you for your confidence in the first quarter of 2015, and we will continue to do our utmost to follow the course we have taken.

Berlin, 1 June 2015

Peter Finkbeiner
Member of the Management Board

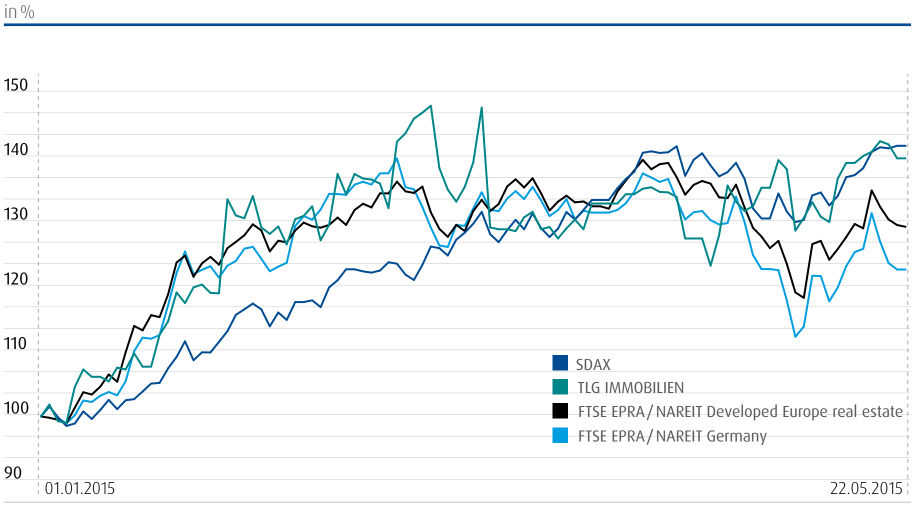
Niclas Karoff
Member of the Management Board

TLG IMMOBILIEN SHARES

Developments on the capital market were positive in the first quarter of 2015. The share price on the German stock market was essentially driven by the European Central Bank's announcement that it intended to start purchasing bonds in the amount of EUR 60 bn per month in order to lower the yields of the government bonds of crisis-ridden member states, followed by the actual implementation of these measures. Additionally, the weak euro, better economic data in the eurozone, the falling interest rates in China and the Minsk II agreement caused stock markets to rise in the first three months of 2015. The weaker trading days in the first quarter were essentially due to weaker economic data in the USA and China, as well as the abolition of the cap on the value of the Swiss franc against the euro, the election of the Syriza party in Greece and the Heta moratorium in Austria.

In March 2015, the DAX hit an all-time high, surpassing 12,200 points and increasing by a total of 21.2% in the first quarter. The other indices also recorded positive growth. The SDAX increased by 16.9%, the FTSE EPRA/NAREIT Germany Index increased by 16.2% and the FTSE EPRA/NAREIT Developed Europe Index increased by 18.6%.

PERFORMANCE OF THE SHARES BY INDEX



The shares of TLG IMMOBILIEN experienced a positive start to 2015, peaking at EUR 15.99 on 5 March 2015. At the end of the quarter on 31 March 2015, the shares closed at EUR 14.61, which represents a performance in the first three months of 15.2% compared to the opening price of EUR 12.68 at the start of the year.

TLG IMMOBILIEN share data

ISIN/WKN	DE000A12B8Z4/A12B8Z
Ticker symbol	TLG
Share capital in EUR	61,302,326.00
Number of shares (no-par-value bearer shares)	61,302,326
Indices (selection)	SDAX, EPRA/NAREIT Global Index, EPRA/NAREIT Europe Index, EPRA/NAREIT Germany Index
Sector/sub-sector	Real estate
Market segment	Regulated market (Prime Standard)
Designated sponsors	Commerzbank AG, HSBC Trinkaus & Burkhardt AG, J.P. Morgan Securities plc
Closing price on 31.03.2015 (XETRA) in EUR	14.61
Market capitalisation in EUR mn	895.6

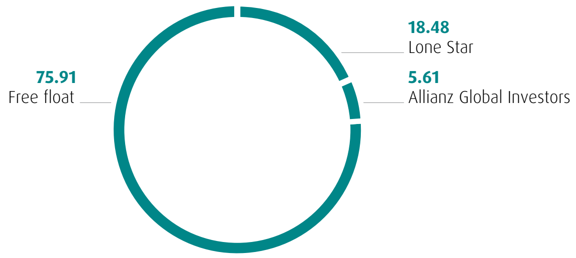
ADMISSION TO THE SDAX

On 19 February 2015, Deutsche Börse unexpectedly decided to admit TLG IMMOBILIEN AG to the SDAX as at 24 February 2015. This admission to the index signals that TLG IMMOBILIEN not only fulfils the high transparency requirements of the Prime Standard, but also that the company's market capitalisation and liquidity fulfil institutional investors' criteria for larger equity investments.

SHAREHOLDER STRUCTURE

Shareholder structure as at 31 March 2015

in %



Shareholdings according to latest voting rights notifications

In March 2015, LSREF II East AcquiCo S.à r.l. (Lone Star) sold a portion of its shares, thereby reducing its shareholding to 18.48%. Allianz Global Investors passed the reporting threshold of 5%, holding 5.61%.

COVERAGE BY ANALYSTS

Bank	Target price (in EUR)	Rating	Analyst	Date
Commerzbank	17.50	Buy	Thomas Rothäusler	27 April 2015
HSBC	18.80	Buy	Thomas Martin	24 April 2015
UBS	15.50	Buy	Osmaan Malik	21 April 2015
Kempen & Co	16.00	Overweight	Remco Simon	31 March 2015
J.P. Morgan	15.00	Neutral	Tim Leckie	9 March 2015

Source: Bloomberg 19 May 2015

INVESTOR RELATIONS ACTIVITIES

TLG IMMOBILIEN AG attended the following national and international broker conferences in the first quarter of 2015:

- J.P. Morgan – European Real Estate CEO Conference, London
- UniCredit Kepler Cheuvreux – German Corporate Conference 2015, Frankfurt am Main
- Kempen & Co – European Property Seminar, New York
- HSBC Real Estate Conference 2015, Frankfurt am Main

A roadshow was also held in London and Frankfurt. At all of these events, the Management Board introduced the company and outlined the company's strategy and potential for future development during in-depth discussions with current shareholders and potential investors.

The preliminary figures for 2014 were published on 2 March 2015 and explained to the investors and press representatives as part of teleconferences. The teleconference is available in the Investor Relations section of our website, www.tlg.eu.

EPRA KEY FIGURES

The European Public Real Estate Association (EPRA) is a not-for-profit organisation based in Brussels. It represents the interests of listed real estate companies in Europe and is committed to consistent, transparent financial reporting.

TLG IMMOBILIEN AG has been a member of EPRA since November 2014 and, as a listed company, published the most important key figures in line with the reporting standards recommended by EPRA (its Best Practices Recommendations) for the sake of transparency and comparability.

Overview of key EPRA figures

in EUR k	31.03.2015	31.12.2014	Change	Change in %
EPRA NAV	958,173	914,008	44,165	4.8
EPRA NNNAV	729,478	699,941	29,537	4.2
EPRA Net Initial Yield in %	6.5	6.6	-0.1 pp	
EPRA "topped-up" Net Initial Yield in %	6.5	6.6	-0.1 pp	
EPRA Vacancy Rate in %	4.5	3.9	0.6 pp	

in EUR k	01.01.2015–31.03.2015	01.01.2014–31.03.2014	Change	Change in %
EPRA Earnings	15,304	12,836	2,468	19.2
EPRA Cost Ratio (including direct vacancy costs) in %	27.7	29.5	-1.8 pp	
EPRA Cost Ratio (excluding direct vacancy costs) in %	26.3	28.1	-1.8 pp	

EPRA EARNINGS

EPRA Earnings is an indicator of the sustainable performance of a real estate platform and is therefore basically similar to the FFO calculation. EPRA Earnings does not factor in revenue components which have no influence on the long-term performance of a real estate platform. This includes, for example, remeasurement effects and the result from the disposal of properties.

Unlike the FFO calculation carried out by TLG IMMOBILIEN, EPRA Earnings does not exclude other non-cash or non-recurring effects.

