QUARTERLY FINANCIAL REPORT

AS AT 31 MARCH 2016

TLG IMMOBILIEN

KEY FIGURES

KEY GROUP FIGURES ACCORDING TO IFRS

	Unit	01/01/2016–31/03/2016	01/01/2015–31/03/2015	Change in %
Results of operations				
Rental income	in EUR k	32,513	30,374	7.0
Net operating income from letting activities (NOI)	in EUR k	28,892	26,854	7.6
Disposal profits	in EUR k	619	5,790	-89.3
Net income for the period	in EUR k	12,888	32,124	-59.9
FFO	in EUR k	17,135	15,753	8.8
FFO per share [1]	in EUR	0.25	0.26	-3.8

	Unit	31/03/2016	31/12/2015	Change in %
Balance sheet metrics				
Investment property	in EUR k	1,852,405	1,739,474	6.5
Cash and cash equivalents	in EUR k	99,779	183,736	-45.7
Balance sheet total	in EUR k	1,997,950	1,999,461	-0.1
Equity	in EUR k	978,325	967,874	1.1
Equity ratio	in %	49.0	48.4	0.6 pp
Liabilities to financial institutions	in EUR k	775,115	782,688	-1.0
Net debt	in EUR k	675,336	598,952	12.8
Net LTV [2]	in %	36.2	33.6	2.6 pp
EPRA NAV	in EUR k	1,189,829	1,171,594	1.6
EPRA NAV per share [1]	in EUR	17.64	17.37	1.6

	Unit	31/03/2016	31/12/2015	Change in %
Portfolio key figures				
IFRS portfolio value [3]	in EUR k	1,864,756	1,765,834	5.6
Properties	number	414	418	-4 units
Annualised in-place rent [4]	in EUR k	135,991	131,379	3.5
In-place rental yield	in %	7.3	7.4	-0.1 pp
EPRA Vacancy Rate	in %	3.3	3.7	-0.4 pp
WALT	in years	6.5	6.5	0.0 years
Average rent	in EUR/sqm	9.50	9.23	2.9

[1] Total number of shares on 31 March 2015: 61.3 m, on 31 March 2016: 67.4 m. The average weighted number of shares was 61.3 m in the first quarter of 2015 and 67.4 m in the first quarter of 2016 due to the capital increase in November 2015.

[2] Calculation: Net debt divided by property value; for the composition see page 20

[3] In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5

[4] The annualised in-place rent is calculated using the annualised rents agreed as at the reporting date–not factoring in rent-free periods.

COVER
OFFICE BUILDING
AM VÖGENTEICH 23
ROSTOCK, GERMANY

CONTENTS

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

DEAR SHAREHOLDERS, DEAR SIR OR MADAM,

"Fully on track" was the title of our annual report for the 2015 financial year which we published on 30 March 2016 – and the title is a fitting description for the first quarter of 2016, as well.

On 2 February 2016, the hotel and office property at Dresden main station that was acquired in December 2015 with a total investment of EUR 28.2 m was transferred to our portfolio. Additionally, in March 2016, the purchase agreement was signed for an office property in central Leipzig with a total investment volume of EUR 57.2 m. The economic transfer of the portfolio of seven office properties and one hotel property that was acquired in November 2015 took place as planned on 31 March 2016. In April 2016, after the reporting date, an office property in Berlin that was acquired in January 2016 was transferred to the portfolio of TLG IMMOBILIEN AG (total investment: EUR 50.6 m). This shows that the company will continue to grow this year.

The steady expansion of our portfolio is having a positive effect on our operating results. In the first three months of the financial year, we were able to improve our key performance indicators further. Compared to the same period in 2015, the net operating income from letting activities increased by 7.6% to EUR 28.9 m. Likewise, our funds from operations (FFO) increased by 8.8% to EUR 17.1 m compared to 31 March 2015. We now expect to generate FFO of between EUR 72 m and EUR 74 m in the 2016 financial year as a whole; this forecast factors in the aforementioned acquisitions.

We believe that these developments represent a successful start to the year that we hope to continue in the current financial year.

This year's annual general meeting will be held in Berlin on 31 May 2016, where we intend to propose a dividend of EUR 0.72 per share for the 2015 financial year ended. We are also looking forward to an inspiring dialogue with our shareholders.

Berlin, 13 May 2016

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

TLG IMMOBILIEN SHARES

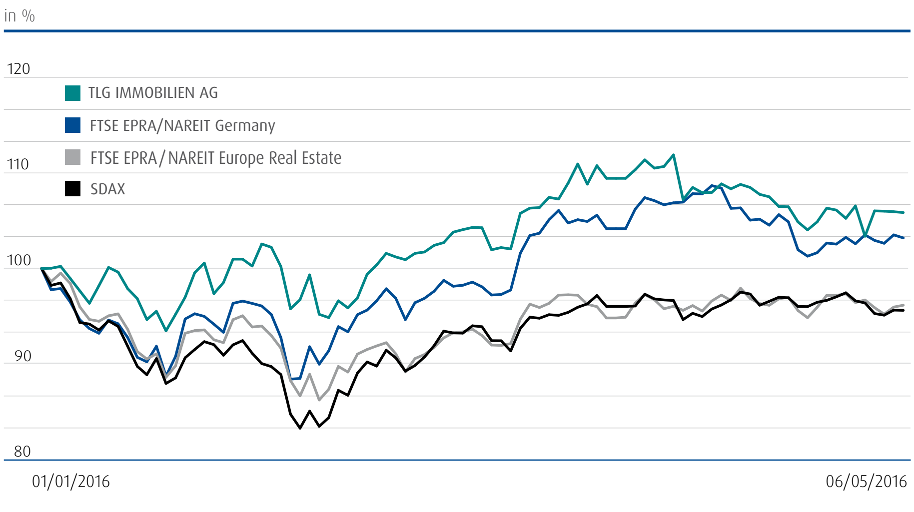
The capital market environment was turbulent in the first quarter of 2016. The collapse in oil prices to a twelve-year low of below USD 30 per barrel, falling leading indicators in Europe and the United States, negative trends in China such as the Chinese stock market slump and the devaluation of the Chinese currency against the US dollar, and the stronger euro resulted in highly volatile stock markets in the first three months of 2016. Factors such as the more expansionary policies of central banks in the eurozone, Japan and China, the cautious policies of the US Federal Reserve and the recovery of oil prices following Russian and Saudi Arabian plans to freeze oil production served to restore stability.

As a result, the German stock market was under high pressure until mid February and the DAX fell below 9,000 points. The leading index had recovered by the end of the quarter and closed at 9,965.51 points on 31 March 2016, which corresponds to a decrease of 5.0% compared to its opening total on 4 January 2016.

