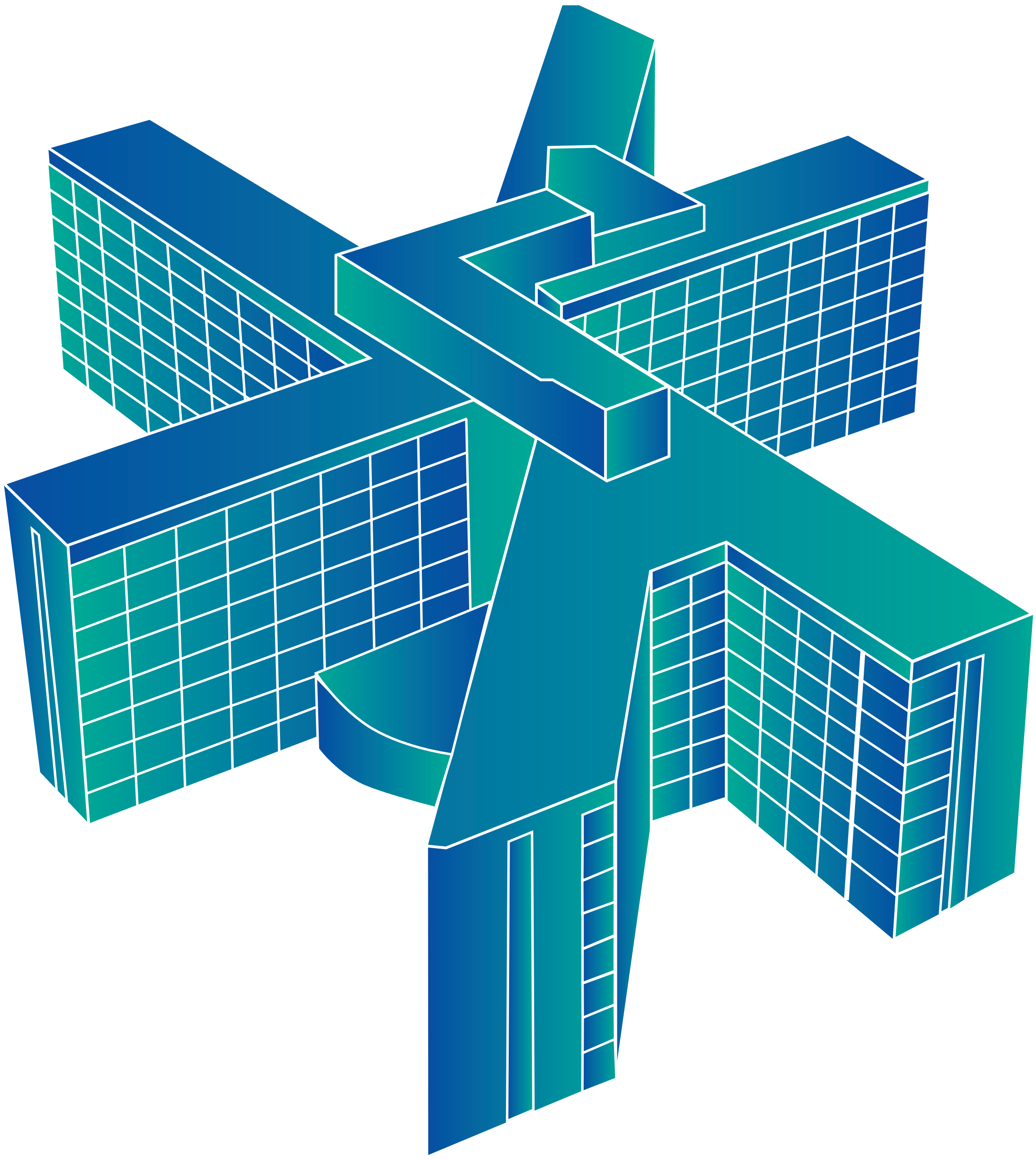
# HALF-YEAR FINANCIAL REPORT

AS AT 30 JUNE 2017



# KEY GROUP FIGURES

## ACCORDING TO IFRS

| | Unit | 01/01/2017–30/06/2017 | 01/01/2016–30/06/2016 | Change in % |
|---|---|---|---|---|
| **Results of operations** | | | | |
| Rental income | in EUR k | 78,481 | 67,585 | 16.1 |
| Net operating income from letting activities (NOI) | in EUR k | 71,147 | 61,240 | 16.2 |
| Disposal profits | in EUR k | 169 | 617 | −72.6 |
| Net income for the period | in EUR k | 76,532 | 33,510 | 128.4 |
| Funds from operations (FFO) | in EUR k | 46,505 | 38,306 | 21.4 |
| FFO per share[1] | in EUR | 0.64 | 0.57 | 12.3 |

| | Unit | 30/06/2017 | 31/12/2016 | Change in % |
|---|---|---|---|---|
| **Balance sheet metrics** | | | | |
| Investment property | in EUR k | 2,257,319 | 2,215,228 | 1.9 |
| Cash and cash equivalents | in EUR k | 31,000 | 68,415 | −54.7 |
| Total assets | in EUR k | 2,367,334 | 2,344,763 | 1.0 |
| Equity | in EUR k | 1,148,263 | 1,009,503 | 13.7 |
| Equity ratio | in % | 48.5 | 43.1 | 5.4 pp |
| Liabilities to financial institutions | in EUR k | 920,917 | 1,040,412 | −11.5 |
| Net debt | in EUR k | 889,917 | 971,997 | −8.4 |
| Net LTV[2] | in % | 38.7 | 43.4 | −4.7 pp |
| EPRA NAV | in EUR k | 1,405,752 | 1,248,259 | 12.6 |
| EPRA NAV per share[1] | in EUR | 18.95 | 18.51 | 2.4 |

| | Unit | 30/06/2017 | 31/12/2016 | Change in % |
|---|---|---|---|---|
| **Key portfolio performance indicators** | | | | |
| Property value[3] | in EUR k | 2,302,151 | 2,241,615 | 2.7 |
| Properties | number | 386 | 404 | −18 units |
| Annual rent excluding utilities[4] | in EUR k | 157,117 | 155,276 | 1.2 |
| In-place rental yield | in % | 6.8 | 6.9 | −0.1 pp |
| EPRA Vacancy Rate | in % | 2.9 | 3.8 | −0.9 pp |
| WALT | in years | 6.1 | 6.1 | 0.0 years |
| Average rent | in EUR/sqm | 9.86 | 9.67 | 1.9 |

[1] Total number of shares as at 30 June 2016: 67.4 m, as at 30 June 2017: 74.2 m. The weighted average number of shares was 67.4 m in the first half of 2016 and 73.1 m in the first half of 2017.
[2] Calculation: Net debt divided by property value; for the composition, see page 17.
[3] In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5
[4] The annual rent excluding utilities is calculated using the annualised rents agreed as at the reporting date – not factoring in rent-free periods.