EPRA Earnings

in EUR k	01.01.2015–31.03.2015	01.01.2014–31.03.2014	Change	Change in %
Net income from the period	32,124	15,455	16,669	107.9
Result from the remeasurement of investment property	-23,139	-7,541	-15,598	206.8
Result from the disposal of investment property	-5,817	-611	-5,206	852,0
Result from the disposal of real estate inventory	27	-2,333	2,360	n/a
Tax on profits or losses on disposals	0	5,527	-5,527	-100
Goodwill impairment	0	0	0	n/a
Gain/loss from the remeasurement of financial instruments	59	1,965	-1,906	-97.0
Acquisition costs of share deals	0	0	0	n/a
Deferred and actual taxes in respect of EPRA adjustments	12,122	375	11,747	3,132.5
Adjustments above in relation to joint ventures	0	0	0	n/a
Non-controlling interests	-72	0	-72	n/a
EPRA Earnings	**15,304**	**12,836**	**2,468**	**19.2**
Number of shares (in thousand) [1]	61,302	52,000		
EPRA Earnings per share (in EUR)	0.25	0.25		

[1] Before the company became an Aktiengesellschaft (stock corporation) on 5 September 2014, it was a limited liability company (GmbH). Therefore, for the purposes of comparison, the value of the issued shares is the value that would have existed if the company had always been an Aktiengesellschaft with the same number of shares.

EPRA NET ASSET VALUE (EPRA NAV)

The EPRA NAV calculation discloses a net asset value on a consistent, comparable basis. The EPRA NAV is a key performance indicator for TLG IMMOBILIEN.

The EPRA NAV increased by EUR k 44,165 compared to 31 December 2014. The increase mainly resulted from the net income for the period of EUR k 32,124 and the EUR k 12,055 increase in deferred tax liabilities. The net income for the period was predominantly characterised by the positive development of the value of the real estate portfolio caused by the ongoing favourable market conditions in the amount of EUR k 23,139 and profits on disposals of EUR k 5,790.

EPRA Net Asset Value (EPRA NAV)

in EUR k	31.03.2015	31.12.2014	Change	Change in %
Equity [1]	775,922	745,395	30,527	4.1
Fair value adjustments of other fixed assets (IAS 16)	3,429	3,918	-489	-12.5
Fair value adjustment of real estate inventory (IAS 2)	578	588	-10	-1.7
Fair value of financial instruments	19,828	17,814	2,014	11.3
Deferred tax assets	-2,938	-3,006	68	-2.3
Deferred tax liabilities	162,518	150,463	12,055	8.0
Goodwill	-1,164	-1,164	0	0.0
EPRA Net Asset Value (EPRA NAV)	**958,173**	**914,008**	**44,165**	**4.8**
Number of shares (in thousand)	61,302	61,302		
EPRA NAV per share (in EUR)	15.63	14.91		

[1] Adjusted for non-controlling interests

EPRA TRIPLE NET ASSET VALUE (EPRA NNNAV)

EPRA recommends the calculation of an EPRA Triple Net Asset Value (EPRA NNNAV) which, in addition to the EPRA NAV, corresponds to the fair value of the company without the going-concern principle. The EPRA NAV excludes hidden liabilities and hidden reserves resulting from market valuations of liabilities, as well as deferred taxes.

As at 31 March 2015, the EPRA Triple Net Asset Value was EUR k 729,478 compared to EUR k 699,941 in the previous year. The difference of EUR k 29,537 was caused primarily by the development of equity, which was driven by the net income for the period.

EPRA Triple Net Asset Value (EPRA NNNAV)

in EUR k	31.03.2015	31.12.2014	Change	Change in %
EPRA Net Asset Value (EPRA NAV)	**958,173**	**914,008**	**44,165**	**4.8**
Fair value of financial instruments	-19,828	-17,814	-2,014	11.3
Fair value adjustment of liabilities to financial institutions	-49,287	-48,796	-491	1.0
Deferred tax assets	2,938	3,006	-68	-2.3
Deferred tax liabilities	-162,518	-150,463	-12,055	8.0
EPRA Triple Net Asset Value (EPRA NNNAV)	**729,478**	**699,941**	**29,537**	**4.2**

EPRA NET INITIAL YIELD (EPRA NIY) AND EPRA "TOPPED-UP" NET INITIAL YIELD

The EPRA Net Initial Yield (EPRA NIY) is a figure which reflects the yield of the real estate portfolio. It is calculated as the ratio between rental income on the balance sheet date less non-recoverable operating costs and the market value of the gross real estate portfolio.

EPRA Net Initial Yield (EPRA NIY) and EPRA "topped-up" Net Initial Yield

in EUR k	31.03.2015	31.12.2014	Change	Change in %
Investment property	1,575,372	1,489,597	85,775	5.8
Real estate inventory	1,487	1,477	10	0.7
Properties classified as held for sale	1,370	21,991	-20,621	-93.8
Property portfolio (net)	1,578,229	1,513,065	65,164	4.3
Estimated transaction costs	110,877	103,466	7,411	7.2
Property portfolio (gross)	1,689,106	1,616,531	72,575	4.5
Annualised cash passing rental income	123,180	118,832	4,348	3.7
Property outgoings	-13,158	-12,818	-340	2.7
Annualised net rents	110,022	106,015	4,007	3.8
Notional rent for ongoing rent-free periods	140	25	115	460.0
Annualised "topped-up" net rent	110,162	106,040	4,122	3.9
EPRA Net Initial Yield (EPRA NIY) in %	**6.5**	**6.6**	**-0.1 pp**	
EPRA "topped-up" NIY in %	**6.5**	**6.6**	**-0.1 pp**	

EPRA VACANCY RATE

The EPRA Vacancy Rate is the ratio between the market rent for vacant properties and the market rent for the overall portfolio on the balance sheet date. The market rents used in this calculation were calculated by Savills Advisory Services GmbH as part of the measurement of the real estate portfolio's fair value.

The increase in the EPRA Vacancy Rate for the entire portfolio, from 3.9% at the end of 2014 to 4.5% in the first quarter of 2015, was mainly caused by the termination of rental agreements which had come into effect by 31 December 2014.

EPRA Vacancy Rate

in EUR k	31.03.2015	31.12.2014	Change	Change in %
Market rent for vacant properties	5,510	4,579	931	20.3
Total market rent	123,239	117,618	5,621	4.8
EPRA Vacancy Rate in %	**4.5**	**3.9**	**0.6**	

EPRA COST RATIO

The EPRA Cost Ratio is the ratio between the total operative and administrative expenses and rental income, in order that the expenditure of the overall real estate platform as a percentage of rental income can be compared between various real estate companies. The relevant operative and administrative costs reported in the EPRA Cost Ratio include all expenses resulting from the operational management of the real estate portfolio that cannot be recovered or passed on, excluding depreciation, interest expenses and taxes, yet including one-off effects and non-recurring costs.

In the first quarter of 2015, the reduction in personnel expenses compared to the same period in the previous year following the restructuring of the company caused the EPRA Cost Ratio to improve.

EPRA Cost Ratio

in EUR k	01.01.2015–31.03.2015	01.01.2014–31.03.2014	Change	Change in %
Income statement costs under IFRS				
Expenses related to letting activities	8,989	8,391	598	7.1
Personnel expenses	3,204	3,368	-164	-4,9
Depreciation	218	349	-131	-37.5
Other operating expenses	1,609	1,708	-99	-5.8
Income from recharged utilities and other operating costs	-4,894	-4,148	-746	18.0
Income from other reimbursements	-208	-302	94	-31.1
Other operating income from reimbursements	-491	-956	465	-48.6
Ground rent	-7	-7	0	0.0
EPRA costs (including direct vacancy costs)	**8,420**	**8,403**	**17**	**0.2**
Direct vacancy costs	-431	-420	-11	2.6
EPRA costs (excluding direct vacancy costs)	**7,989**	**7,983**	**6**	**0.1**
Cash passing rent	30,374	28,446	1,928	6.8
EPRA Cost Ratio (including direct vacancy costs) in %	**27.7**	**29.5**	**-1.8 pp**	
EPRA Cost Ratio (excluding direct vacancy costs) in %	**26.3**	**28.1**	**-1.8 pp**	

INTERIM GROUP MANAGEMENT REPORT INDEX

INTERIM GROUP MANAGEMENT REPORT

1. COMPANY FUNDAMENTALS

1.1.BUSINESS MODEL OF THE GROUP

1.1.1. Organisational structure

TLG IMMOBILIEN AG is a real estate company which has been listed in Prime Standard at the Frankfurt Stock Exchange since October 2014.

With two effective branches in Berlin and Dresden, as well as various regional offices, TLG IMMOBILIEN has access to well-developed and established local networks in the growth regions of eastern Germany.

The organisation of TLG IMMOBILIEN is based on the following principles:

- Strategic portfolio management
  Shaped by a deep understanding of local markets and real estate, significant services such as strategic portfolio management and monitoring, valuation and portfolio planning are rendered centrally.

- Acquisitions and sales
  With its many years of extraordinary local expertise, TLG IMMOBILIEN is exceptionally well connected in its core markets. This generates attractive opportunities for the company to grow and chances to dispose of properties that do not belong to the core portfolio for the best possible prices.