Unlike the DAX, the SDAX did not decline as sharply in the first quarter, falling by 2.5% between the beginning of January 2016 and the end of March 2016.

In contrast, real estate share prices experienced more-positive growth. In the first three months, the FTSE EPRA/NAREIT Germany Index grew by 9.5% and the FTSE EPRA/NAREIT Europe Index decreased by 1.9% in the first quarter.

Performance of the shares by index



The shares of TLG IMMOBILIEN AG enjoyed a good start to 2016 and reached EUR 19.40 on Xetra on 30 March 2016, their highest value on Xetra in the first quarter of 2016. On 31 March 2016, the shares closed the reporting period at EUR 19.15, which represents an increase of 10.1% in the first quarter of 2016, compared to the opening price of EUR 17.40 at the start of the year. This means that the performance of the shares of TLG IMMOBILIEN AG greatly surpassed that of the DAX and SDAX, as well as the FTSE EPRA/NAREIT Europe and FTSE EPRA/NAREIT Germany real estate indices.

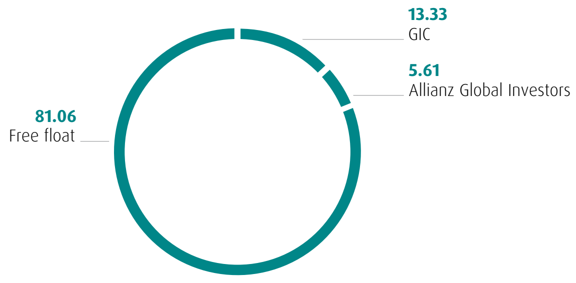
TLG IMMOBILIEN share data

ISIN/WKN	DE000A12B8Z4/A12B8Z
Ticker symbol	TLG
Share capital in EUR	67,432,326.00
Number of shares (no-par-value bearer shares)	67,432,326
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, ODDO SEYDLER BANK AG
Quarterly high on 30/03/2016 (Xetra) in EUR	19.40
Quarterly low on 21/01/2016 (Xetra) in EUR	16.12
Closing price on 31/03/2016 (Xetra) in EUR	19.15
Market capitalisation in EUR m	1,291.3

SHAREHOLDER STRUCTURE

Shareholder structure as at 31 March 2016*

in %



* Data based on the latest voting rights notifications.

GIC capital ownership as at 24 July 2015, as announced by GIC in writing on 28 July 2015. On that date, the total number of voting rights was 61,302,326.
Allianz Global Investors capital ownership as at 19 March 2015, as announced by Allianz Global Investors in writing on 20 March 2015. On that date, the total number of voting rights was 61,302,326.
Total free float as defined by Deutsche Börse.
The diagram shows the voting rights last disclosed by shareholders pursuant to § 21 and § 22 of the German Securities Trading Act (WpHG), based on the share capital of TLG IMMOBILIEN AG at the time. Please note that the last disclosed number of voting rights might since have changed within the thresholds without the shareholders being obliged to inform the company.

COVERAGE BY ANALYSTS

Bank	Target price in EUR	Rating	Analyst	Date
Victoria Partners	18.50–20.50	n/a	Bernd Janssen	28/04/2016
KEMPEN & CO.	18.00	Neutral	Remco Simon	26/04/2016
Berenberg	21.00	Buy	Kai Klose	19/04/2016
Bankhaus Lampe	21.00	Buy	Georg Kanders	12/04/2016
UBS	20.00	Neutral	Osmaan Malik	05/04/2016
Kepler Cheuvreux	22.50	Buy	Thomas Neuhold	31/03/2016
J.P. Morgan	21.75	Overweight	Tim Leckie	22/03/2016
Commerzbank	21.50	Buy	Thomas Rothäusler	01/03/2016
HSBC	20.00	Buy	Thomas Martin	25/11/2015
Deutsche Bank	20.50	Buy	Markus Scheufler	12/11/2015

Source: Bloomberg (as at 02/05/2016) and broker research

Two new banks, Berenberg and Kepler Cheuvreux, started covering the shares of TLG IMMOBILIEN AG in the first quarter of 2016.

INVESTOR RELATIONS ACTIVITIES

TLG IMMOBILIEN AG attended the following national and international broker conferences in the first three months of 2016:

- ODDO & Cie – ODDO FORUM, Lyon
- J. P. Morgan – European Real Estate CEO Conference, London
- UniCredit Kepler Cheuvreux – German Corporate Conference 2016, Frankfurt am Main
- ODDO SEYDLER – Small and Mid Cap Conference 2016, Frankfurt am Main

The figures for 2015 were published on 30 March 2016 and discussed with investors and analysts in a conference call. A recording of the conference call and the report documents are 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 association 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 company listed on a stock exchange, publishes the key figures in line with the best-practices recommendations of EPRA for the sake of transparency and comparability.

Overview of key EPRA figures

in EUR k	31/03/2016	31/12/2015	Change	Change in %
EPRA NAV	1,189,829	1,171,594	18,235	1.6
EPRA NNNAV	939,702	931,029	8,673	0.9
EPRA Net Initial Yield (NIY) in %	6.0	6.1	-0.1 pp	
EPRA "topped-up" Net Initial Yield in %	6.0	6.1	-0.1 pp	
EPRA Vacancy Rate in %	3.3	3.7	-0.4 pp	

in EUR k	01/01/2016–31/03/2016	01/01/2015–31/03/2015	Change	Change in %
EPRA Earnings	16,762	15,304	1,458	9.5
EPRA Cost Ratio (including direct vacancy costs) in % [1]	27.8	27.6	0.2 pp	
EPRA Cost Ratio (excluding direct vacancy costs) in % [1]	25.4	26.2	-0.8 pp	

[1] The reclassification of account items in the financial year caused the value from the previous year to change (see section D of the notes).

EPRA EARNINGS

EPRA Earnings is an indicator of the sustainable performance of a real estate platform and is therefore fundamentally 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 do not exclude other non-cash or non-recurring effects.

The increase in EPRA Earnings compared to the same period in the previous year is due primarily to the higher rental income following successful acquisitions and reductions in personnel expenses.

EPRA Earnings

in EUR k	01/01/2016–31/03/2016	01/01/2015–31/03/2015	Change	Change in %
Net income for the period	12,888	32,124	-19,236	-59.9
Result from the remeasurement of investment property	-665	-23,139	22,474	-97.1
Result from the disposal of investment property	-612	-5,817	5,205	-89.5
Result from the disposal of real estate inventory	-7	27	-34	n/a
Taxes on profits or losses on disposals/aperiodic tax	0	0	0	0
Result from the valuation of derivative financial instruments	1,123	59	1,064	n/a
Deferred and actual taxes in respect of EPRA adjustments	4,073	12,122	-8,049	-66.4
Non-controlling interests	-38	-72	34	-47.2
EPRA Earnings	**16,762**	**15,304**	**1,458**	**9.5**
Average number of shares on issue (in thousands)	67,432	61,302		
EPRA Earnings per share (in EUR)	0.25	0.25		

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 18,235 to EUR k 1,189,829 compared to 31 December 2015, which corresponds to an EPRA NAV per share of EUR 17.64.