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*Title illustration: Office building "astropark", Lyoner Strasse 9, Frankfurt/Main, Germany (acquisition Q3/2017)*

# TLG IMMOBILIEN SHARES

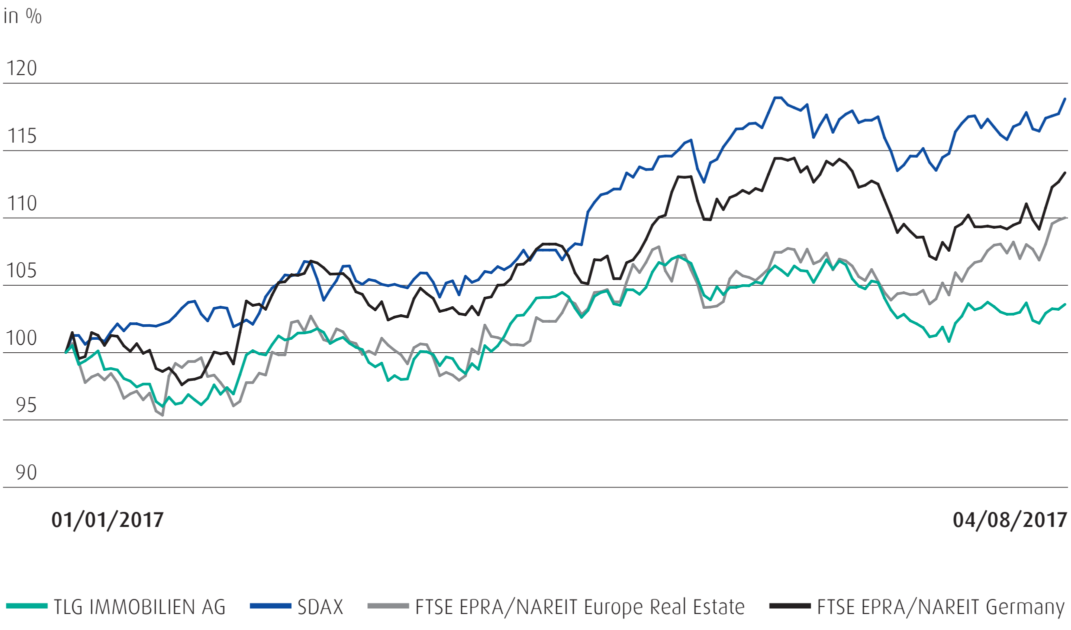
The stock market performed well in the first half of 2017. Essentially, this was because of the strong improvement in leading indicators throughout the world in the first quarter and the reduction of political risks. Strong economic indicators in the Eurozone and a strong Q1 reporting season were identified as the main positive trends in the second quarter, although the positive developments stood in contrast to the shifting of central banks towards less expansive monetary policies.

The German stock index DAX therefore grew in the first half of the year and closed at 12,325.12 points on 30 June. Therefore, the DAX increased by 7.9% over the first half of the year compared to its opening price on 2 January 2017.

The SDAX performed just as well in the first six months of the year, increasing by 13.9% between the beginning of January 2017 and the end of June 2017.

German real estate share prices also experienced positive growth. The FTSE EPRA/NAREIT Germany Index grew by 7.9% in the first six months. The FTSE EPRA/NAREIT Europe Index grew by just 2.3% in the same period.

**Performance of the shares by index**




The shares of TLG IMMOBILIEN made an inconsistent start to 2017 and reached EUR 19.41 on Xetra on 9 May 2017, their highest value on XETRA in the first half of 2017. The shares closed the reporting period at EUR 17.90 on 30 June 2017 and were therefore on the same level as their opening price at the start of the year.

### Share data

| | |
|---|---|
| ISIN/WKN | DE000A12B8Z4/A12B8Z |
| Ticker symbol | TLG |
| Share capital in EUR | 74,175,558.00 |
| Number of shares (no-par-value bearer shares) | 74,175,558 |
| 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 |
| Reporting period high on 09/05/2017 (Xetra) in EUR | 19.41 |
| Reporting period low on 20/01/2017 (Xetra) in EUR | 17.03 |
| Closing price on 30/06/2017 (Xetra) in EUR | 17.90 |
| Market capitalisation in EUR m | 1,327.7 |

## CAPITAL INCREASE

With a view to continuing its successful growth strategy and with the approval of the Supervisory Board, on 30 January 2017 the Management Board approved a capital increase against cash contributions and excluding subscription rights. The approx. 6.7 m new shares (approx. 10% of the share capital) were made available to institutional investors at a placement price of EUR 17.20 per share by means of accelerated book building. The private offering started on 30 January 2017 after the market closed and ended on 31 January 2017. The gross proceeds were therefore around EUR 116.0 m.

TLG IMMOBILIEN AG intends to use the net proceeds from the private placement to finance its most recent and future acquisitions of German office and retail properties in line with its stated acquisition criteria, as well as for general business purposes.

The new shares are fully entitled to a share of profits in 2016 and were added to the current listing in the section of the regulated market with additional post-admission transparency requirements (Prime Standard) at the Frankfurt Stock Exchange on 7 February 2017. The transaction was closed on 7 February 2017.

## VOLUNTARY PUBLIC TAKEOVER OFFER TO THE SHAREHOLDERS OF WCM BETEILIGUNGS- UND GRUNDBESITZ-AKTIENGESELLSCHAFT (WCM)

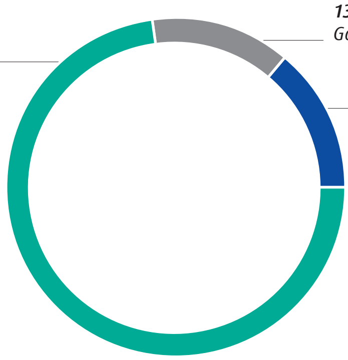
On 10 May 2017, the Management and Supervisory Boards of TLG IMMOBILIEN AG resolved to offer to purchase the no-par value bearer shares in WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft (WCM) by way of a voluntary public takeover offer. Four new, no-par value bearer shares in TLG IMMOBILIEN with a notional value of EUR 1.00 were offered in exchange for every 23 shares in WCM. The new shares in TLG IMMOBILIEN will carry dividend rights from 1 January 2017 and are to be created through one or multiple capital increases from the Authorised Capital 2014/II pursuant to Sec. 6.1 of the Articles of Association of TLG IMMOBILIEN.

In connection with the takeover offer, TLG IMMOBILIEN and WCM also signed a business combination agreement on 10 May 2017. The business combination agreement sets out the full understanding of TLG IMMOBILIEN and WCM, including with regard to the strategy and structure of the combined company, the merger process, the future composition of the boards of TLG IMMOBILIEN and WCM and the integration process. The Management and Supervisory Boards of WCM support the takeover offer completely and have recommended that shareholders accept the takeover offer in the joint statement released on 7 July 2017.

Furthermore, tender agreements were entered into with major shareholders of WCM – including the DIC Asset Group and Mr Karl Ehlerding, a member of the Supervisory Board, and Mr Stavros Efremidis, CEO of WCM – regarding their shares in WCM.

Following the approval of the publication by the German Federal Financial Supervisory Authority (BaFin), on 27 June 2017 TLG IMMOBILIEN published the offer document submitted with the takeover offer. The deadline for the acceptance of the takeover started on 27 June 2017 and will end on 5 September 2017, any extensions notwithstanding. The takeover offer has been submitted under the terms set out in the offer document, in particular a minimum acceptance rate of 50% plus one share in WCM. The offer document is published online at *www.tlg.eu* under Investor Relations. Additional information regarding the takeover offer is also available in this section of the website.

## Shareholder structure as at 30 June 2017*




* Data based on the latest voting rights notifications.