  By focusing on the office and retail property asset classes and making investments ranging from core to value-added, the company has unlocked a wide range of investment opportunities.

- Asset and property management
  TLG IMMOBILIEN covers all major items in the real estate value chain internally. Its various branches bear a decentralised responsibility for commercial property management and tenant relations.

2. ECONOMIC REPORT

2.1. GENERAL ECONOMIC CONDITIONS AND REAL ESTATE MARKETS

2.1.1. General economic conditions

After a strong closing quarter in 2014, the German economy is experiencing strong growth. This is indicated by the economic barometer of the German Institute for Economic Research (DIW Berlin), which recorded 0.7% stronger GDP growth in the first quarter of 2015 than in the previous quarter. These dynamic developments are largely due to large declined oil and gas prices, as well as the increase in pension payments. Areas in particularly close proximity to consumers are contributing to the growth, such as dynamic trading. Additionally, the falling unemployment rate and wage increases are causing the disposable income of consumers to rise.

According to a survey of businesses carried out by the German Chamber of Commerce and Industry (DIHK), the job market is healthy due mainly to the fact that companies are benefiting from low oil prices as well as increased foreign demand. According to the German Federal Employment Agency, in March 2015 the unemployment rate fell by 0.3 percentage points to 6.8% compared to the same month in the previous year. The number of employed people who are subject to social insurance contributions has increased in both western and eastern Germany. Compared to the previous year, in January the employment rate had increased by 2.1% in western Germany and 1.6% in eastern Germany. In Berlin, the employment rate experienced its strongest growth anywhere in the country, increasing by 3.3%. DIW Berlin expects the situation on the job market to remain favourable as feared job losses caused by minimum wage legislation have not yet come to pass.

2.1.2. Economic situation in the sectors

The generally positive economic conditions and the favourable interest and financing rates are also reflected on the commercial real estate markets. According to BNP Paribas Real Estate, the transaction volume in Germany in the first quarter remained at an extremely high level at approx. EUR 9.7 bn. With a commercial transaction volume of EUR 1.3 bn, Berlin experienced the best start to a year ever recorded. The results of the boom year in 2007 were surpassed by 6%. The investment market in Leipzig – one of the core regions of TLG IMMOBILIEN alongside Berlin – also produced solid results with a transaction volume of EUR 114 mn. According to BNP Paribas Real Estate, in the first quarter of 2015 the number of deals increased compared even to the same period in the previous year, which is a sign of a buoyant market.

2.1.3. Development of the office property market

The upturn on the market, which had started to gain momentum in the closing quarter of the previous year, continued in the first quarter of 2015, with the developments in the job market having a positive effect on the demand for office space. With regard to significant German office locations[1], according to BNP Paribas Real Estate, at 717,000 sqm the good quarterly result for office space turnover in the previous year was surpassed by approx. 3% in the first three months of 2015. This is the second-best result in the past 10 years.

[1] Berlin, Düsseldorf, Essen, Frankfurt, Hamburg, Cologne, Leipzig, Munich

Declining vacancy rates and stable top rents contributed to office properties being the most popular asset class in the first quarter of 2015, even overtaking retail properties. According to BNP Paribas Real Estate, with a transaction volume of around EUR 3.88 bn (40% of the total volume) the result of the previous year was matched almost perfectly and the ten-year average was surpassed by almost 50%. B-rated cities also shared in the turnover, registering almost twice as high a transaction volume as in the same period in the previous year with approx. EUR 667 mn.

In Leipzig – a perfect example of a B-rated city – vacancy rates fell by approx. 5% compared to the same period in the previous year. In the first quarter of 2015, vacancy rates in Berlin even declined by more than 14% compared with the same period in the previous year, which resulted in a vacancy rate of under 5%.

2.1.4. Development of the retail property market

According to the consumer research society GfK, consumer climate in Germany continued to build in the first quarter of 2015 and, reaching 9.7, hit its highest point in over 13 years in March 2015. Following the brightening economic outlook and falling unemployment rates, the income expectations and confidence of German consumers improved. Additionally, the monetary policies of the European Central Bank combined with low interest rates are serving to boost domestic consumerism and make it less attractive to save. Consequently, retail sales are hitting all-time highs. According to the German Federal Statistical Office, retail companies in Germany registered a 3.6% increase in sales in February 2015 compared to the same month in the previous year. Retailers therefore generated the highest levels of physical turnover in any February since 2000.

The positive general conditions are rendering the German retail property market particularly interesting to international investors. The proportion of international investors involved in all concluded rental agreements increased from 58% to 63% in the first three months of 2015 compared to the same quarter in the previous year. Jones Lang LaSalle (JLL) estimates that the top rent for retail space in the ten most important German retail locations – as defined by JLL, including Berlin and Leipzig – will increase by 2.6%.

According to BNP Paribas Real Estate, with a transaction volume of EUR 3.76 bn both the quarterly result of the previous year and the ten-year average were surpassed by around 25% in the first quarter of 2015. Slightly behind office properties, retail properties accounted for almost 39% of the overall result on the German investment market. As in 2014, specialist retailers, supermarkets and retail centres were the asset class most in demand by investors in the first quarter of 2015.

2.1.5. Development of the hotel property market

Germany is attracting more and more visitors from within and from abroad: according to the German Federal Statistical Office, the number of overnight stays from January to February 2015 increased by 5% to 47.6 mn compared to the same period in the previous year. Of this number, 8.9 mn overnight stays were attributable to foreign guests (+6%) and 38.7 mn were attributable to domestic guests (+5%). In the first two months of 2015, German accommodation providers registered a 1.5% increase in turnover compared to January and February 2014.

The reasons for the increase in overnight stays and turnover are numerous. According to the German Hotel and Restaurant Association (DEHOGA), the growth was driven by the high confidence of German consumers. Additionally, restaurants and hotels boasted a generally outstanding price-performance ratio.

With an investment volume considerably higher than EUR 0.5 bn, the hotel investment market in Germany experienced an excellent first quarter in 2015, according to BNP Paribas Real Estate. In Berlin, the proportion of hotel investments in the total commercial transaction volume increased from 4.0% in the first quarter of 2014 to 8.5% in the first quarter of 2015. According to the Statistical Office for Berlin-Brandenburg, the number of overnight stays in Berlin in January and February 2015 increased by 8% compared to the same period in the previous year.

2.2. POSITION OF THE COMPANY

2.2.1. Course of business

Overall, the performance of TLG IMMOBILIEN in the reporting period was positive. New properties were acquired in the core regions.

Key portfolio figures under IFRS

	Total	**Core portfolio**	Office properties	Retail	Hotel	Non-core portfolio
Property value (fair value) (in EUR k)	**1,588,587**	**1,497,426**	589,701	711,275	196,449	91,161
Annualised in-place rent (in EUR k)	**123,182**	**111,660**	41,149	57,904	12,606	11,522
In-place rental yield (in %)	**7.7**	**7.4**	7.1	8.1	6.2	12.6
EPRA Vacancy Rate (in %)	**4.5**	**3.5**	7.4	1.0	1.1	14.0
WALT (in years)	**7.2**	**7.3**	5.4	6.7	15.9	5.6
Properties (number)	**451**	**327**	49	273	5	124
Lettable area (in sqm)	**1,342,341**	**994,133**	400,419	517,862	75,852	348,208

As at 31 March 2015, the real estate portfolio of TLG IMMOBILIEN comprised a total of 451 properties (31.12.2014: 460) with a value (IFRS) of approx. EUR 1.589 bn (31.12.2014: approx. EUR 1.526 bn). Therefore, the value of the portfolio increased by 4.1% in the first quarter of 2015. Due primarily to strategic acquisitions and favourable market conditions, the core portfolio increased in value by 5.9% to approx. EUR 1.497 bn (31.12.2014: approx. EUR 1.414 bn). In contrast, the value of the non-core portfolio declined by 18.8% to EUR k 91,161 (31.12.2014: EUR k 112,259) due to the disposal of more properties that did not fit in with the portfolio strategy of TLG IMMOBILIEN.