The increase was primarily the result of the increase in equity due mainly to the total comprehensive income of EUR k 10,212 attributable to the shareholders of TLG IMMOBILIEN, the EUR k 2,870 increase in deferred tax liabilities and the EUR k 4,943 change in the fair value of derivative financial instruments.

EPRA Net Asset Value (EPRA NAV)

in EUR k	31/03/2016	31/12/2015	Change	Change in %
Equity[1]	975,479	965,065	10,414	1.1
Fair value adjustment of fixed assets (IAS 16)	5,587	5,572	15	0.3
Fair value adjustment of real estate inventory (IAS 2)	326	333	-7	-2.1
Fair value of derivative financial instruments	20,864	15,921	4,943	31.0
Deferred tax liabilities	188,737	185,867	2,870	1.5
Goodwill	-1,164	-1,164	0	0.0
EPRA Net Asset Value (EPRA NAV)	**1,189,829**	**1,171,594**	**18,235**	**1.6**
Number of shares (in thousands)	67,432	67,432		
EPRA NAV per share (in EUR)	17.64	17.37		

[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 2016, the EPRA Triple Net Asset Value was EUR k 939,702 compared to EUR k 931,029 in the previous year. The difference of EUR k 8,673 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	31/03/2016	31/12/2015	Change	Change in %
EPRA Net Asset Value (EPRA NAV)	**1,189,829**	**1,171,594**	**18,235**	**1.6**
Fair value of derivative financial instruments	-20,864	-15,921	-4,943	31.0
Fair value adjustment of liabilities to financial institutions	-40,526	-38,777	-1,749	4.5
Deferred tax liabilities	-188,737	-185,867	-2,870	1.5
EPRA Triple Net Asset Value (EPRA NNNAV)	**939,702**	**931,029**	**8,673**	**0.9**

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

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 as at the balance sheet date less non-recoverable operating costs and the gross market value of the real estate portfolio.

Rent-free periods are adjusted in the rent calculation for the EPRA "topped-up" NIY.

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

in EUR k	31/03/2016	31/12/2015	Change	Change in %
Investment property	1,852,405	1,739,474	112,931	6.5
Real estate inventory	1,103	1,104	-1	-0.1
Properties classified as held for sale	1,919	15,912	-13,993	-87.9
Property portfolio (net)	1,855,427	1,756,490	98,937	5.6
Estimated transaction costs	131,983	125,899	6,084	4.8
Property portfolio (gross)	1,987,410	1,882,389	105,021	5.6
Annualised cash passing rental income	135,703	131,097	4,606	3.5
Property outgoings	-16,619	-16,533	-86	0.5
Annualised net rents	119,084	114,564	4,520	3.9
Notional rent for ongoing rent-free periods	286	280	6	2.1
Annualised "topped-up" net rent	119,370	114,844	4,526	3.9
EPRA Net Initial Yield (NIY) in %	**6.0**	**6.1**	**-0.1 pp**	
EPRA "topped-up" Net Initial Yield in %	**6.0**	**6.1**	**-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 & Co. KG as part of the measurement of the real estate portfolio's fair value. The reduction of the EPRA Vacancy Rate for the portfolio as a whole from 3.7% as at 31 December 2015 to 3.3% in the first quarter of 2016 is due primarily to the disposal of two business parks in Chemnitz.

EPRA Vacancy Rate

in EUR k	31/03/2016	31/12/2015	Change	Change in %
Market rent for vacant properties	4,448	4,919	-471	-9.6
Total market rent	136,167	131,679	4,488	3.4
EPRA Vacancy Rate in %	**3.3**	**3.7**	**-0.4 pp**	

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 changes in the fair value of real estate properties or financial instruments, borrowing costs and tax expenditure. It includes one-off effects and non-recurring costs.

EPRA Cost Ratio

in EUR k	01/01/2016–31/03/2016	01/01/2015–31/03/2015	Change	Change in %
Costs pursuant to the consolidated statement of comprehensive income under IFRS [1]				
Expenses from letting activities	8,595	8,987	-392	-4.4
Personnel expenses	2,854	3,204	-350	-10.9
Depreciation	143	218	-75	-34.4
Other operating expenses	2,426	1,609	817	50.8
Income from recharged utilities and other operating costs	-4,781	-4,916	135	-2.7
Income from other reimbursements	-165	-584	419	-71.7
Other operating income from reimbursements	-18	-113	95	-84.1
Ground rent	-2	-7	5	-71.4
EPRA costs (including direct vacancy costs)	**9,052**	**8,398**	**654**	**7.8**
Direct vacancy costs	-808	-431	-377	87.5
EPRA costs (excluding direct vacancy costs)	**8,244**	**7,967**	**277**	**3.5**
Rental income	32,513	30,374	2,139	7.0
EPRA Cost Ratio (including direct vacancy costs) in %	**27.8**	**27.6**	**0.2 pp**	
EPRA Cost Ratio (excluding direct vacancy costs) in %	**25.4**	**26.2**	**-0.8 pp**	

[1] Reclassifications of account items in the financial year caused individual values from the previous year to change (see section D of the notes).

INTERIM GROUP MANAGEMENT REPORT DETAILED INDEX

INTERIM GROUP MANAGEMENT REPORT

1. COMPANY FUNDAMENTALS

1.1 BUSINESS MODEL OF THE GROUP

1.1.1 Organisational structure

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

The business model and the corporate strategy of TLG IMMOBILIEN are based on the following pillars:

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

- Asset and property management
  TLG IMMOBILIEN covers significant links in the real estate value chain internally. Its various branches bear a decentralised responsibility for technical and commercial management of properties, including tenant relations.

- Acquisitions and sales
  With its many years of expertise, TLG IMMOBILIEN is exceptionally well connected in its core markets. This generates attractive opportunities for the company to grow and chances to sell properties for the best possible prices in line with its portfolio optimisation strategy.

2. ECONOMIC REPORT

2.1 GENERAL ECONOMIC CONDITIONS AND REAL ESTATE MARKETS

2.1.1 General economic conditions

At the beginning of 2016, the economic situation in Germany was characterised by solid growth. According to preliminary figures from the Halle Institute for Economic Research (IWH), the gross domestic product (GDP) grew by 0.5% in the first quarter of 2016 compared to the previous quarter. IWH also expects the growth of the real GDP in eastern Germany to decrease from 0.4% in the fourth quarter of 2015 to 0.3% in the first quarter of 2016.