***Government of Singapore:*** *Indirect shareholding as reported for 24 July 2015. The government of Singapore is the majority shareholder of GIC Private Limited which held all of the reported voting rights of the company as at the key date. On that date, the total number of voting rights was 61,302,326.*
***ADAR Capital Partners Ltd.:*** *Indirect shareholding of ADAR Capital Partners Ltd. as reported for 15 May 2017. The shares are held directly by ADAR Macro Fund Ltd. On that date, the total number of voting rights was 74,175,558.*
***Total free float*** *as defined by Deutsche Börse.*

*The diagram shows the voting rights last disclosed by shareholders according to Sec. 21 and Sec. 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 |
|---|---|---|---|---|
| Bankhaus Lampe | 22.00 | Buy | Georg Kanders | 04/08/2017 |
| Jefferies | 19.00 | Hold | Thomas Rothäusler | 01/08/2017 |
| J.P. Morgan | 22.50 | Overweight | Tim Leckie | 13/07/2017 |
| HSBC | 22.00 | Buy | Thomas Martin | 16/06/2017 |
| NORD/LB | 18.00 | Hold | Michael Seufert | 01/06/2017 |
| Kepler Cheuvreux | 22.00 | Buy | Thomas Neuhold | 30/05/2017 |
| M.M.WARBURG | 21.30 | Buy | J. Moritz Rieser | 16/05/2017 |
| Berenberg | 22.00 | Buy | Kai Klose | 11/05/2017 |
| Deutsche Bank | 20.00 | Hold | Markus Scheufler | 11/05/2017 |
| Kempen & Co | 18.50 | Neutral | Remco Simon | 08/05/2017 |
| VictoriaPartners | 19.50–21.30 * | n/a | Bernd Janssen | 02/05/2017 |
| UBS | 18.50 | Neutral | Osmaan Malik | 24/01/2017 |

Source: Bloomberg (as at 04/08/2017) and broker research

* fair value range as at 02/05/2017, currently restricted

M.M.Warburg started covering the shares of TLG IMMOBILIEN AG in the first quarter of 2017, followed by Jefferies International Limited in the second quarter.

## INVESTOR RELATIONS ACTIVITIES

TLG IMMOBILIEN AG attended the following national and international conferences in the first half of 2017:

- ODDO & Cie – ODDO FORUM, Lyon
- J.P. Morgan – European Real Estate CEO Conference, London
- UniCredit Kepler Cheuvreux – German Corporate Conference, Frankfurt am Main
- Bankhaus Lampe – German Equity Forum, London
- ODDO SEYDLER – Small and Mid Cap Conference 2017, Frankfurt am Main
- Kempen & Co – European Property Seminar, New York
- Commerzbank – German Real Estate Forum, London
- Kepler Cheuvreux – German Property Day, Paris
- Kempen & Co – European Property Seminar, Amsterdam
- Deutsche Bank – dbAccess, Berlin

The figures for 2016 and the report on the first quarter were published on 9 March 2017 and 11 May 2017 respectively and discussed with investors and analysts in a teleconference. Recordings of the teleconferences and the report documents are available in the Investor Relations section of our website, *www.tlg.eu*.

# EPRA KEY FIGURES

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 | 30/06/2017 | 31/12/2016 | Change | Change in % |
|---|---|---|---|---|
| EPRA NAV | 1,405,752 | 1,248,259 | 157,493 | 12.6 |
| EPRA NNNAV | 1,131,346 | 992,496 | 138,850 | 14.0 |
| EPRA Net Initial Yield (NIY) in % | 5.6 | 5.7 | −0.1 pp | |
| EPRA "topped-up" Net Initial Yield in % | 5.7 | 5.7 | 0.0 pp | |
| EPRA Vacancy Rate in % | 2.9 | 3.8 | −0.9 pp | |

| in EUR k | 01/01/2017–30/06/2017 | 01/01/2016–30/06/2016 | Change | Change in % |
|---|---|---|---|---|
| EPRA Earnings | 33,617 | 38,491 | −4,874 | −12.7 |
| EPRA Cost Ratio (including direct vacancy costs) in % | 26.1 | 22.7 | 3.4 pp | |
| EPRA Cost Ratio (excluding direct vacancy costs) in % | 25.1 | 21.3 | 3.8 pp | |

The increase in the EPRA NAV was essentially the result of the increase in equity which in turn was due primarily to the capital increase against cash contributions carried out on 31 January 2017 which generated gross proceeds of EUR k 115,984.

The reduction of the EPRA Vacancy Rate for the portfolio as a whole from 3.8% as at 31 December 2016 to 2.9% as at 30 June 2017 is due primarily to the reduction of vacancy rates in the office and retail asset classes.

The EPRA Cost Ratios are increasing significantly as expenditure on consulting services is particularly high due to the planned takeover of WCM AG and other special projects.

The reconciliation of the individual EPRA key figures is as follows:

### EPRA Earnings

| in EUR k | 01/01/2017–30/06/2017 | 01/01/2016–30/06/2016 | Change | Change in % |
|---|---|---|---|---|
| Net income for the period | 76,532 | 33,510 | 43,022 | 128.4 |
| Result from the remeasurement of investment property | –70,085 | –7,877 | –62,208 | n/a |
| Result from the disposal of investment property | 0 | –375 | 375 | –100.0 |
| Result from the disposal of real estate inventories | –169 | –7 | –162 | n/a |
| Tax on profits or losses on disposals | 0 | –20 | 20 | –100.0 |
| Gain/loss (–) from the remeasurement of derivative financial instruments | –6,115 | 1,638 | –7,753 | n/a |
| Acquisition costs of share deals | 2,660 | 559 | 2,101 | 375.8 |
| Deferred and actual taxes in respect of EPRA adjustments | 30,794 | 11,127 | 19,667 | 176.8 |
| Non-controlling interests | 0 | –64 | 64 | –100.0 |
| **EPRA Earnings** | **33,617** | **38,491** | **–4,874** | **–12.7** |
| Average number of shares outstanding in thousands[1] | 73,058 | 67,432 | | |
| EPRA Earnings per share in EUR | 0.46 | 0.57 | | |

[1] Total number of shares as at 30 June 2016: 67.4 m, as at 30 June 2017: 74.2 m. The weighted average number of shares was 67.4 m in the first half of 2016 and 73.1 m in the first half of 2017.

### EPRA Net Asset Value (EPRA NAV)

| in EUR k | 30/06/2017 | 31/12/2016 | Change | Change in % |
|---|---|---|---|---|
| Equity | 1,148,263 | 1,009,503 | 138,760 | 13.7 |
| Fair value adjustment of fixed assets (IAS 16) | 6,492 | 5,327 | 1,165 | 21.9 |
| Fair value adjustment of real estate inventories (IAS 2) | 1,422 | 1,443 | –21 | –1.5 |
| Fair value of derivative financial instruments | 1,441 | 18,089 | –16,648 | –92.0 |
| Deferred tax assets | 0 | –2,652 | 2,652 | –100.0 |
| Deferred tax liabilities | 249,298 | 217,713 | 31,585 | 14.5 |
| Goodwill | –1,164 | –1,164 | 0 | 0.0 |
| **EPRA Net Asset Value (EPRA NAV)** | **1,405,752** | **1,248,259** | **157,493** | **12.6** |
| Number of shares in thousands | 74,176 | 67,432 | | |
| EPRA NAV per share in EUR | 18.95 | 18.51 | | |