2.2.2. Results of operations

Positive net income for the period (IFRS) of EUR k 32,124 was generated in the first quarter of 2015. Compared to the first quarter of the previous year, the net income was EUR k 16,669 higher; the increase was primarily the result of the remeasurement of investment property. The table below presents the results of operations:

in EUR k	01.01.2015–31.03.2015	01.01.2014–31.03.2014	Change	Change in %
Net operating income from letting activities	26,451	24,516	1,935	7.9
Result from the remeasurement of investment property	23,139	7,541	15,598	206.8
Result from the disposal of investment property	5,817	611	5,206	852.1
Result from the disposal of real estate inventory	-27	2,333	-2,360	n/a
Other operating income	1,862	1,690	172	10.2
Personnel expenses	3,204	3,368	-164	-4.9
Depreciation	218	349	-131	-37.5
Other operating expenses	1,609	1,708	-99	-5.8
Earnings before interest and taxes (EBIT)	**52,211**	**31,267**	**20,945**	**67.0**
Net interest	-5,854	-6,895	1,041	-15.1
Gain (-)/loss from the remeasurement of financial instruments	59	1,965	-1,906	-97.0
Earnings before tax	**46,298**	**22,406**	**23,892**	**106.6**
Income taxes	14,174	6,951	7,223	103.9
Group income for the period	**32,124**	**15,455**	**16,669**	**107.9**
Other comprehensive income (OCI)	-2,014	-5,296	3,282	-62.0
Total comprehensive income	**30,110**	**10,159**	**19,951**	**196.4**

The net operating income from letting activities was EUR k 26,451 in the first quarter of the year, which represents an increase of EUR k 1,935 over the same period in the previous year. The increase was primarily the result of the properties added to the portfolio in 2014 and 2015. The continued disposal of non-strategic properties had the opposite effect.

At EUR k 23,139, the result from the remeasurement of investment property was positive in the first quarter of 2015. The growth was EUR k 15,598 higher than in the same period in 2014, essentially due to the persistently favourable market conditions.

The result from the disposal of properties increased by a total of EUR k 2,846 to EUR k 5,790 in comparison to the same period in the previous year, primarily due to the profitable disposal of a retail property.

The other operating income of EUR k 1,862 comprises insurance compensation, contractual penalties received, income and receivables from previous administrators and income from the reversal of valuation allowances for rent receivable. Compared to the same period in the previous year, EUR k 172 more income was generated.

Compared to the first quarter of 2014, personnel expenses declined by EUR k 164 to EUR k 3,204 in the first quarter of 2015. This is mainly due to the restructuring of the company in 2013 and 2014, as well as the consequent reduction of the number of staff in 2014.

Other operating expenses fell by EUR k 99 to EUR k 1,609, primarily due to lower expenditure in connection with valuation allowances for receivables.

In the first quarter of 2015, interest expenses were reduced significantly compared to the same period in the previous year through the refinancing of loans and the restructuring of interest hedges in 2014. In spite of the significant increase in liabilities to financial institutions overall, interest expenses declined by EUR k 1,016 to EUR 6,029 compared to the previous period.

As there were no hedging relationships in the first quarter of 2014, expenses of EUR k 1,965 were recognised from the fair value adjustment of financial instruments. Nevertheless, there was no ineffectiveness in derivatives in hedge accounting in the first quarter of 2015.

With regard to the calculation of income taxes, the relief provided for in Section 6b of the German Income Tax Act (EStG) was utilised for disposals of properties where the proceeds amounted to at least EUR k 100 after factoring in any costs of disposal. Deferred income tax liabilities were recognised as a result. Therefore, the taxes in the first quarter of 2015 consist of EUR k 2,052 in income taxes and EUR k 12,122 in deferred taxes.

FFO Development

in EUR k	01.01.2015–31.03.2015	01.01.2014–31.03.2014	Change	Change in %
Group income for the period	**32,124**	**15,455**	**16,669**	**107.9**
Income taxes	14,174	6,951	7,223	103.9
EBT	**46,298**	**22,406**	**23,892**	**106.6**
Result from the disposal of investment property	-5,817	-611	-5,206	852.0
Result from the disposal of real estate inventory	27	-2,333	2,360	n/a
Result from the remeasurement of investment property	-23,139	-7,541	-15,598	206.8
Gain/loss from the remeasurement of financial instruments	59	1,965	-1,906	-97.0
Other effects [1]	377	-245	622	n/a
FFO before taxes	**17,805**	**13,641**	**4,164**	**30.5**
Income taxes	-14,174	-6,951	-7,223	103.9
Deferred taxes	12,122	2,248	9,874	439,2
Correction of current taxes due to a lump-sum calculation for interim periods	0	4,457	-4,457	-100.0
Correction of tax effects from the disposal of property and the redemption of interest rate hedge transactions	0	-804	804	-100.0
FFO after taxes	**15,753**	**12,590**	**3,163**	**25.1**
Number of shares (in thousand) [2]	61,302	52,000		
FFO per share	**0.26**	**0.24**	**0.02**	**6.1**

[1] The other effects include
a) the depreciation of IAS 16 property (owner-occupied property) (EUR k 55, previous year: EUR k 75)
b) income from the service contract with TAG Wohnen which expires in 2015 (EUR k 30, previous year: EUR k 320)
c) personnel restructuring expenses (EUR k 30, previous year: EUR k 0)
d) share-based payments to the Management Board (EUR k 322, previous year: 0)

[2] Before the company became an Aktiengesellschaft (stock corporation) on 5 September 2014, it was a limited liability company (GmbH). Therefore, for the purposes of comparison, the value of the issued shares is the value that would have existed if the company had always been an Aktiengesellschaft with the same number of shares.

The funds from operations (FFO) are a significant control parameter for the TLG IMMOBILIEN Group. The FFO in the first quarter of 2015, adjusted for significant extraordinary results, was EUR k 15,753, which represents an increase of 25.1% or EUR k 3,163 over the first quarter of 2014. The FFO per share was EUR 0.26.

The considerable increase in the FFO compared to the same period in the previous year is predominantly due to the higher net operating income from letting activities, lower interest expenses and the cost-cutting measures in connection with expenses and personnel. Funds from operations are an important indicator for the sustainable performance of the company.

EBITDA calculation

in EUR k	01.01.2015–31.03.2015	01.01.2014–31.03.2014	Change	Change in %
Net income for the period	**32,124**	**15,455**	**16,669**	**107.9**
Income taxes	14,174	6,951	7,223	103.9
EBT	**46,298**	**22,406**	**23,892**	**106.6**
Net interest	-5,854	-6,895	1,041	-15.1
Gain/loss (-) from the remeasurement of financial instruments	59	1,965	-1,906	-97.0
EBIT	**52,211**	**31,267**	**20,944**	**67.0**
Depreciation	218	349	-131	-37.5
Result from the remeasurement of investment property	23,139	7,541	15,598	206.8
EBITDA	**29,290**	**24,075**	**5,215**	**21.7**

TLG IMMOBILIEN generated EBITDA of EUR k 29,290 in the first quarter of the 2015 financial year. This represents an increase of EUR k 5,215 over the same period in the previous year, essentially due to the higher net operating income from letting activities and higher profits on disposals.

2.2.3. Financial position

2.2.3.1. Cash flow

The following cash flows were derived indirectly from the net income for the period and, in the first quarter of 2015, resulted in an increase in cash and cash equivalents, primarily due to the acquisition of property.

in EUR k	01.01.2015–31.03.2015	01.01.2014–31.03.2014	Change	Change in %
1. Cash flow from operating activities	30,242	-19,945	50,187	-251.6
2. Cash flow from investing activities	-29,353	-2,532	-26,821	1,059.3
3. Cash flow from financing activities	-7,942	-78,023	70,081	-89.8
Net change in cash funds	**-7,053**	**-100,500**	**93,447**	**-93.0**
Cash and cash equivalents at beginning of period	152,599	138,930	13,669	9.8
Cash and cash equivalents at end of period	**145,546**	**38,430**	**107,116**	**278.7**

The EUR k 50,187 increase in the cash flow from operating activities in the first quarter of 2015 compared to the same period in the previous year was mainly the result of the EUR k 22,936 decrease in interest paid. The first quarter of the previous year featured the payment of the SWAP settlement in the amount of EUR k 20,574. In 2015, the cash flow from operating activities was also positively affected by the decrease in trade receivables and other assets, as well as the smaller decline in liabilities.

The negative cash flow from investing activities essentially reflects the higher disbursements of EUR k 32,954 for the acquisition of properties. It was positively affected by the extra EUR k 6,110 in proceeds from the disposal of investment property.

The higher cash flow from financing activities compared to the first quarter of 2014 is essentially due to the EUR k 74,033 less in disbursements for the repayment of loans in the first three months of 2015, especially the loan granted by the then principal shareholder which was repaid in full in the first quarter of the previous year.

Overall, the cash and cash equivalents totalled EUR k 145,546 as at 31 March 2015. The cash and cash equivalents consist entirely of liquid capital.

2.2.4. Net assets

The following table represents the condensed net assets and capital structure. Liabilities and receivables due in more than one year have all been categorised as long term.