Despite the global economic and political risks (economic worsening in China, unstable financial markets, imponderables in the European banking system, deflation in the eurozone and European disunity in the face of the refugee crisis), the German economy has remained stable according to information published by IWH. Private consumption remains the main driver of positive, steady economic growth in Germany. Low oil prices are also serving to improve purchasing power.

2.1.2 Economic situation in the sectors

According to German Property Partners, the volume of transactions on the commercial investment market in the top seven German cities was around EUR 4.2 bn in the first quarter of 2016, which represents a decrease of 8.3% compared to the same quarter in the previous year. According to Savills, the decrease in the transaction volume despite growing demand is the result of the ownership structure on the German real estate market, which focuses on long-term revenue and ongoing cash flow returns instead of property disposals.

2.1.3 Development of the office property market

According to Savills, office properties remain the most sought-after asset class on the German commercial real estate investment market. In the first quarter of 2016, they generated around 45% of the total volume of transactions in Germany, which is equivalent to around EUR 3.7 bn. The transaction volume therefore increased by 6% compared to the same quarter in the previous year. Simultaneously, according to Colliers, the proportion of the transaction volume attributable to the top seven cities fell below the three-year average, which indicates growing interest amongst investors in B-rated cities.

2.1.4 Development of the retail property market

Although Gfk has forecast that the total indicator will decrease again from 9.5 to 9.4 points in April 2016, consumer confidence in Germany remains high overall. The stable labour market and low inflation rates mean that consumers are willing to spend money. Due to the recent decision of the European Central Bank to cut the base rate to 0%, saving will become an even less attractive alternative to spending.

The favourable business landscape is stimulating investments in retail properties. However, according to Savills, the volume of transactions in the first quarter of 2016 decreased by 40% to EUR 2.2 bn compared to the same quarter in the previous year. However, this decrease might merely be a short-term drop and not a trend reversal.

2.1.5 Development of the hotel property market

After a good 2015 financial year with net turnover of EUR 24.1 bn (+4.2%), the German International Hotel Association (IHA) believes that expectations for the German hotel industry in 2016 are also positive due to the robust economic situation, high consumer confidence and wanderlust.

The positive performance of the tourism industry is having a positive effect on the hotel property investment market. According to CBRE, in the first quarter of 2016, the volume of transactions reached EUR 750 m, which represents a considerable increase of 30% compared to 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.

Key figures

	Total	Office	Retail	Hotel	Other
Property value (EUR k)[1]	**1,864,756**	669,168	872,628	262,436	60,524
Annualised in-place rent (EUR k)[2]	**135,991**	46,978	68,127	16,001	4,885
In-place rental yield (%)	**7.3**	7.1	7.8	5.9	8.0
EPRA Vacancy Rate (%)	**3.3**	5.3	1.6	2.8	6.6
WALT (years)	**6.5**	4.8	5.8	13.8	8.5
Properties (number)	**414**	59	277	7	71
Lettable area (sqm)	**1,266,800**	455,363	598,936	109,498	103,003

[1] In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5
[2] The annualised in-place rent is calculated using the annualised rents agreed as at the reporting date, not factoring in rent-free periods.

The property portfolio of TLG IMMOBILIEN comprises the office, retail, hotel and miscellaneous asset classes, where the latter essentially consists of the properties that were part of the non-core portfolio as at 31 December 2015. As at 31 March 2016, the portfolio contains 414 properties (31 December 2015: 418) with a property value (IFRS) of around EUR 1.865 bn (31 December 2015: around EUR 1.766 bn). The 5.6% increase in the value of the portfolio is due largely to new acquisitions.

In the first quarter, the acquisitions concerned the office and hotel asset classes. The value of the office asset class increased by 9.7% to EUR 669.2 m (31 December 2015: EUR 610.2 m, including the reclassification of three office properties worth EUR 3.3 m from the non-core portfolio) due, in particular, to the addition of seven office properties that had been purchased in late 2015 as part of a portfolio acquisition. The additional acquisitions of two inner-city hotels in Dresden and Leipzig, the latter as part of a portfolio acquisition, caused the portfolio value of the hotel asset class to increase by 26.4% to EUR 262.4 m. With a portfolio value of EUR 872.6 m (31 December 2015: EUR 873.4 m), the retail property portfolio has remained stable. The portfolio value of the miscellaneous asset class decreased by 18.9% to EUR 60.5 m (31 December 2015: EUR 74.7 m less the three properties worth EUR 3.3 m that were transferred to the office asset class), due essentially to disposals.

2.2.2 Earnings

In the first quarter of 2016, TLG IMMOBILIEN was able to generate positive net income for the period of EUR k 12,888. The earnings were EUR k 19,236 lower than in the previous year, due essentially to the remeasurement of investment properties.

In 2016, TLG IMMOBILIEN modified the methods it uses to determine measurement gains and losses. On 30 June 2016, an external expert will carry out a valuation and the most recently recognised fair values will be audited internally in the two other quarters of 2016. In 2015, another external measurement was carried out as part of every set of quarterly financial statements. The recognised fair values will only be adjusted following a valuation by an external expert, or as part of the internal audit if the changes in fair value can be documented.

The table below presents the results of operations:

in EUR k	01/01/2016–31/03/2016	01/01/2015–31/03/2015	Change	Change in %
Net operating income from letting activities [1]	**28,892**	**26,854**	**2,038**	**7.6**
Result from the remeasurement of investment property	665	23,139	-22,474	-97.1
Result from the disposal of investment property	612	5,817	-5,205	-89.5
Result from the disposal of real estate inventory	7	-27	34	n/a
Other operating income [1]	425	1,460	-1,035	-70.9
Personnel expenses	-2,854	-3,204	350	-10.9
Depreciation	-143	-218	75	-34.4
Other operating expenses	-2,426	-1,609	-817	50.8
Earnings before interest and taxes (EBIT)	**25,178**	**52,211**	**-27,033**	**-51.8**
Financial income	70	175	-105	-60.0
Financial expenses	-5,808	-6,029	221	-3.7
Result from the remeasurement of derivative financial instruments	-1,123	-59	-1,064	n/a
Earnings before taxes	**18,316**	**46,298**	**-27,982**	**-60.4**
Income taxes	-5,428	-14,174	8,746	-61.7
Net income for the period	**12,888**	**32,124**	**-19,236**	**-59.9**
Other comprehensive income (OCI)	-2,638	-2,014	-624	31.0
Total comprehensive income	**10,250**	**30,110**	**-19,860**	**-66.0**

[1] Reclassifications of account items in the financial year caused individual values from the previous year to change (see section D of the notes).