## EPRA Triple Net Asset Value (NNNAV)

| in EUR k | 30/06/2017 | 31/12/2016 | Change | Change in % |
|---|---|---|---|---|
| **EPRA Net Asset Value (EPRA NAV)** | **1,405,752** | **1,248,259** | **157,493** | **12.6** |
| Fair value of derivative financial instruments | −1,441 | −18,089 | 16,648 | −92.0 |
| Fair value adjustment of liabilities to financial institutions | −23,667 | −22,613 | −1,054 | 4.7 |
| Deferred tax assets | 0 | 2,652 | −2,652 | −100.0 |
| Deferred tax liabilities | −249,298 | −217,713 | −31,585 | 14.5 |
| **EPRA Triple Net Asset Value (EPRA NNNAV)** | **1,131,346** | **992,496** | **138,850** | **14.0** |
| Number of shares in thousands | 74,176 | 67,432 | | |
| EPRA NNNAV per share in EUR | 15.25 | 14.72 | | |

## EPRA Net Initial Yield (EPRA NIY) and EPRA “topped-up” NIY

| in EUR k | 30/06/2017 | 31.12.2016 | Change | Change in % |
|---|---|---|---|---|
| Investment property | 2,257,319 | 2,215,228 | 42,091 | 1.9 |
| Inventories | 1,053 | 1,103 | −50 | −4.5 |
| Properties classified as held for sale | 37,419 | 19,174 | 18,245 | 95.2 |
| **Property portfolio (net)** | **2,295,791** | **2,235,505** | **60,286** | **2.7** |
| Estimated transaction costs | 166,029 | 160,047 | 5,982 | 3.7 |
| **Property portfolio (gross)** | **2,461,820** | **2,395,552** | **66,268** | **2.8** |
| Annualised cash passing rental income | 154,679 | 154,511 | 168 | 0.1 |
| Property outgoings | −17,879 | −17,994 | 115 | −0.6 |
| **Annualised net rents** | **136,800** | **136,517** | **283** | **0.2** |
| Notional rent for ongoing rent-free periods | 2,436 | 764 | 1,672 | 218.8 |
| **Annualised “topped-up” net rent** | **139,236** | **137,281** | **1,955** | **1.4** |
| **EPRA Net Initial Yield (NIY) in %** | **5.6** | **5.7** | **−0.1 pp** | |
| **EPRA “topped-up” Net Initial Yield in %** | **5.7** | **5.7** | **0.0 pp** | |



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## EPRA Vacancy Rate

| in EUR k | 30/06/2017 | 31/12/2016 | Change | Change in % |
|---|---|---|---|---|
| Market rent for vacant properties | 4,597 | 6,052 | −1,455 | −24.0 |
| Total market rent | 160,580 | 159,728 | 852 | 0.5 |
| **EPRA Vacancy Rate in %** | **2.9** | **3.8** | **−0.9 pp** | |

## EPRA Cost Ratio

| in EUR k | 01/01/2017–30/06/2017 | 01/01/2016–30/06/2016 | Change | Change in % |
|---|---|---|---|---|
| **Costs pursuant to the consolidated statement of comprehensive income under IFRS** | | | | |
| Expenses relating to letting activities | 22,707 | 17,476 | 5,231 | 29.9 |
| Personnel expenses | 5,711 | 5,649 | 62 | 1.1 |
| Depreciation and amortisation | 263 | 286 | −23 | −8.0 |
| Other operating expenses | 6,840 | 3,071 | 3,769 | 122.7 |
| Income from recharged operating costs | −14,249 | −10,403 | −3,846 | 37.0 |
| Income from other goods and services | −771 | −688 | −83 | 12.1 |
| Other operating income from reimbursements | −18 | −19 | 1 | −5.3 |
| Ground rent | −4 | −4 | 0 | 0.0 |
| **EPRA costs (including direct vacancy costs)** | **20,479** | **15,368** | **5,111** | **33.3** |
| Direct vacancy costs | −753 | −966 | 213 | −22.0 |
| **EPRA costs (excluding direct vacancy costs)** | **19,726** | **14,402** | **5,324** | **37.0** |
| Rental income | 78,481 | 67,585 | 10,896 | 16.1 |
| **EPRA Cost Ratio (including direct vacancy costs) in %** | **26.1** | **22.7** | **3.4 pp** | |
| **EPRA Cost Ratio (excluding direct vacancy costs) in %** | **25.1** | **21.3** | **3.8 pp** | |

# CONSOLIDATED INTERIM MANAGEMENT REPORT

# 1. COMPANY FUNDAMENTALS

## 1.1 BUSINESS MODEL OF THE GROUP

### 1.1.1 Organisational structure

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

- 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 management
  TLG IMMOBILIEN covers significant links in the real estate value chain internally. With the engineering and letting units, asset management is responsible for all measures on the level of the property that influence the value of a property.

- Transaction management
  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.

- Property management
  Property management bears a decentralised responsibility for the commercial management of the properties, including tenant relations, and is in charge of external facility management.

# 2. ECONOMIC REPORT

## 2.1 GENERAL ECONOMIC CONDITIONS AND REAL ESTATE MARKETS

### 2.1.1 General economic conditions

In the second quarter of 2017, the German Institute for Economic Research (DIW Berlin) expects the German economy to grow significantly and its GDP to increase by 0.5% over the previous quarter. The euphoric attitudes of businesses indicates that the German economy will largely be able to maintain the rapid growth rate of the first quarter. Examined more closely, however, the expectations of businesses prove not to be as optimistic as the evaluations of the current situation. The order books of the industry are indeed full, yet the volume of incoming orders has been stagnating since the start of the year. As a result, the driving forces exerted by the manufacturing industry and service sectors will be weaker in future. Whereas foreign demand for German products remains strong, private consumption can be expected to decline due to the rapid increase in prices. Besides industry, the dynamism of the service sectors is now also becoming stifled, possibly due to the multiplying indications that the increase in employment rates in the job market is ongoing yet curbed.

### 2.1.2 Economic activity in the real estate sector

According to analyses carried out by German Property Partners, the volume of transactions on the commercial real estate transaction markets in the top seven German locations was around EUR 11.0 bn in the first half of 2017. This represents an increase of around 20% compared to the first half of 2016. The volume of transactions therefore remains at a high level. Given the consistently high level of demand, it remains difficult to find suitable investment properties, especially in the core segment. However, the first signs are beginning to show that owners are favouring disposing of properties and holding them for less time.

### 2.1.3 Development of the office property market

According to Savills, the volume of transactions in the German office property market totalled around EUR 10.1 bn in the first half of 2017, surpassing the same period in the previous year by around 35%. The growth was mostly driven by transactions in the top seven locations, to which around four fifths of the total registered volume of transactions were attributable. According to Savills, investors are concentrating on major metropolises due primarily to the positive development of the lettings markets there. For instance, top rents increased by almost 4% within twelve months, whereas the vacancy rate fell by 70 basis points. Portfolios accounting for more than 30% of the volume of transactions were particularly high in demand. Compared to the previous year, the turnover per transaction increased by around 10% to almost EUR 48.0 m. In light of the consistently strong demand amongst investors, Savills expects the volume of office property transactions in 2017 as a whole to overtake the EUR 24.0 bn recorded in the previous year.

### 2.1.4 Development of the retail property market

According to Savills, in the first half of 2017 the volume of transactions in the retail property market increased by around 20% compared to the previous year, reaching EUR 5.9 bn. In this regard, investments in special market centres increased particularly strongly; with an increase of 94% over the previous year, the volume has almost doubled. One reason for this is that, with their anchor tenants in the food retail sector, special market centres are properties considered relatively highly resistant to the competition posed by online retail. Due to the growing demand, top yields in this segment – which stabilised at 5.2% in the first half of 2017 – can be expected to decrease slightly over the course of the rest of the year.