Net assets

in EUR k	31.03.2015	31.12.2014	Change	Change in %
Investment property/prepayments	1,576,928	1,495,509	81,419	5.4
Deferred tax assets	2,938	3,006	-68	-2.3
Other non-current assets	21,466	24,256	-2,790	-11.5
Non-current financial assets	2,472	2,475	-3	-0.1
Cash and cash equivalents	145,546	152,599	-7,053	-4.6
Other current fixed assets	30,052	60,155	-30,103	-50.0
Total assets	**1,779,403**	**1,738,000**	**41,403**	**2.4**
Equity	778,561	747,964	30,597	4.1
Non-current liabilities	756,702	758,669	-1,967	-0.3
Deferred tax liabilities	162,518	150,463	12,055	8.0
Current liabilities	81,622	80,904	718	0.9
Total equity and liabilities	**1,779,403**	**1,738,000**	**41,403**	**2.4**

In the first three months of 2015, investment property increased by EUR k 85,775 to EUR k 1,575,372, or EUR k 1,576,928 including advance payments, essentially due to the acquisition of the retail centre on the Adlergestell road in Berlin, the office building on Doberaner Strasse in Rostock and the office and retail building on Ferdinandplatz in Dresden.

The development of investment property resulted primarily from fair value adjustments (EUR k 23,139) and acquisitions (EUR k 60,763). Reclassifications from property, plant and equipment also had an effect (EUR k 2,516), as the proportion of the area used by TLG IMMOBILIEN itself in its own properties fell.

Net Loan-to-Value (Net-LTV)

in EUR k	31.03.2015	31.12.2014	Change	Change in %
Investment property (IAS 40)	1,575,372	1,489,597	85,775	5.8
Advance payments on investment property (IAS 40)	1,556	5,912	-4,356	-73.7
Owner-occupied property (IAS 16)	10,357	12,921	-2,564	-19.8
Non-current assets classified as held for sale (IFRS 5)	1,370	21,991	-20,621	-93.8
Real estate inventory (IAS 2)	1,487	1,477	10	0.7
Real estate	**1,590,143**	**1,531,898**	**58,245**	**3.8**
Liabilities to financial institutions	762,055	770,447	-8,392	-1.1
Cash and cash equivalents	145,546	152,599	-7,053	-4.6
Net debt	**616,509**	**617,848**	**-1,339**	**-0.2**
Net Loan-to-Value (Net-LTV) in %	**38.8**	**40.3**	**-1.5 pp**	

The Net Loan-to-Value ratio (Net-LTV) is a key internal control parameter for the company. It was 38.8% in the Group as at the reporting date. This represents a decrease of 1.5 pp from 31 December 2014, essentially due to the increase in real estate assets through new acquisitions combined with a reduction in net debt. In the current financial year, the Group aims to continue securing access to outside capital at attractive financing rates whilst not exceeding a reasonable proportion of debt.

2.2.5. Equity ratio

As at 31 March 2015, the balance sheet total had increased by EUR k 41,403 to EUR k 1,779,403.

The assets side is dominated by investment property. Compared to 31 December 2014, the proportion of investment property in the total assets increased from 86.0% to 88.6%, primarily due to the increase in real estate assets through acquisitions totalling EUR k 60,763.

The equity of the Group is EUR k 778,561 and increased by EUR k 30,597, whereas the liabilities of the Group increased by EUR k 10,806. The increase in equity is due to the net income generated for the period of EUR k 32,446. Of the equity, EUR k 2,639 represents non-controlling interests which are attributable to minority interests.

Equity ratio

in EUR k	31.03.2015	31.12.2014	Change	Change in %
Equity	778,561	747,964	30,597	4.1
Total equity and liabilities	1,779,403	1,738,000	41,403	2.4
Equity ratio in %	**43.8**	**43.0**	**0.8 pp**	

Compared to 31 December 2014, the equity ratio increased by 0.8 percentage points to 43.8%, essentially due to the increase in equity.

2.2.6. EPRA Net Asset Value (EPRA NAV)

The EPRA Net Asset Value (EPRA NAV) is another major control parameter of TLG IMMOBILIEN and was EUR k 958,173 at the end of the first quarter of 2015. Compared to 31 December 2014, the EPRA NAV increased by EUR k 44,165, primarily due to the change in equity caused by the net income generated for the period of EUR k 32,124 and the increase in deferred tax liabilities by EUR k 12,055.

EPRA Net Asset Value (EPRA NAV)

in EUR k	31.03.2015	31.12.2014	Change	Change in %
Equity [1]	775,922	745,395	30,527	4.1
Fair value adjustments of fixed assets (IAS 16)	3,429	3,918	-489	-12.5
Fair value adjustment of real estate inventory (IAS 2)	578	588	-10	-1.7
Fair value of financial instruments	19,828	17,814	2,014	11.3
Deferred tax assets	-2,938	-3,006	68	-2.3
Deferred tax liabilities	162,518	150,463	12,055	8.0
Goodwill	-1,164	-1,164	0	0.0
EPRA Net Asset Value (EPRA NAV)	**958,173**	**914,008**	**44,165**	**4.8**
EPRA NAV per share (in EUR)	15.63	14.91		

[1] Adjusted for non-controlling interests

3. STATEMENT OF EVENTS AFTER THE REPORTING DATE

The following significant events took place between the reporting date (31 March 2015) and the date on which the report was generated (19 May 2015):

On 29 April 2015, TLG IMMOBILIEN signed the purchase agreements for two retail centres in Berlin hinterland with a total investment volume of approx. EUR 85.9 mn. The package comprises Bahnhofspassage in Bernau and Handelscentrum in Strausberg. Both properties have been present in their current locations for years and are well established.

Furthermore, on 13 May 2015 TLG IMMOBILIEN signed the purchase agreement for Südstadt-Center in Rostock, with an investment volume of approx. EUR 28.2 mn. This well-established shopping centre enjoys an inner-city location on the central road, Südring, in Rostock.

4. FORECAST, RISK AND OPPORTUNITY REPORT

4.1. FORECAST REPORT

The expected development of TLG IMMOBILIEN in 2015 was described in detail in the 2014 Group management report.

The estimations as to the general economic position and probable development of the office, retail and hotel property markets set out therein have not changed. For this reason, as well as in light of the concluded transactions and contractually agreed rents, TLG IMMOBILIEN still expects an increase in funds from operations (FFO) of at least 10% (2014: EUR 52.4 mn) in 2015.

4.2. RISK REPORT

The business activities of TLG IMMOBILIEN are exposed to general economic risks as well as specific inherent risks which can greatly affect its position in relation to assets, finance and earnings. These risks are described in detail in the 2014 consolidated financial statements.

The marketing risk has undergone a significant change in comparison with the fourth quarter of 2014. A property was sold for more than expected in the first quarter of 2015. With regard to the marketing risk, the probability of the company failing to generate the expected level of turnover for 2015 is now considered low instead of medium.

During the reporting period, none of the other risks has changed significantly in terms of their parameters since 31 December 2014.

The existence of the company is currently not considered to be at risk.

4.3. OPPORTUNITY REPORT

The opportunities which present themselves to TLG IMMOBILIEN did not undergo any significant changes within the first quarter of 2015. Therefore, please see the disclosures in the opportunity report in the consolidated financial statements of 31 December 2014.

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CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

as at 31 March 2015 – unaudited

in EUR k	01.01.2015 – 31.03.2015	01.01.2014 – 31.03.2014
Net operating income from letting activities	**26,451**	**24,516**
Income from letting activities	35,440	32,907
a) Rental income	30,374	28,446
b) Income from recharged utilities and other operating costs	4,894	4,148
c) Income from other goods and services	172	313
Expenses related to letting activities	8,989	8,391
d) Utilities and other operating costs	7,121	6,522
e) Maintenance expenses	1,164	1,212
f) Other expenses	703	657
Result from the remeasurement of investment property	**23,139**	**7,541**
Result from the disposal of investment property	**5,817**	**611**
Result from the disposal of real estate inventory	**-27**	**2,333**
a) Proceeds from the disposal of real estate inventory	-4	5,783
b) Book value of real estate inventory disposed	23	3,450
Other operating income	**1,862**	**1,690**
Personnel expenses	**3,204**	**3,368**
Depreciation	**218**	**349**
Other operating expenses	**1,609**	**1,708**
Earnings before interest and taxes (EBIT)	**52,211**	**31,267**
Income from joint ventures	**0**	**0**
Financial income	**175**	**150**
Financial expenses	**6,029**	**7,045**
Gain (-)/loss from the remeasurement of financial instruments	**59**	**1,965**
Earnings before tax	**46,298**	**22,406**
Income taxes	**14,174**	**6,951**
Net income	**32,124**	**15,455**
Other comprehensive income:		
thereof non-recycling		
Actuarial gains and losses	0	0
thereof recycling		
Hedge accounting reserve	-2,014	-5,296
Total comprehensive income for the year	**30,110**	**10,159**
Of the consolidated net income for the period, the following is attributable to:		
Non-controlling interests	72	0
To the shareholders of the parent company	32,052	15,455
Earnings per share		
undiluted in EUR	0.52	0.30
diluted in EUR	0.52	0.30
Of the total net income, the following is attributable to:		
Non-controlling interests	72	0
To the shareholders of the parent company	30,038	10,159