The net operating income from letting activities was EUR k 28,892. The rental income has increased by EUR k 2,038 compared to the same period in the previous year, due especially to the fact that newly acquired properties were put into operational management, and thus now affect net profit. The rental income from the newly acquired properties has more than compensated for the decrease resulting from property disposals.

The result from the remeasurement of investment property was EUR k 665 in the reporting period.

Compared to the same period in the previous year, the disposal profits fell by EUR k 5,171 to EUR k 619 due to special items in the previous year.

The other operating income was EUR k 425, essentially comprising income from the reversal of bad debt allowances which was EUR k 310 lower than in the previous period.

Other operating expenses increased by EUR k 817 to EUR k 2,426 compared to the same period in the previous year. The increase is predominantly due to higher amortisation of receivables and higher administrative costs, especially including advertising, consultancy services and general administrative costs.

In the first three months of the 2016 financial year, financial expenses decreased by EUR k 221 to EUR k 5,808 compared to the same period in the previous year, due to lower other financial expenses – including guarantee fees and collateralisation costs – whereas interest expenses for loans and interest hedges increased slightly in light of the increased amount of loans.

In the first quarter of 2016, expenses from the fair value adjustment of derivative financial instruments totalled EUR k 1,123 (previous year: EUR k 59). The expenses from fair value adjustments are due essentially to derivatives that are not part of any hedging relationship.

The tax expenses in the reporting period comprise ongoing income taxes of EUR k 1,355 and deferred taxes of EUR k 4,073.

2.2.3 Financial position

The following cash flow statement was generated using the indirect method under IAS 7. The cash flows led to a decrease in cash and cash equivalents in the first quarter of 2016, due primarily to the acquisition of properties.

in EUR k	01/01/2016–31/03/2016	01/01/2015–31/03/2015	Change	Change in %
1. Cash flow from operating activities	10,905	30,242	-19,337	-63.9
2. Cash flow from investing activities	-89,152	-29,353	-59,799	203.7
3. Cash flow from financing activities	-5,710	-7,942	2,232	-28.1
Net change in cash funds	**-83,957**	**-7,053**	**-76,904**	**n/a**
Cash and cash equivalents at beginning of period	183,736	152,599	31,137	20.4
Cash and cash equivalents at end of period	**99,779**	**145,546**	**-45,767**	**-31.4**

In the reporting period, the cash flow from operating activities decreased by EUR k 19,337 compared to the same period in the previous year. In particular, the reimbursement of the IPO costs in the amount of EUR k 9,609 had an effect in the previous year.

The negative cash flow from investing activities of EUR k 89,152 essentially reflects the higher disbursements for the acquisition of properties. Whereas, in the same period in the previous year, EUR k 57,242 was invested in the neighbourhood shopping centre on Adlergestell in Berlin and the office properties on Ferdinandplatz in Dresden and on Doberaner Strasse in Rostock, in the first three months of the 2016 financial year, EUR k 105,763 was invested in the hotel and office building on Wiener Platz in Dresden and the BLUE 5 portfolio in particular.

Furthermore, as expected, the cash received from the disposal of properties was EUR k 11,403 lower than in the same period in the previous year.

The lower cash flow from financing activities is due to EUR k 2,232 lower disbursements for the repayment of loans in the first quarter of 2016.

In total, the cash and cash equivalents totalled EUR k 99,779 on 31 March 2016. The cash and cash equivalents consist entirely of liquid funds.

2.2.4 Net asset position

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

in EUR k	31/03/2016	31/12/2015	Change	Change in %
Investment property/prepayments	1,855,536	1,753,746	101,790	5.8
Other non-current assets	20,208	20,556	-348	-1.7
Financial assets	2,550	2,535	15	0.6
Cash and cash equivalents	99,779	183,736	-83,957	-45.7
Other current assets	19,877	38,888	-19,011	-48.9
Total assets	**1,997,950**	**1,999,461**	**-1,511**	**-0.1**
Equity	978,325	967,874	10,451	1.1
Non-current liabilities	768,708	771,914	-3,206	-0.4
Deferred tax liabilities	188,737	185,867	2,870	1.5
Current liabilities	62,180	73,809	-11,629	-15.8
Total equity and liabilities	**1,997,950**	**1,999,461**	**-1,511**	**-0.1**

The asset side is dominated by investment property including advance payments. Compared to 31 December 2015, the proportion of investment property in the total assets increased from 88% to 93%, due primarily to the increase in real estate assets through acquisitions.

In the first three months of the 2016 financial year, investment property including advance payments increased by EUR k 101,790 to EUR k 1,855,536, due primarily to acquisitions (EUR k 111,970) and the decrease in advance payments (EUR k 11,141) due to the capitalisation of the underlying acquisitions. The acquisitions concerned the hotel and office building on Wiener Platz in Dresden and the BLUE 5 portfolio.

Additionally, the capitalisation of construction activities (EUR k 2,178) and reclassifications as assets classified as held for sale (EUR k 1,881) had an effect.

The equity of the Group was EUR k 978,325, which increased by EUR k 10,451 due to the net income generated for the period. As at 31 March 2016, the balance sheet total decreased by EUR k 1,511 to EUR k 1,997,950.

Compared to 31 December 2015, the equity ratio increased by 0.6 pp to 49.0%.

2.2.5 Financial performance indicators

FFO development

in EUR k	01/01/2016–31/03/2016	01/01/2015–31/03/2015	Change	Change in %
Net income for the period	**12,888**	**32,124**	**-19,236**	**-59.9**
Income taxes	5,428	14,174	-8,746	-61.7
EBT	**18,316**	**46,298**	**-27,982**	**-60.4**
Result from the disposal of investment property	-612	-5,817	5,205	-89.5
Result from the disposal of real estate inventory	-7	27	-34	n/a
Result from the remeasurement of investment property	-665	-23,139	22,474	-97.1
Result from the remeasurement of derivative financial instruments	1,123	59	1,064	n/a
Other effects [1]	335	377	-42	-11.1
FFO before taxes	**18,490**	**17,805**	**685**	**3.8**
Income taxes	-5,428	-14,174	8,746	-61.7
Deferred taxes	4,073	12,122	-8,049	-66.4
FFO after taxes	**17,135**	**15,753**	**1,382**	**8.8**
Average number of shares on issue (in thousands) [2]	67,432	61,302		
FFO per share in EUR	**0.25**	**0.26**	**-0.01**	**-3.8**

[1] The other effects include
(a) the depreciation of IAS 16 property (owner-occupied property) (EUR k 42; previous year: EUR k 55),
(b) income from the service contract with TAG Wohnen (EUR k 0; previous year: EUR k 30),
(c) personnel adjustment expenses (EUR k 293; previous year: EUR k 30),
(d) share-based payments (EUR k 0; previous year: EUR k 322).
[2] Total number of shares on 31 March 2015: 61.3 m, on 31 March 2016: 67.4 m. The average weighted number of shares was 61.3 m in the first quarter of 2015 and 67.4 m in the first quarter of 2016 due to the capital increase in November 2015.