### 2.1.5 Development of the hotel property market

According to the German Federal Statistical Office, 41.7 million overnight stays were registered throughout the country in May 2017. This represents a decrease of 3.0% compared to May 2016. However, at 159.4 m the total number of overnight stays from January to May 2017 was 1.0% higher than in the same period in the previous year.

According to CBRE, a total of around EUR 1.8 bn was invested in German hotel properties in the first half of 2017. This was around 9% less than in the same period in the previous year. However, the number of investments was almost 10% higher at 68, of which around two thirds were individual transactions. Munich experienced the highest level of turnover with one quarter of the total volume of transactions.

## 2.2 POSITION OF THE COMPANY

### 2.2.1 Course of business

The properties were as follows in the reporting period:

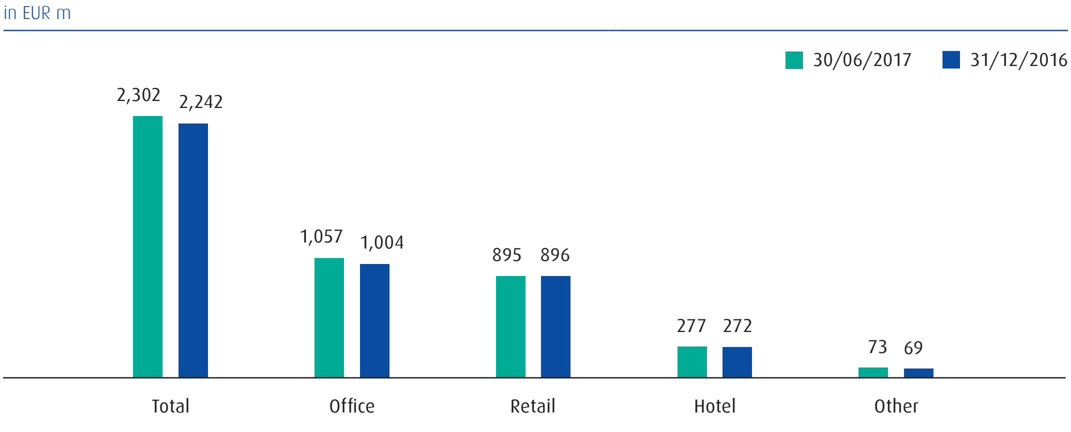
| Key figures | Total | Office | Retail | Hotel | Other |
|---|---|---|---|---|---|
| Property value in EUR k[1] | 2,302,151 | 1,057,453 | 894,663 | 277,262 | 72,772 |
| Annual rent excluding utilities in EUR k[2] | 157,117 | 67,058 | 68,831 | 16,360 | 4,869 |
| In-place rental yield in % | 6.8 | 6.4 | 7.7 | 5.8 | 6.5 |
| EPRA Vacancy Rate in % | 2.9 | 3.9 | 1.7 | 1.7 | 7.8 |
| WALT in years | 6.1 | 4.9 | 5.5 | 12.7 | 7.5 |
| Properties (number) | 386 | 60 | 263 | 7 | 56 |
| Lettable area in sqm | 1,396,261 | 603,153 | 580,641 | 109,488 | 102,979 |

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

[2] The annual rent excluding utilities 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 other asset classes. As at 30 June 2017, the portfolio contains 386 properties (31/12/2016: 404) with a property value (IFRS) of around EUR 2.302 bn (31/12/2016: around EUR 2.242 bn). The 2.7% increase in the value of the property portfolio is due primarily to the positive market developments, especially in Berlin. The market developments are supported by the positive results of the active portfolio and asset management. On a like-for-like basis, the property portfolio experienced a EUR 3.6 m or 2.4% increase in annual rent excluding utilities in the first half of 2017 alongside a 1.0 percentage point decrease in EPRA Vacancy Rate to just 2.9% as well as an almost entirely stable weighted average lease term (WALT) of temporary rental agreements of 6.1 years.

The fair values of the individual asset classes developed as follows:




### 2.2.2 Financial performance

In the first half of 2017, TLG IMMOBILIEN generated net income for the period of EUR k 76,532. The EUR k 43,022 increase compared to the same period in the previous year is due primarily to higher measurement gains.

The table below presents the financial performance:

| in EUR k | 01/01/2017–30/06/2017 | 01/01/2016–30/06/2016 | Change | Change in % |
|---|---|---|---|---|
| **Net operating income from letting activities** | **71,147** | **61,240** | **9,907** | **16.2** |
| Result from the remeasurement of investment property | 70,085 | 7,877 | 62,208 | n/a |
| Result from the disposal of investment property | 0 | 610 | −610 | −100.0 |
| Result from the disposal of real estate inventories | 169 | 7 | 162 | n/a |
| Other operating income | 815 | 443 | 372 | 84.0 |
| Personnel expenses | −5,711 | −5,649 | −62 | 1.1 |
| Depreciation and amortisation | −263 | −286 | 23 | −8.0 |
| Other operating expenses | −6,840 | −3,071 | −3,769 | 122.7 |
| **Earnings before interest and taxes (EBIT)** | **129,402** | **61,171** | **68,231** | **111.5** |
| Financial income | 90 | 125 | −35 | −28.0 |
| Financial expenses | −26,024 | −11,969 | −14,055 | 117.4 |
| Gain/loss (–) from the remeasurement of derivative financial instruments | 6,115 | −1,638 | 7,753 | n/a |
| **Earnings before taxes** | **109,583** | **47,688** | **61,895** | **129.8** |
| Income taxes | −33,051 | −14,178 | −18,873 | 133.1 |
| **Net income for the period** | **76,532** | **33,510** | **43,022** | **128.4** |
| Other comprehensive income (OCI) | 7,771 | −3,322 | 11,093 | n/a |
| **Total comprehensive income for the period** | **84,303** | **30,188** | **54,115** | **179.3** |

Compared to the same period in the previous year, the net operating income from letting activities of EUR k 71,147 increased by EUR k 9,907, due primarily to new properties being placed under management.

The result from the remeasurement of investment property remained positive, due mainly to the persistently favourable market conditions in the first half of 2017, especially in Berlin. In addition to the favourable market conditions, the low EPRA Vacancy Rate of 2.9% and a weighted average lease term (WALT) of temporary rental agreements of 6.1 years had a stabilising effect on the fair values.

Other operating income totalled EUR k 815 and was therefore higher than in the same period in the previous year due to factors including income of EUR k 159 from the liquidation of subsidiaries.

On 10 May 2017, the Management Board of TLG IMMOBILIEN AG submitted a public takeover offer to the shareholders of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft (WCM AG). During the reporting period, the preparation of the planned takeover incurred expenses of EUR k 2,660 which were largely attributable to legal and consulting fees. Other operating expenses therefore increased by EUR k 3,769 to EUR k 6,840 compared to the previous period. Additionally, reversals of provisions totalling EUR k 712 served to decrease expenses in 2016.

In the reporting period, financial expenses increased by EUR k 14,055 to EUR k 26,024 compared to the same period in the previous year. This was due primarily to expenses of around EUR k 12,400 for the premature repayment of loans with residual debt of EUR k 264,362 in connection with debt structure optimisation measures. Additionally, interest expenses were incurred in connection with the premature repayment of loans in the context of property disposals in the first half of the year.