CONSOLIDATED BALANCE SHEET

as at 31 March 2015 – unaudited

Assets

in EUR k	31.03.2015	31.12.2014
A) Long-term fixed assets	**1,603,805**	**1,525,246**
Investment property	1,575,372	1,489,597
Advance payments on investment property	1,556	5,912
Property, plant and equipment	11,513	14,140
Intangible assets	1,611	1,684
Other long-term financial assets	2,472	2,475
Other assets	8,341	8,432
Deferred tax assets	2,938	3,006
B) Current assets	**175,598**	**212,754**
Real estate inventory	1,487	1,477
Trade receivables	10,049	12,552
Receivables from income taxes	10,243	9,808
Other current financial assets	987	981
Other receivables and assets	5,916	13,346
Cash and cash equivalents	145,546	152,599
Non-current assets classified as held for sale	1,370	21,991
Total assets	**1,779,403**	**1,738,000**

Equity and liabilities

in EUR k	31.03.2015	31.12.2014
A) Equity	**778,561**	**747,964**
Subscribed capital	61,302	61,302
Capital reserves	343,493	343,003
Retained earnings	386,126	354,074
Other comprehensive income	-14,999	-12,985
Equity attributable to the shareholders of the parent company	775,922	745,395
Non-controlling interests	2,639	2,569
B) Liabilities	**1,000,842**	**990,036**
I.) Non-current liabilities	919,220	909,132
Non-current liabilities to financial institutions	727,217	731,102
Pension obligations	8,214	8,241
Non-current financial instruments	19,828	17,814
Other non-current liabilities	1,443	1,512
Deferred tax liabilities	162,518	150,463
II.) Current liabilities	81,622	80,904
Current liabilities to financial institutions	34,838	39,345
Trade payables	21,483	13,876
Other current provisions	5,725	5,691
Tax liabilities	9,998	9,607
Other current liabilities	9,579	12,384
Total equity and liabilities	**1,779,403**	**1,738,000**

CASH FLOW STATEMENT

for the period from 1 January to 31 March 2015 – unaudited

in EUR k	01.01.2015 – 31.03.2015	01.01.2014 – 31.03.2014
1. Cash flow from operating activities		
Earnings before tax	46,298	22,406
Depreciation of property, plant and equipment and amortisation of intangible assets	218	349
Result from fair value adjustments of investment property	-23,139	-7,541
Result from fair value adjustments of financial instruments	-59	1,965
Increase/decrease (-) in provisions	-31	-1,546
Other non-cash income and expenses	481	11
Gain (-)/loss from disposal of property, plant and equipment	-5,816	-611
Increase (-)/decrease in real estate inventory	-10	1,837
Financial income	-175	-150
Financial expenses	6,029	7,045
Increase (-)/decrease in trade receivables and other assets	10,077	-1,850
Increase (-)/decrease in trade payables and other liabilities	4,750	-10,488
Cash flow from operating activities	38,624	11,429
Interest received	175	150
Interest paid	-6,472	-29,408
Income tax paid	-2,085	-2,115
Net cash flow from operating activities	30,242	-19,945
2. Cash flow from investing activities		
Proceeds from disposal of fixed assets	27,889	21,779
Disbursements for investments in fixed assets	-57,242	-24,288
Disbursements for investments in intangible assets	0	-23
Cash flow from investing activities	-29,353	-2,532
3. Cash flow from financing activities		
Cash received from bank loans	0	3,952
Repayments of bank loans	-7,942	-81,975
Cash flow from financing activities	-7,942	-78,023
4. Cash and cash equivalents at end of period		
Change in cash and cash equivalents (subtotal of 1 to 3)	-7,053	-100,500
Cash and cash equivalents at beginning of period	152,599	138,930
Cash and cash equivalents at end of period	145,546	38,430
5. Composition of cash and cash equivalents		
Cash	145,546	38,430
Cash and cash equivalents at end of period	145,546	38,430

CHANGES IN GROUP EQUITY

in the first quarters of 2014 and 2015 – unaudited

in EUR k	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income		Non-controlling interests	Equity
				Reserve hedge-accounting	Actuarial gains and losses		
01.01.2014	**52,000**	**410,249**	**339,939**	**-124**	**-1,028**	**0**	**801,036**
Net income for the period	0	0	15,455	0	0	0	17,859
Other comprehensive income	0	0	0	-5,296	0	0	-5,296
Total comprehensive income	**0**	**0**	**15,455**	**-5,296**	**0**	**0**	**12,562**
31.03.2014	**52,000**	**410,249**	**355,394**	**-5,420**	**-1,028**	**0**	**813,598**
01.01.2015	**61,302**	**343,003**	**354,074**	**-11,050**	**-1,934**	**2,569**	**747,964**
Net income for the period	0	0	32,052	0	0	72	32,124
Other changes	0	0	0	-2,014	0	0	-2,014
Total comprehensive income	**0**	**0**	**32,052**	**-2,014**	**0**	**72**	**30,110**
Changes to the basis of consolidation	0	0	0	0	0	-3	-3
Capital contribution in connection with share-based payments	0	490	0	0	0	0	490
	0	**490**	**32,052**	**-2,014**	**0**	**69**	**30,597**
31.03.2015	**61,302**	**343,493**	**386,126**	**-13,065**	**-1,934**	**2,639**	**778,561**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

A. GENERAL DISCLOSURES ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENT OF TLG IMMOBILIEN AG

A.1. ABOUT THE COMPANY

TLG IMMOBILIEN AG, Berlin, (TLG IMMOBILIEN or the parent company) a German Aktiengesellschaft (stock corporation) based at Hausvogteiplatz 12, 10117 Berlin, Germany, registered in the Berlin commercial register under number HRB 161314 B, is, together with its subsidiaries (the TLG IMMOBILIEN Group), among the largest real estate companies in Berlin and eastern Germany.

The main activities of the Group are the conclusion of real estate transactions and any type of related business, especially the operational management, letting, construction, conversion, acquisition and sale of commercial real estate in the broader sense, especially office, retail and hotel properties, the development of real estate projects and the provision of services in connection with these corporate activities, either itself or through companies in which the company holds a stake.

The main activities of the TLG IMMOBILIEN Group are essentially free from seasonal influences. However, the sale and acquisition of commercial real estate are subject to economic influences.

A.2. BASES OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements of the TLG IMMOBILIEN Group were prepared in accordance with IAS 34 ("Interim Financial Reporting") in condensed form and in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), as adopted by the European Union. The consolidated interim financial statements were prepared in accordance with the provisions of Regulation (EC) No 1606/2002 of the European Parliament and of the European Council of 19 July 2002 concerning the application of international accounting standards in conjunction with Section 315a (3) of the German Commercial Code (HGB), taking into account the supplementary commercial regulations. The requirements of IAS 34 ("Interim Financial Reporting") have been complied with. Following the option provided by IAS 34.10, the notes were prepared in condensed form. These condensed consolidated interim financial statements have not been audited or subjected to an auditor's review.

The consolidated interim financial statements comprise the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the notes. Besides the consolidated interim financial statements, the interim report comprises the interim Group management report and the responsibility statement.

The consolidated interim financial statements have been prepared in euros.

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

B. NEW ACCOUNTING STANDARDS

B.1. PUBLISHED AND MANDATORY IFRS REGULATIONS

The TLG IMMOBILIEN Group has fully applied all new mandatory standards and interpretations as at 1 January 2014. The following standards and interpretations were applied for the first time by the TLG IMMOBILIEN Group as at 1 January 2015:

Standard / Interpretation	Contents	Applicable for financial year beginning on
IFRIC 21	"Levies"	17.06.2014
Improvements	"Annual Improvements to IFRSs 2011–2013 Cycle"	01.01.2015

B.2. NOTES ON THE APPLICABLE IFRS REGULATIONS

- The interpretation of IFRIC 21 ("Levies") published in May 2013 clarifies at which time an entity recognises a liability for a levy imposed by a government. By applying IFRIC 21, a property tax liability is recognised on 1 January of a financial year and is then reduced pro rata by the quarterly payments. There were no effects on the position of assets, financial and earnings of TLG IMMOBILIEN at the end of the year.

- The Annual Improvements to IFRSs 2011 – 2013 Cycle are the sixth collective standard for various amendments to four existing International Financial Reporting Standards. There was no impact on the consolidated interim financial statements of TLG IMMOBILIEN.