The funds from operations (FFO) are a key performance indicator for the TLG IMMOBILIEN Group.

FFO is a key indicator used by companies with properties in the real estate sector to judge their long-term profitability. The figure is essentially the result of the net income for the period adjusted for the result from disposals, the result of property measurement and the result of the measurement of derivative financial instruments, deferred taxes and extraordinary items.

FFO was EUR k 17,135 in the reporting period. The considerable increase in FFO by 8.8%, or EUR k 1,382, compared to the same period in the previous year is due predominantly to the higher net operating income from letting activities and the reductions in personnel expenses. FFO is an important indicator for the performance of the company going forward.

FFO per share was EUR 0.25, remaining at the same level as the same period in the previous year in spite of the increased number of shares resulting from the capital increase in November 2015.

Net Loan to Value (Net LTV)

in EUR k	31/03/2016	31/12/2015	Change	Change in %
Investment property (IAS 40)	1,852,405	1,739,474	112,931	6.5
Advance payments on investment property (IAS 40)	3,131	14,272	-11,141	-78.1
Owner-occupied property (IAS 16)	9,329	9,344	-15	-0.2
Non-current assets classified as held for sale (IFRS 5)	1,919	15,912	-13,993	-87.9
Real estate inventory (IAS 2)	1,103	1,104	-1	-0.1
Real estate	**1,867,888**	**1,780,106**	**87,782**	**4.9**
Liabilities to financial institutions	775,115	782,688	-7,573	-1.0
Cash and cash equivalents	99,779	183,736	-83,957	-45.7
Net debt	675,336	598,952	76,384	12.8
Net Loan to Value (Net LTV) in %	**36.2**	**33.6**	**2.6 pp**	

As a ratio between net debt and real estate assets, Net LTV is a key performance indicator for the company. It was 36.2% in the Group as at the reporting date. It therefore increased by 2.6 pp compared to 31 December 2015, due primarily to the lower cash and cash equivalents and the resulting increase in net debt. The increase in real estate assets had the opposite effect. Most of the loans planned for acquired properties will come into effect at a later date.

EPRA Net Asset Value (EPRA NAV)

in EUR k	31/03/2016	31/12/2015	Change	Change in %
Equity [1]	975,479	965,065	10,414	1.1
Fair value adjustment of fixed assets (IAS 16)	5,587	5,572	15	0.3
Fair value adjustment of real estate inventory (IAS 2)	326	333	-7	-2.1
Fair value of derivative financial instruments	20,864	15,921	4,943	31.0
Deferred tax assets	0	0	0	0
Deferred tax liabilities	188,737	185,867	2,870	1.5
Goodwill	-1,164	-1,164	0	0.0
EPRA Net Asset Value (EPRA NAV)	**1,189,829**	**1,171,594**	**18,235**	**1.6**
Number of shares (in thousands)	67,432	67,432		
EPRA NAV per share (in EUR)	17.64	17.37		

[1] Adjusted for non-controlling interests

The EPRA Net Asset Value (EPRA NAV) is another key performance indicator of TLG IMMOBILIEN. It discloses a net asset value on a consistent basis that can be compared with other companies.

EPRA NAV was EUR k 1,189,829 as at 31 March 2016. EPRA NAV was EUR k 18,235 higher than on 31 December 2015, largely due to the change in equity brought about by the total comprehensive income of EUR k 10,212 attributable to the shareholders of TLG IMMOBILIEN.

EPRA NAV per share was EUR 17.64, compared to EUR 17.37 on 31 December 2015.

3. STATEMENT OF EVENTS AFTER THE REPORTING DATE

No transactions of particular significance took place after the end of the reporting period.

4. REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

4.1 RISK REPORT

Within the framework of its business activities, TLG IMMOBILIEN AG is subject to various risks which can make achieving objectives and carrying out long-term strategies more difficult and greatly affect its assets, financial position and earnings. These risks are described in detail in the 2015 Group annual report.

There have been no major changes in the risk situation since 31 December 2015.

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

4.2 OPPORTUNITY REPORT

The opportunities to which TLG IMMOBILIEN has access did not change significantly in the first quarter of 2016. We therefore refer to the disclosures in the opportunity report in the consolidated annual financial statements of 31 December 2015.

4.3 FORECAST REPORT

The expected development of TLG IMMOBILIEN in 2016 was described in detail in the Group management report of 31 December 2015.

After preparing the consolidated annual financial statements of 31 December 2015, the company was able to conclude a purchase agreement for an attractive office property in central Leipzig. Therefore, the previous forecast of EUR 71 m to EUR 73 m for the funds from operations (FFO) in the 2016 financial year has been revised upwards to EUR 72 m to EUR 74 m.

The other expectations with regard to the business development of TLG IMMOBILIEN have not changed since the publication of the consolidated annual financial statements for 2015.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS DETAILED INDEX

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 March 2016

in EUR k	01/01/2016–31/03/2016	01/01/2015–31/03/2015[1]
Net operating income from letting activities	**28,892**	**26,854**
Income from letting activities	37,487	35,841
a) Rental income	32,513	30,374
b) Income from recharged utilities and other operating costs	4,781	4,916
c) Income from other goods and services	193	551
Expenses related to letting activities	-8,595	-8,987
d) Expenses from operating costs	-7,074	-7,121
e) Maintenance expenses	-978	-1,127
f) Other services	-543	-739
Result from the remeasurement of investment property	**665**	**23,139**
Result from the disposal of investment property	**612**	**5,817**
Result from the disposal of real estate inventory	**7**	**-27**
a) Proceeds from the disposal of real estate inventory	8	-4
b) Carrying amount of real estate inventory disposed	-1	-23
Other operating income	**425**	**1,460**
Personnel expenses	**-2,854**	**-3,204**
Depreciation	**-143**	**-218**
Other operating expenses	**-2,426**	**-1,609**
Earnings before interest and taxes (EBIT)	**25,178**	**52,211**
Financial income	**70**	**175**
Financial expenses	**-5,808**	**-6,029**
Gain/loss from the remeasurement of derivative financial instruments	**-1,123**	**-59**
Earnings before taxes	**18,316**	**46,298**
Income taxes	**-5,428**	**-14,174**
Net income for the period	**12,888**	**32,124**
Other comprehensive income:		
of which recycling		
Changes in value of hedging derivatives, after taxes	-2,638	-2,014
Total comprehensive income	**10,250**	**30,110**
Of the consolidated net income for the period, the following is attributable to:		
non-controlling interests	38	72
the shareholders of the parent company	12,850	32,052
Earnings per share (undiluted) in EUR	0.19	0.52
Earnings per share (diluted) in EUR	0.19	0.52
Of the total comprehensive income, the following is attributable to:		
non-controlling interests	38	72
the shareholders of the parent company	10,212	30,038

[1] Values from previous years have been adjusted. Please see section D.