The tax expenses in the first half comprise ongoing income taxes of EUR k 2,257 and deferred taxes of EUR k 30,794.

### 2.2.3 Cash flows

The following cash flow statement was generated using the indirect method under IAS 7. The cash flows led to a reduction in cash and cash equivalents in the first half of 2017, due mainly to the loan repayment of EUR k 264,362 as part of the refinancing measures which stands in contrast with current loans of EUR k 166,098.

| in EUR k | 01/01/2017–30/06/2017 | 01/01/2016–30/06/2016 | Change | Change in % |
|---|---|---|---|---|
| 1. Net cash flow from operating activities | 22,072 | 32,610 | −10,538 | −32.3 |
| 2. Cash flow from investing activities | 5,864 | −190,924 | 196,788 | n/a |
| 3. Cash flow from financing activities | −65,351 | 11,352 | −76,703 | n/a |
| **Net change in cash and cash equivalents** | **−37,415** | **−146,962** | **109,547** | **−74.5** |
| Cash and cash equivalents at beginning of period | 68,415 | 183,736 | −115,321 | −62.8 |
| **Cash and cash equivalents at end of period** | **31,000** | **36,774** | **−5,774** | **−15.7** |

In the reporting period, the cash flow from operating activities decreased by EUR k 10,538 compared to the same period in the previous year. Besides other effects, this was influenced by the costs of refinancing loans of around EUR k 12,400.

The positive cash flow from investing activities of EUR k 5,864 essentially reflects the cash received from the disposal of properties. In the previous period, this was mainly influenced by the cash paid for acquisitions, including for the acquisition of the Blue Five portfolio.

The negative cash flow from financing activities is due to loan repayments of EUR k 264,362 as part of the refinancing of loans which stand in contrast with current loans of EUR k 166,098. By refinancing its loans, TLG IMMOBILIEN will be able to secure lower interest rates in the long term.

Additionally, a capital increase in exchange for cash contributions was carried out on 31 January 2017 and generated gross proceeds of EUR k 115,984. The dividend distribution of EUR k 59,340 to the shareholders had the opposite effect.

The cash and cash equivalents consist entirely of liquid funds.

### 2.2.4 Financial 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 | 30/06/2017 | 31/12/2016 | Change | Change in % |
|---|---|---|---|---|
| Investment property/advance payments | 2,257,491 | 2,215,321 | 42,170 | 1.9 |
| Deferred tax assets | 0 | 2,652 | −2,652 | −100.0 |
| Other non-current assets | 18,023 | 18,067 | −44 | −0.2 |
| Financial assets | 6,662 | 4,800 | 1,862 | 38.8 |
| Cash and cash equivalents | 31,000 | 68,415 | −37,415 | −54.7 |
| Other current assets | 54,158 | 35,508 | 18,650 | 52.5 |
| **Total assets** | **2,367,334** | **2,344,763** | **22,571** | **1.0** |
| Equity | 1,148,263 | 1,009,503 | 138,760 | 13.7 |
| Non-current liabilities | 890,192 | 1,009,406 | −119,214 | −11.8 |
| Deferred tax liabilities | 249,298 | 217,713 | 31,585 | 14.5 |
| Current liabilities | 79,581 | 108,141 | −28,560 | −26.4 |
| **Total equity and liabilities** | **2,367,334** | **2,344,763** | **22,571** | **1.0** |

The assets side is dominated by investment property including advance payments. Compared to 31 December 2016, the proportion of investment property in the total assets increased from 94% to 95%, due primarily to adjustments of the fair value of real estate assets totalling EUR k 70,085 (see the disclosures in the notes).

The equity of the Group is EUR k 1,148,263 and increased by EUR k 138,760, due in particular to the capital increase in exchange for cash contributions carried out on 31 January 2017 which generated gross proceeds of EUR k 115,984, as well as the total comprehensive income for the period. The dividend distribution of EUR k 59,340 to the shareholders had the opposite effect.

Compared to 31 December 2016, the equity ratio increased by 5.4 percentage points to 48.5%.

## 2.2.5 Financial performance indicators

### FFO development

| in EUR k | 01/01/2017–30/06/2017 | 01/01/2016–30/06/2016 | Change | Change in % |
|---|---|---|---|---|
| **Net income for the period** | **76,532** | **33,510** | **43,022** | **128.4** |
| Income taxes | 33,051 | 14,178 | 18,873 | 133.1 |
| **EBT** | **109,583** | **47,689** | **61,894** | **129.8** |
| Result from the disposal of investment property | 0 | −375 | 375 | −100.0 |
| Result from the disposal of real estate inventories | −169 | −7 | −162 | n/a |
| Result from the remeasurement of investment property | −70,085 | −7,877 | −62,208 | n/a |
| Gain/loss (–) from the remeasurement of derivative financial instruments | −6,115 | 1,638 | −7,753 | n/a |
| Other effects[1] | 15,837 | 309 | 15,528 | n/a |
| **FFO before taxes** | **49,051** | **41,377** | **7,674** | **18.5** |
| Income taxes | −33,051 | −14,178 | −18,873 | 133.1 |
| Deferred taxes | 30,794 | 11,127 | 19,667 | 176.8 |
| Correction of tax effects from transaction costs and prior-period effects | −289 | −20 | −269 | n/a |
| **FFO after taxes** | **46,505** | **38,306** | **8,199** | **21.4** |
| Average number of shares outstanding in thousands[2] | 73,058 | 67,432 | | |
| **FFO per share in EUR** | **0.64** | **0.57** | **0.07** | **12.3** |

[1] The other effects include
[(a)] the depreciation of IAS 16 property (owner-occupied property) (EUR k 50; previous year EUR k 79),
[(b)] personnel restructuring expenses (EUR k 244; previous year EUR k 358),
[(c)] transaction costs (EUR k 2,660; previous year EUR k 559),
[(d)] refinancing costs/repayment of loans (EUR k 12,964; previous year EUR k 0),
[(e)] income from the liquidation of Wirkbau (EUR k 82, previous year EUR k 0),
[(f)] the reversal of provisions for reclaimed subsidies (EUR k 0; previous year EUR k 404),
[(g)] the reversal of the provision for liabilities arising from purchase agreements (EUR k 0; previous year EUR k 283).
[2] Total number of shares as at 30 June 2016: 67.4 m, as at 30 June 2017: 74.2 m. The weighted average number of shares was 67.4 m in the first half of 2016 and 73.1 m in the first half of 2017.

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

Funds from operations, adjusted for significant unsustainable effects and effects not affecting liquidity, totalled EUR k 46,505 in the reporting period. The considerable increase in FFO by 21.4%, or EUR k 8,199, compared to the same period in the previous year is due predominantly to the higher net income from letting activities. The higher financial expenses had the opposite effect.

FFO per share was EUR 0.64 and therefore significantly higher than in the same period in the previous year in spite of the increased number of shares resulting from the capital increase in January 2017.