C. CONSOLIDATION

C.1. CHANGES IN THE GROUP

Number of fully consolidated subsidiaries

	31.03.2015	31.12.2014
As of 01.01	5	4
Additions	–	1
As at 31.03/31.12	**5**	**5**

There were no changes to the basis of consolidation after 31 December 2014.

D. EXPLANATION OF ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods applied in these consolidated interim financial statements are virtually identical to the methods outlined in the IFRS consolidated financial statements. Therefore, these consolidated interim financial statements are to be read in conjunction with the consolidated financial statements of TLG IMMOBILIEN of 31 December 2014.

D.1. MAJOR DISCRETIONARY DECISIONS AND ESTIMATES

The application of accounting and valuation methods requires the management to make assumptions and estimates which will influence the carrying amounts of the recognised assets, liabilities, income and expenses, as well as the disclosure of contingent liabilities. However, the inherent uncertainty of these assumptions and estimates could lead to events which will necessitate adjustments to the carrying amounts or disclosure of certain assets and liabilities in the future.

These assumptions and estimates primarily concern the measurement of investment property and the accounting and measurement of assets intended for sale, liabilities, pension provisions, other provisions, financial debt and the recognition of deferred tax assets.

Although the management assumes that the assumptions and estimates used are reasonable, unforeseeable changes to these assumptions could affect the financial position, cash flows and results of operations of the Group.

D.2. DISCLOSURE OF BUSINESS SEGMENTS

There were no changes from the consolidated financial statements of 31 December 2014 when the management report was generated. Consequently, in accordance with IFRS 8, the segment – which contains all operative activities of the TLG IMMOBILIEN Group and about which the main decision-makers regularly receive reports – must still be disclosed.

D.3. FAIR VALUE CALCULATION

All assets, equity instruments and liabilities measured at fair value due to the requirements of other standards (with the exception of IAS 17 "Leases" and IFRS 2 "Share-based Payment") have been measured consistently in accordance with IFRS 13. IFRS 13.9 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of the financial instruments are determined on the basis of corresponding market values or valuation methods. For cash and cash equivalents and other current primary financial instruments, the fair values correspond approx. to the carrying amounts on the balance sheet on each key date.

With regard to non-current receivables and other assets and liabilities, the fair value is determined on the basis of the expected cash flows using the applicable reference interest rates on the balance sheet date. The fair values of financial instruments are calculated on the basis of the reference interest rates plus their own risks and the counterparty risk on the accounting date.

For financial instruments to be recognised at their fair value, the fair value is generally calculated using the corresponding market and stock exchange rates. If no market or stock exchange rates are available, the fair value is measured using standard valuation methods with consideration for instrument-specific market parameters. The fair value is calculated using the discounted cash flow method, whereby individual credit ratings and other market conditions are taken into account in the form of conventional liquidity spreads when calculating the present value.

Investment property is measured at its fair value. The fair value calculation of investment property is categorised under Level 3 of the measurement hierarchy of IFRS 13.86 (measurement on the basis of unobservable input factors).

The fair values of the properties held over the long term in order to generate rental income or for the purposes of appreciation were calculated using the discounted cash flow method. Properties with negative deposit surpluses (such as properties vacant in the long term) are measured using the liquidation value method (land value minus removal expenses, plus any remaining net income). The value of undeveloped land is calculated using the comparative value method with consideration for the standard land values of the local committees of experts.

As the measurement of the financial investments has not changed in comparison with the 2014 consolidated financial statements, the detailed information on the fair value calculation in the consolidated financial statements has also not changed.

For the TLG IMMOBILIEN Group, the fair value hierarchy was as follows on 31 March 2015:

in EUR k	Level 2	Level 3
Other non-current financial assets	2,472	–
Investment property	–	1,575,372
Liabilities to financial institutions [1]	762,055	–
Derivatives with negative fair value	19,828	–

[1] The fair value of liabilities to financial institutions has been calculated exclusively for information in the notes.

By way of comparison, the hierarchy was as follows on 31 December 2014:

in EUR k	Level 2	Level 3
Other non-current financial assets	2,475	–
Investment property	–	1,489,597
Liabilities to financial institutions [1]	770,447	–
Derivatives with negative fair value	17,814	–

[1] The fair value of liabilities to financial institutions has been calculated exclusively for information in the notes.

No transfers took place within the fair value hierarchy during the first quarter of 2015.

E. NOTES ON THE CONSOLIDATED BALANCE SHEET

E.1. INVESTMENT PROPERTY

The carrying amount of the investment property developed as follows in the 2014 financial year and up to the reporting date of the consolidated interim financial statements in 2015:

in EUR k	31.03.2015	31.12.2014
Carrying amount as of 01.01	**1,489,597**	**1,414,691**
Acquisitions	60,763	43,082
Additions from mergers	0	50,000
Capitalisation of construction activities	808	12,320
Reclassification as assets held for sale	-1,451	-86,635
Reclassification as property, plant and equipment	0	-25
Reclassification from property, plant and equipment	2,516	3,470
Fair value adjustment	23,139	52,694
Carrying amount as at 31.03/31.12	**1,575,372**	**1,489,597**

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

In the first quarter of 2015, two attractive office properties in Dresden and Rostock, as well as a retail centre in Berlin, were added to the core portfolio with a total investment volume of EUR k 60,763. This corresponds to approx. 65% of the increase of EUR k 93,082 realised in 2014 through mergers and acquisitions.

In the first quarter of 2015, reclassifications as assets classified as held for sale totalled EUR k 1,451. Following the years 2013 and 2014, which were characterised by the high number of disposals for the purposes of adjusting the portfolio, fewer strategic disposals are expected to be made in 2015.

The EUR k 23,139 fair value adjustment in the first quarter of 2015 reflects the persistently good development of the market (2014: EUR k 52,694); 98% of the adjustment is attributable to investment property after declining sales. In addition to the favourable market conditions, the persistently low EPRA Vacancy Rate of 3.5% and a weighted average lease term (WALT) of 7.3 years in the core portfolio resulted in an increase in fair value.

The fair values of investment property were as follows, broken down by valuation method and by asset class as at 31 March 2015. Prepayments on these properties are not included here; they are recognised separately in the balance sheet.

Portfolio overview by asset class

	Investment Properties	Discount rate			Capitalisation rate		
	in EUR k	Min. in %	Max. in %	Average (rated according to gross present value) in %	Min. in %	Max. in %	Average (rated according to net sales price) in %
31.03.2015							
Valuation method = discounted cash flow (DCF)							
Retail properties	705,795	3.50	15.00	6.01	5.25	33.00	8.00
Office properties	585,894	4.00	12.00	5.08	4.00	15.00	6.66
Hotel properties	196,449	4.50	5.80	4.89	6.05	6.30	6.25
Other properties	70,558	3.75	12.00	6.90	4.00	25.00	10.80
Total (DCF)	**1,558,697**	**3.50**	**15.00**	**5.55**	**4.00**	**33.00**	**7.37**
Valuation method = liquidation method (LM)							
Retail properties	5,730	4.50	4.50	4.50	–	–	–
Office properties	230	7.50	7.50	7.50	–	–	–
Other properties	10,715	4.75	9.50	5.55	–	–	–
Total (LM)	**16,675**	**4.50**	**9.50**	**5.22**	**–**	**–**	**–**
Total	**1,575,372**						
Multiplier net rental	12.80						

The following values were reported as at 31 December 2014:

31.12.2014							
Valuation method = discounted cash flow (DCF)							
Retail properties	663,347	3.75	15.00	6.09	5.50	33.00	8.13
Office properties	547,145	4.00	12.00	5.26	4.00	15.00	6.86
Hotel properties	191,415	4.75	6.00	5.09	6.25	6.50	6.46
Other properties	69,888	3.75	12.00	7.00	4.00	25.00	10.92
Total (DCF)	**1,471,794**	**3.75**	**15.00**	**5.68**	**4.00**	**33.00**	**7.54**
Valuation method = liquidation method (LM)							
Retail properties	5,740	4.75	4.75	4.75	–	–	–
Office properties	230	7.50	7.50	7.50	–	–	–
Other properties	11,833	5.00	9.50	5.58	–	–	–
Total (LM)	**17,803**	**4.75**	**9.50**	**5.34**	**–**	**–**	**–**
Total	**1,489,597**						
Multiplier net rental	12.58						

E.2. OTHER FINANCIAL ASSETS

The other financial assets included EUR k 667 in restricted funds as at 31 March 2015.

E.3. EQUITY

The change in the components of Group equity can be found in the consolidated statement of changes in equity.

F. NOTES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

F.1. NET OPERATING INCOME FROM LETTING ACTIVITIES

Net income from operational management increased compared to 2014 (EUR k 2,533). Smaller properties were disposed of and high-quality individual properties were acquired as part of the portfolio optimisation process in 2014. The high-quality additions to the portfolio have had a positive effect on net income from operational management in 2015.