CONSOLIDATED BALANCE SHEET

as at 31 March 2016

Assets

in EUR k	31/03/2016	31/12/2015
A) Non-current assets	**1,878,294**	**1,776,837**
Investment property	1,852,405	1,739,474
Advance payments on investment property	3,131	14,272
Property, plant and equipment	9,591	9,827
Intangible assets	1,535	1,566
Other non-current financial assets	2,550	2,535
Other assets	9,082	9,163
B) Current assets	**119,656**	**222,624**
Real estate inventory	1,103	1,104
Trade receivables	4,213	11,911
Receivables from income taxes	4,843	2,195
Other current financial assets	899	883
Other receivables and assets	6,900	6,883
Cash and cash equivalents	99,779	183,736
Non-current assets classified as held for sale	1,919	15,912
Total assets	**1,997,950**	**1,999,461**

Equity and liabilities

in EUR k	31/03/2016	31/12/2015
A) Equity	**978,325**	**967,874**
Subscribed capital	67,432	67,432
Capital reserves	439,711	439,510
Retained earnings	482,220	469,369
Other reserves	-13,884	-11,246
Equity attributable to the shareholders of the parent company	975,479	965,065
Non-controlling interests	2,846	2,809
B) Debt	**1,019,625**	**1,031,590**
I.) Non-current liabilities	957,445	957,781
Non-current liabilities to financial institutions	738,641	746,677
Pension obligations	8,055	8,080
Non-current financial instruments	20,864	15,921
Other non-current liabilities	1,148	1,236
Deferred tax liabilities	188,737	185,867
II.) Current liabilities	62,180	73,809
Current liabilities to financial institutions	36,474	36,011
Trade payables	9,733	14,926
Other current provisions	2,953	2,416
Tax liabilities	3,800	6,415
Other current liabilities	9,220	14,041
Total equity and liabilities	**1,997,950**	**1,999,461**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 March 2016

in EUR k	01/01/2016–31/03/2016	01/01/2015–31/03/2015
1. Cash flow from operating activities		
Net income for the period before taxes	18,316	46,298
Depreciation of property, plant and equipment and amortisation of intangible assets	143	218
Result from fair value adjustments of investment property	-665	-23,139
Result from the remeasurement of financial instruments	1,123	-59
Increase/decrease (-) in provisions	512	-31
Other non-cash income/expenses	201	481
Gain (-)/loss from disposal of property, plant and equipment and intangible assets	-613	-5,816
Increase (-)/decrease in real estate inventory	1	-10
Financial income	-70	-175
Financial expenses	5,808	6,029
Increase (-)/decrease in trade receivables and other assets	7,663	10,077
Increase/decrease (-) in trade payables and other liabilities	-6,212	4,750
Cash flow from operating activities	26,207	38,624
Interest received	70	175
Interest paid	-8,257	-6,472
Income tax paid	-7,115	-2,085
Net cash flow from operating activities	10,905	30,242
2. Cash flow from investing activities		
Proceeds from disposals of investment property	16,486	27,889
Proceeds from disposals of property, plant and equipment	202	0
Disbursements for acquisitions of investment property	-105,763	-57,242
Disbursements for acquisitions of property, plant and equipment	-40	0
Disbursements for investments in intangible assets	-37	0
Cash flow from investing activities	-89,152	-29,353
3. Cash flow from financing activities		
Repayments of bank loans	-5,710	-7,942
Cash flow from financing activities	-5,710	-7,942
4. Cash and cash equivalents at end of period		
Change in cash and cash equivalents (subtotal of 1–3)	-83,957	-7,053
Cash and cash equivalents at beginning of period	183,736	152,599
Cash and cash equivalents at end of period	99,779	145,546
5. Composition of cash and cash equivalents		
Cash	99,779	145,546
Cash and cash equivalents at end of period	99,779	145,546

CHANGES IN GROUP EQUITY

for the first quarter of 2015 and 2016

in EUR k	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income		Non-controlling interests	Equity
				Reserve hedge accounting	Actuarial gains and losses		
01/01/2015	**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 income	0	0	0	-2,014	0	0	-2,014
Total comprehensive income	**0**	**0**	**32,052**	**-2,014**	**0**	**72**	**30,110**
Adjustment for non-controlling interests	0	0	0	0	0	-3	-3
Deposits associated with share-based remuneration	0	490	0	0	0	0	490
Change during the period	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**
01/01/2016	**67,432**	**439,510**	**469,369**	**-9,347**	**-1,899**	**2,809**	**967,874**
Net income for the period	0	0	12,850	0	0	37	12,887
Other income	0	0	0	-2,638	0	0	-2,637
Total comprehensive income	**0**	**0**	**12,850**	**-2,638**	**0**	**37**	**10,250**
Deposits associated with share-based remuneration	0	201	0	0	0	0	201
Change during the period	0	201	12,850	-2,638	0	37	10,451
31/03/2016	**67,432**	**439,711**	**482,220**	**-11,985**	**-1,899**	**2,846**	**978,325**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at 31 March 2016

A. GENERAL INFORMATION ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF TLG IMMOBILIEN AG

A.1 INFORMATION ON THE COMPANY

TLG IMMOBILIEN AG, Berlin, is an Aktiengesellschaft (stock corporation) in Germany with its headquarters at Hausvogteiplatz 12, in 10117 Berlin, entered in the commercial register of Berlin under the number HRB 161314 B, and is – together with its subsidiaries, the TLG IMMOBILIEN Group (short: TLG IMMOBILIEN) – one of the largest providers of commercial real estate in Berlin and eastern Germany.

The main activities consist of the operation of real estate businesses and businesses of all types in connection with this – in particular the management, letting, building and renovation, acquisition and sale of commercial real estate in a broader sense, primarily office space, retail properties and hotels – the development of real estate projects, as well as the rendering of services in connection with the above-mentioned business activities, either itself or via companies of which the company is a shareholder.

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

A.2 FUNDAMENTALS OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements of TLG IMMOBILIEN AG were prepared in condensed form in accordance with IAS 34 (Interim Financial Reporting) and 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 regulations of Regulation (EC) No. 1606/2002 of the European Parliament and of the European Council of 19 July 2002 on the application of international accounting standards in connection with § 315a of the German Commercial Code (HGB), with consideration for the supplementary commercial regulations. The requirements of IAS 34 (Interim Financial Reporting) were adhered to. The notes are presented in condensed form on the basis of the option provided by IAS 34.10. These condensed consolidated interim financial statements have not been audited or subjected to an audit review.