### Net Loan to Value (Net LTV)

| in EUR k | 30/06/2017 | 31/12/2016 | Change | Change in % |
|---|---|---|---|---|
| Investment property (IAS 40) | 2,257,319 | 2,215,228 | 42,091 | 1.9 |
| Advance payments on investment property (IAS 40) | 172 | 93 | 79 | 84.6 |
| Owner-occupied property (IAS 16) | 6,359 | 6,109 | 250 | 4.1 |
| Non-current assets classified as held for sale (IFRS 5) | 37,419 | 19,174 | 18,245 | 95.2 |
| Inventories (IAS 2) | 1,053 | 1,103 | −50 | −4.5 |
| **Real estate** | **2,302,323** | **2,241,708** | **60,615** | **2.7** |
| Liabilities to financial institutions | 920,917 | 1,040,412 | −119,495 | −11.5 |
| Cash and cash equivalents | 31,000 | 68,415 | −37,415 | −54.7 |
| **Net debt** | **889,917** | **971,997** | **−82,080** | **−8.4** |
| **Net Loan to Value (Net LTV) in %** | **38.7** | **43.4** | **−4.7 pp** | |

As a ratio between net debt and real estate assets, the Net LTV is a key performance indicator for the company. It was 38.7% in the Group as at the reporting date. It has therefore decreased by 4.7 percentage points since 31 December 2016, due primarily to the reduction in liabilities to financial institutions due to the loan repayment of EUR k 264,362 as part of the refinancing measures which stands in contrast with current loans of EUR k 166,098. The capital increase against cash contributions in January and the dividend distribution for the 2016 financial year also had an effect.

### EPRA Net Asset Value (EPRA NAV)

| in EUR k | 30/06/2017 | 31/12/2016 | Change | Change in % |
|---|---|---|---|---|
| Equity | 1,148,263 | 1,009,503 | 138,760 | 13.7 |
| Fair value adjustment of fixed assets (IAS 16) | 6,492 | 5,327 | 1,165 | 21.9 |
| Fair value adjustment of real estate inventories (IAS 2) | 1,422 | 1,443 | −21 | −1.5 |
| Fair value of derivative financial instruments | 1,441 | 18,089 | −16,648 | −92.0 |
| Deferred tax assets | 0 | −2,652 | 2,652 | −100.0 |
| Deferred tax liabilities | 249,298 | 217,713 | 31,585 | 14.5 |
| Goodwill | −1,164 | −1,164 | 0 | 0.0 |
| **EPRA Net Asset Value (EPRA NAV)** | **1,405,752** | **1,248,259** | **157,493** | **12.6** |
| Number of shares in thousands | 74,176 | 67,432 | | |
| EPRA NAV per share in EUR | 18.95 | 18.51 | | |

The EPRA Net Asset Value (EPRA NAV) is another key performance indicator of TLG IMMOBILIEN and was EUR k 1,405,752 as at 30 June 2017. Compared to 31 December 2016, the EPRA NAV increased by EUR k 157,493, due primarily to the changes in equity following the capital increase against cash contributions.

The EPRA NAV per share was EUR 18.95, compared to EUR 18.51 as at 31 December 2016.

## 3. REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

### 3.1 RISK REPORT

TLG IMMOBILIEN AG is exposed to constantly changing general economic, technical, political, legal and societal conditions that could impede its achievement of its targets, the implementation of its long-term strategies or its financial position, cash flows and financial performance. These risks are described in detail in the 2016 Group annual report.

On 10 May 2017, the Management Board of TLG IMMOBILIEN submitted a voluntary public takeover offer to the shareholders of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft (WCM AG) in the form of a share swap for new TLG shares.

The documentation for the swap offer was published and therefore submitted to the shareholders of WCM AG on 27 June 2017.

Furthermore, with the consent of the Supervisory Board, on 10 May 2017 the Management Board of TLG IMMOBILIEN resolved to utilise the 2014/II Authorised Capital one or multiple times to carry out a capital increase of up to EUR 24,521,163.00 in exchange for contributions in kind, excluding the subscription rights of the existing shareholders of TLG IMMOBILIEN.

The planned takeover of WCM AG poses both risks and opportunities.

The opportunities are described in section 3.2. Risks can arise if the takeover and integration process does not proceed according to plan or incurs higher transaction costs than originally expected. Other risks might result from change-of-control clauses in contracts of WCM AG as these grant the contractual partner a special right of termination in the event of a change of control. The expectations and plans regarding the long and short-term effects of the transaction on TLG IMMOBILIEN might prove inaccurate or incomplete.

No other changes in the risk situation compared to 31 December 2016 were identified in the reporting period.

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

### 3.2 OPPORTUNITY REPORT

The intended takeover of WCM AG by TLG IMMOBILIEN will present opportunities in the accelerated expansion of the established business model of TLG IMMOBILIEN, the strengthening of its existing portfolio and the expansion of its regional coverage in western Germany. Essentially, opportunities might continue to arise from the expected synergies as well as the size-related increases in the efficiency of a combined company. The proven purchasing power of both companies and the excellent access of TLG IMMOBILIEN to growth capital can enable the combined entity to continuously increase the size of its portfolio throughout Germany.

Otherwise, we refer to the disclosures in the opportunity report in the consolidated financial statements of 31 December 2016.

## 3.3 FORECAST REPORT

The expected development of TLG IMMOBILIEN in 2017 was described in detail in the consolidated management report of 31 December 2016.

In its 2016 annual report, TLG IMMOBILIEN expected funds from operations (FFO) for the 2017 financial year to be between EUR 84 m and EUR 86 m (2016: EUR 76.9 m). Due to the positive course of business, the acquisitions of the office building "astropark" and a retail property in Unterwellenborn and expected savings, TLG IMMOBILIEN now expects its funds from operations for the 2017 financial year to be between EUR 90 m and EUR 92 m. Further acquisitions in 2017 as well as the successful takeover of WCM could also increase FFO in 2017.

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 June 2017

| in EUR k | 01/04/2017–30/06/2017 | 01/04/2016–30/06/2016 | 01/01/2017–30/06/2017 | 01/01/2016–30/06/2016 |
|---|---|---|---|---|
| **Net operating result from letting activities** | **36,753** | **32,348** | **71,147** | **61,240** |
| Income from letting activities | 47,300 | 41,229 | 93,854 | 78,716 |
| a) Rental income | 39,252 | 35,072 | 78,481 | 67,585 |
| b) Income from recharged operating costs | 7,526 | 5,622 | 14,249 | 10,403 |
| c) Income from other goods and services | 522 | 535 | 1,124 | 728 |
| Expenses relating to letting activities | –10,547 | –8,881 | –22,707 | –17,476 |
| d) Expenses from operating costs | –7,913 | –6,305 | –18,051 | –13,379 |
| e) Maintenance expenses | –1,736 | –1,408 | –2,720 | –2,386 |
| f) Other services | –898 | –1,168 | –1,936 | –1,711 |
| **Result from the remeasurement of investment property** | **68,549** | **7,212** | **70,085** | **7,877** |
| **Result from the disposal of investment property** | **0** | **–1** | **0** | **610** |
| **Result from the disposal of real estate inventories** | **169** | **0** | **169** | **7** |
| a) Proceeds from the disposal of real estate inventories | 95 | 0 | 95 | 8 |
| b) Carrying amount of real estate inventory disposed | 74 | 0 | 74 | –1 |
| Other operating income | 295 | 18 | 815 | 443 |
| Personnel expenses | –2,811 | –2,795 | –5,711 | –5,649 |
| Depreciation and amortisation | –121 | –143 | –263 | –286 |
| Other operating expenses | –4,684 | –645 | –6,840 | –3,071 |
| **Earnings before interest and taxes (EBIT)** | **98,150** | **35,994** | **129,402** | **61,171** |
| Financial income | 67 | 55 | 90 | 125 |
| Financial expenses | –16,911 | –6,161 | –26,024 | –11,969 |
| Gain/loss (–) from the remeasurement of derivative financial instruments | 5,529 | –515 | 6,115 | –1,638 |
| Earnings before taxes | 86,835 | 29,373 | 109,583 | 47,688 |
| Income taxes | –26,012 | –8,750 | –33,051 | –14,178 |
| **Net income for the period** | **60,823** | **20,622** | **76,532** | **33,510** |
| **Other comprehensive income (OCI):** | | | | |
| thereof will be reclassified to profit or loss | | | | |
| Gain/loss (–) from remeasurement of derivative financial instruments in hedging relationship, net of taxes | 4,964 | –684 | 7,771 | –3,322 |
| **Total comprehensive income for the period** | **65,787** | **19,938** | **84,303** | **30,188** |
| **Of the net income for the period, the following is attributable to:** | | | | |
| Non-controlling interests | 0 | 26 | 0 | 64 |
| The shareholders of the parent company | 60,823 | 20,596 | 76,532 | 33,446 |
| **Earnings per share (basic) in EUR** | **0.84** | **0.30** | **1.05** | **0.50** |
| **Earnings per share (diluted) in EUR** | **0.84** | **0.31** | **1.05** | **0.50** |
| **Of the total comprehensive income for the period, the following is attributable to:** | | | | |
| Non-controlling interests | 0 | 26 | 0 | 64 |
| The shareholders of the parent company | 65,787 | 19,912 | 84,303 | 30,124 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