The development of the expenses from operational management was primarily due to the IFRIC 21 regulations under which the property taxes for the entire year must be recognised as expenses at the start of the year.

F.2. RESULT FROM THE REMEASUREMENT OF INVESTMENT PROPERTY

The result from the remeasurement of investment property was essentially positive in the first quarter of 2015, due to the continuously favourable market conditions. Besides the positive market developments, the change was caused by the persistently low EPRA Vacancy Rate and long WALT.

The adjustment of the fair value of EUR k 23,139 in the first quarter of 2015 is attributable almost entirely to investment property.

See Section E.1 for more details.

F.3. PERSONNEL EXPENSES

Personnel expenses developed as follows:

in EUR k	01.01.2015–31.03.2015	01.01.2014–31.03.2014
Salaries	2,046	2,415
Social security contributions and cost of old age pensions	319	543
Bonuses	319	409
Severance packages	30	0
Share-based payment components according to IFRS 2	490	0
Total	**3,204**	**3,368**

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

Proportional expenses for a share-based payment component for certain employees were recognised for the first time in the first quarter of the 2015 financial year, in line with IFRS 2. The grant date fair value of this scheme, which was introduced in the first quarter of 2015, is EUR k 137.

F.4. NET INTEREST

Net interest is broken down as follows:

in EUR k	01.01.2015–31.03.2015	01.01.2014–31.03.2014
Net interest from bank balances	-32	-109
Net interest from default interest and deferrals	-143	-39
Other interest income	-1	-2
Total interest and similar income	**-175**	**-150**
Interest expenses for interest rate derivatives	993	1,587
Interest on loans	4,460	5,009
Interest expense from pension provisions	37	0
Other interest expenses	540	449
Total interest and similar expenses	**6,029**	**7,045**
Financial result	**5,854**	**6,896**

The declining interest on loans essentially resulted from the full repayment in the first quarter of 2014 of a loan granted by the then principal shareholder in 2013, as well as refinancing at more favourable rates (see also Section E.8).

The interest expense for interest rate derivatives was lower, particularly due to the fact that in March 2014 existing interest rate derivatives were reversed and then replaced by derivatives at lower rates.

F.5. RESULT FROM THE REMEASUREMENT OF FINANCIAL INSTRUMENTS

As there were no hedging relationships in the first quarter of 2014, expenses of EUR k 1,965 were recognised from the fair value adjustment of financial instruments. Nevertheless, there was no ineffectiveness in derivatives in hedge accounting in the first quarter of 2015.

F.6. INCOME TAXES

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

in EUR k	01.01.2015–31.03.2015	01.01.2014–31.03.2014
Current income tax	2,048	4,703
Prior-period income taxes	3	0
Deferred taxes	12,122	2,248
Tax expense/income	**14,174**	**6,951**

F.7. EARNINGS PER SHARE

The earnings per share are calculated by dividing the net income/loss for the period attributable to the shareholders by the weighted average number of ordinary shares in circulation within the reporting period.

in EUR k	01.01.2015–31.03.2015	01.01.2014–31.03.2014
Net income for the period attributable to the shareholders in EUR k	32,052	15,455
Average weighted number of shares issued, in thousands [1]	61,302	52,000
Undiluted earnings per share in EUR	0.52	0.30
Potential diluting effect of share-based payment	17.8	0
Number of shares with a potential diluting effect, in thousands	61,320	52,000
Diluted earnings per share in EUR	**0.52**	**0.30**

[1] Before the company became an Aktiengesellschaft (stock corporation) on 5 September 2014, it was a limited liability company (GmbH). Therefore, for the purposes of comparison, the value of the issued shares is the value that would have existed if the company had always been an Aktiengesellschaft with the same number of shares.

The share-based payment of the Management Board and some employees has a diluting effect based on the amount of work already carried out. The number of shares on the reporting date was increased by 17.8 thousand shares.

G. OTHER INFORMATION

G.1. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

The following table presents the financial assets and liabilities by measurement category and class. Hedge derivatives are also accounted for, although they do not belong to any of the measurement categories of IAS 39. Additionally, with regard to the reconciliation of the balance sheet, the non-financial liabilities are accounted for even though they are not subject to IFRS 7:

in EUR k	Measurement category in accordance with IAS 39	Measured at amortised cost		Measured at fair value	No measurement category in accordance with IAS 39	No financial instruments in accordance with IAS 32	Total
		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount	**Carrying amount**
31.03.2015							
Other non-current financial assets	LaR	2,472	2,571				**2,472**
Trade receivables	LaR	10,049	10,049				**10,049**
Other current financial assets	LaR	987	987				**987**
Cash and cash equivalents	LaR	145,546	145,546				**145,546**
Total financial assets		**159,054**	**159,153**	**0**	**0**	**0**	**159,054**
Liabilities to financial institutions [1]	FLaC	762,055	811,342				**762,055**
Trade payables	FLaC	21,483	21,483				**21,483**
Financial instruments [2]	FLHfT			0	19,828		**19,828**
Other liabilities	FLaC	11,022	2,640			8,382	**11,022**
Total financial liabilities		**794,559**	**835,465**	**0**	**19,828**	**8,382**	**814,387**
31.12.2014							
Other non-current financial assets	LaR	2,475	2,542				**2,475**
Trade receivables	LaR	12,552	12,552				**12,552**
Other current financial assets	LaR	981	981				**981**
Cash and cash equivalents	LaR	152,599	152,599				**152,599**
Total financial assets		**168,607**	**168,674**	**0**	**0**	**0**	**168,607**
Liabilities to financial institutions [1]	FLaC	770,447	819,243				**770,447**
Trade payables	FLaC	13,876	13,876				**13,876**
Financial instruments [2]	FLHfT			0	17,814		**17,814**
Other liabilities	FLaC	13,896	4,185			9,712	**13,896**
Total financial liabilities		**798,219**	**832,845**	**0**	**17,814**	**9,712**	**816,033**

Categorisation of underlying inputs for fair value measurement in accordance with IFRS 13.93(b) and IFRS 13.97:
[1] Liabilities to financial institutions: Level 2 within the fair value hierarchy (measured on the basis of observable inputs/market data)
[2] Derivatives: Level 2 within the fair value hierarchy (measured on the basis of observable inputs/market data)

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

G.2. RELATED COMPANIES AND PARTIES

Related parties and companies are defined as companies and persons which have the ability to control or exercise significant influence over the TLG IMMOBILIEN Group, or over which the TLG IMMOBILIEN Group has control or exercises significant influence.

Accordingly, the members and close relatives of the Management and Supervisory Boards of TLG IMMOBILIEN are considered related parties and companies, as are members of management who exercise key executive functions and the TLG IMMOBILIEN Group's subsidiaries, associates and joint ventures.

G.2.1. Related companies

Before the IPO of TLG IMMOBILIEN on 24 October 2014, LSREF II East AcquiCo S.à. r.l., Luxembourg, (East AcquiCo) and Delpheast Beteiligungs GmbH & Co. KG were shareholders of TLG IMMOBILIEN. As at the reporting date of the consolidated interim financial statements, the percentage of voting rights held by East AcquiCo in TLG IMMOBILIEN had fallen to 18.48% according to latest voting rights announcements. As a result, AcquiCo and its related companies and parties are no longer considered related companies or parties of TLG IMMOBILIEN in the sense of IAS 24.

G.2.2. Related parties

The compositions of the Management and Supervisory Boards have not changed since 31 December 2014.

With regard to the presentation of the IFRS 2 scheme for the Management Board of TLG IMMOBILIEN, please see the IFRS consolidated financial statements of 31 December 2014.

G.3. EVENTS AFTER THE BALANCE SHEET DATE

On 29 April 2015, TLG IMMOBILIEN signed the purchase agreements for two retail centres in Berlin with a total investment volume of approx. EUR 85.9 mn. The package comprises Bahnhofspassage in Bernau and Handelscentrum in Strausberg. Both properties have been present in their current locations for years and are well established.

Furthermore, on 13 May 2015 TLG IMMOBILIEN signed the purchase agreement for Südstadt-Center in Rostock, with an investment volume of approx. EUR 28.2 mn. This well-established shopping centre enjoys an inner-city location on the central road, Südring, in Rostock.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the consolidated interim financial statements of TLG IMMOBILIEN AG of 31 March 2015 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of 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.

Berlin, 1 June 2015

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

FINANCIAL CALENDAR

25 JUNE 2015
Annual general meeting

31 AUGUST 2015
Publication of quarterly financial report Q2/2015

30 NOVEMBER 2015
Publication of quarterly financial report Q3/2015

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