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

The currency of the consolidated interim financial statements is the euro.

Unless stated otherwise, all amounts are given in thousands of euros (EUR k). In tables and references – for reasons of calculation – there can be rounding differences to the mathematically exactly determined figures.

There have been no changes to the consolidation group since 31 December 2015.

B. EXPLANATION OF ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods applied in these consolidated interim financial statements are essentially identical to the methods presented in the IFRS consolidated financial statements. These consolidated interim financial statements should therefore be read in conjunction with the consolidated financial statements of TLG IMMOBILIEN of 31 December 2015.

As at 31 December 2015, the investment property had been subjected to a detailed external valuation by Savills Advisory Services Germany GmbH & Co. KG and recognised at fair value. Building on the last external valuation, an internal audit of the fair values was carried out on 31 March 2016. On the basis of the appraisals on 31 December 2015, the measurements were carried forward and the assumptions as described in the consolidated financial statements of 31 December 2015 remain accurate.

The TLG IMMOBILIEN Group has fully applied all new mandatory standards and interpretations as at 1 January 2016. There were no major effects on the consolidated financial statements as a result.

C. SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET

C.1 INVESTMENT PROPERTY

The carrying amount of the investment property had developed as follows as at the reporting date:

in EUR k	2016	2015
Carrying amount as at 01/01	**1,739,474**	**1,489,597**
Acquisitions	111,970	193,634
Capitalisation of construction activities	2,178	6,743
Receipt of grants and subsidies	0	-3,259
Reclassification as assets held for sale	-1,881	-38,603
Reclassification from property, plant and equipment	0	3,506
Fair value adjustment	665	87,856
Carrying amount as at 31/03/2016 and 31/12/2015	**1,852,405**	1,739,474

The portfolio strategy of TLG IMMOBILIEN stipulates the concentration on the asset classes of office and retail, as well as hotels with long-term leases in certain top inner-city locations, in particular Berlin and Dresden. Although the office portfolio is to be largely limited to Berlin, Dresden, Leipzig and Rostock, the retail portfolio – which is characterised by convenience stores – is more widely distributed. Decisions on acquisitions, sales and pending investments are subject to the named principles of the portfolio strategy.

In the first quarter of 2016, a hotel in central Dresden and a portfolio of eight (predominantly office) properties were added to the portfolio. The acquisitions totalling EUR k 111,970 thus realised by 31 March 2016 correspond to 58% of the acquisitions made in the previous year.

Besides the acquisitions to which 99% of the change in the portfolio value was attributable, the capitalisation of construction activities (EUR k 2,178) and reclassifications as assets classified as held for sale (EUR k 1,881) almost cancelled one another out. The fair value adjustment of EUR k 665 only concerns properties that have already been disposed of but for which the transfer of benefits and encumbrances has not yet taken place.

C.2 EQUITY

The changes in the components of Group equity are detailed in the consolidated statement of changes in equity.

D. SELECTED NOTES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Reclassifications of account items in the financial year caused the value from the previous year to change. This has made it possible to present the net operating income from letting activities far more accurately.

The effects can be broken down as follows:

in EUR k	01/01/2015–31/03/2015 (adjusted)	01/01/2015-31/03/2015	Changes
Income from letting activities	**35,841**	**35,440**	**401**
a) Rental income	30,374	30,374	0
b) Income from recharged utilities and other operating costs	4,916	4,894	22
c) Income from other goods and services	551	172	379
Expenses from letting activities	**-8,988**	**-8,989**	**1**
d) Expenses from operating costs	-7,121	-7,121	0
e) Maintenance expenses	-1,127	-1,164	37
f) Other services	-739	-703	-36
Other operating income	**1,460**	**1,862**	**-402**

D.1 RESULT FROM THE REMEASUREMENT OF FINANCIAL INSTRUMENTS

In the first quarter of 2016, expenses of EUR k 992 resulting from the fair value adjustment of derivative financial instruments were recognised due to a lack of hedges, and expenses of EUR k 131 were recognised due to ineffectiveness. There was no ineffectiveness in derivatives in hedge accounting in the first quarter of 2015.

D.2 INCOME TAXES

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

in EUR k	01/01/2016–31/03/2016	01/01/2015–31/03/2015
Current income tax	1,355	2,048
Prior-period income taxes	0	3
Deferred taxes	4,073	12,122
Tax expense/income	**5,428**	**14,174**

TLG IMMOBILIEN discloses income taxes on the basis of the expected average effective Group tax rate. The change in the tax rate compared to the previous period was due to various factors, especially the changes in loss carryforwards/carried interest and the accrual of tax-free income and expenses.

D.3 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.

	01/01/2016–31/03/2016	01/01/2015–31/03/2015
Net income for the period attributable to the shareholders in EUR k	12,850	32,052
Average weighted number of shares issued in thousands	67,432	61,302
Undiluted earnings per share in EUR	**0.19**	**0.52**
Potential diluting effect of share-based payment in thousand shares	66	17.8
Number of shares with a potential diluting effect in thousands	67,498	61,320
Diluted earnings per share in EUR	**0.19**	**0.52**

The share-based remuneration 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 balance sheet date would increase by around 66 thousand shares.

E. OTHER INFORMATION

E.1 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

With the exception of the derivative financial instruments recognised at fair value, all assets and liabilities have been measured at amortised cost. For the assets and liabilities recognised at amortised cost, the carrying amounts of the financial assets and liabilities in the balance sheet represent a good approximation of their fair values, with the exception of the financial liabilities.

The fair values of the financial liabilities are equivalent to the present values of the payments associated with the liabilities with consideration for current interest parameters on the reporting date (Level 2 according to IFRS 13), and were EUR k 815,641 on 31 March 2016 (31 December 2015: EUR k 821,465).

The derivative financial instruments recognised in the balance sheet have been measured at fair value. They are all interest hedges.

The measurement method has not changed since 31 December 2015.

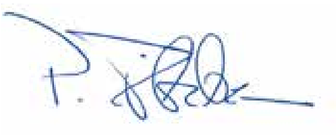
E.2 RELATED COMPANIES AND PARTIES

No transactions of particular significance took place with related companies or parties in the financial year.

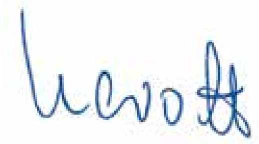
E.3 RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated financial statements of TLG IMMOBILIEN AG of 31 March 2016 give a true and fair view of the assets, financial position and earnings 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, 13 May 2016



Peter Finkbeiner
Member of the Management Board



Niclas Karoff
Member of the Management Board

FINANCIAL CALENDAR

31 May 2016
Annual general meeting

10 August 2016
Publication of half-year financial report Q2/2016

11 November 2016
Publication of quarterly financial report Q3/2016

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