## Assets

| in EUR k | 30/06/2017 | 31/12/2016 |
|---|---|---|
| **A) Non-current assets** | **2,282,176** | **2,240,840** |
| Investment property | 2,257,319 | 2,215,228 |
| Advance payments on investment property | 172 | 93 |
| Property, plant and equipment | 6,564 | 6,672 |
| Intangible assets | 1,581 | 1,413 |
| Other non-current financial assets | 6,662 | 4,800 |
| Other assets | 9,878 | 9,982 |
| Deferred tax assets | 0 | 2,652 |
| **B) Current assets** | **85,158** | **103,923** |
| Inventories | 1,053 | 1,103 |
| Trade receivables | 4,872 | 5,997 |
| Receivables from income taxes | 248 | 1,239 |
| Other current financial assets | 1,900 | 864 |
| Other receivables and assets | 8,666 | 7,131 |
| Cash and cash equivalents | 31,000 | 68,415 |
| Non-current assets classified as held for sale | 37,419 | 19,174 |
| **Total assets** | **2,367,334** | **2,344,763** |

## Equity and liabilities

| in EUR k | 30/06/2017 | 31/12/2016 |
|---|---|---|
| **A) Equity** | **1,148,263** | **1,009,503** |
| Subscribed capital | 74,176 | 67,432 |
| Capital reserves | 547,195 | 440,267 |
| Retained earnings | 532,410 | 515,094 |
| Other reserves | −5,518 | −13,290 |
| Equity attributable to the shareholders of the parent company | 1,148,263 | 1,009,503 |
| **B) Liabilities** | **1,219,071** | **1,335,260** |
| **I.) Non-current liabilities** | **1,139,490** | **1,227,119** |
| Non-current liabilities to financial institutions | 870,763 | 975,164 |
| Pension provisions | 8,262 | 8,347 |
| Non-current derivative financial instruments | 5,616 | 20,370 |
| Other non-current liabilities | 5,551 | 5,525 |
| Deferred tax liabilities | 249,298 | 217,713 |
| **II.) Current liabilities** | **79,581** | **108,141** |
| Current liabilities to financial institutions | 50,154 | 65,248 |
| Trade payables | 16,011 | 21,178 |
| Other current provisions | 1,569 | 1,828 |
| Tax liabilities | 2,728 | 4,512 |
| Other current liabilities | 9,119 | 15,375 |
| **Total equity and liabilities** | **2,367,334** | **2,344,763** |

## CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 30 June 2017

| in EUR k | 01/01/2017–30/06/2017 | 01/01/2016–30/06/2016 |
|---|---|---|
| **1. Cash flow from operating activities** | | |
| Net income for the period before taxes | 109,583 | 47,689 |
| Depreciation of property, plant and equipment and amortisation of intangible assets | 263 | 286 |
| Result from the remeasurement of investment property | −70,085 | −7,877 |
| Gain/loss (–) from the remeasurement of derivative financial instruments | −6,115 | 1,638 |
| Increase/decrease (–) in provisions | −344 | −641 |
| Other non-cash income/expenses | 1,218 | 401 |
| Gain (–)/loss from disposal of property, plant and equipment and intangible assets | 0 | −611 |
| Increase (–)/decrease in inventories | 50 | 1 |
| Financial income | −90 | −125 |
| Financial expenses | 26,024 | 11,969 |
| Increase (–)/decrease in trade receivables and other assets | 312 | 7,677 |
| Increase/decrease (–) in trade payables and other liabilities | −10,317 | −5,858 |
| **Cash flow from operating activities** | **50,499** | **54,549** |
| Interest received | 90 | 125 |
| Interest paid | −26,071 | −14,966 |
| Income tax paid/received | −2,446 | −7,097 |
| **Net cash flow from operating activities** | **22,072** | **32,611** |
| **2. Cash flow from investing activities** | | |
| Cash received from disposals of investment property | 16,204 | 18,334 |
| Cash received from disposals of property, plant and equipment | 0 | 202 |
| Cash paid for acquisitions of investment property | −9,250 | −209,344 |
| Cash paid for acquisitions of property, plant and equipment | −941 | −52 |
| Cash paid for investments in intangible assets | −273 | −63 |
| Changes in the scope of consolidation | 124 | 0 |
| **Cash flow from investing activities** | **5,864** | **−190,924** |
| **3. Cash flow from financing activities** | | |
| Cash received from equity contributions | 113,292 | 0 |
| Dividend payment | −59,340 | −48,551 |
| Cash paid to non-controlling interests | 0 | −119 |
| Cash received from bank loans | 166,098 | 70,000 |
| Repayments of bank loans | −285,401 | −9,978 |
| **Cash flow from financing activities** | **−65,351** | **11,352** |
| **4. Cash and cash equivalents at end of period** | | |
| Change in cash and cash equivalents (subtotal of 1–3) | −37,415 | −146,960 |
| Cash and cash equivalents at beginning of period | 68,415 | 183,736 |
| **Cash and cash equivalents at end of period** | **31,000** | **36,776** |
| **5. Composition of cash and cash equivalents** | | |
| Cash | 31,000 | 36,776 |
| **Cash and cash equivalents at end of period** | **31,000** | **36,776** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 30 June 2017

| | | | | Other comprehensive income (OCI) | | | |
|---|---|---|---|---|---|---|---|
| in EUR k | Subscribed capital | Capital reserves | Retained earnings | Reserve hedge accounting | Actuarial gains/ losses | Non-controlling interests | Equity |
| **01/01/2016** | **67,432** | **439,510** | **469,369** | **−9,347** | **−1,899** | **2,809** | **967,874** |
| Net income for the period | 0 | 0 | 33,446 | 0 | 0 | 64 | 33,510 |
| Other comprehensive income (OCI) | 0 | 0 | 0 | −3,322 | 0 | 0 | −3,322 |
| **Total comprehensive income for the period** | **0** | **0** | **33,446** | **−3,322** | **0** | **64** | **30,188** |
| Adjustment for non-controlling interests | 0 | 0 | 0 | 0 | 0 | −120 | −120 |
| Dividend payment | 0 | 0 | −48,551 | 0 | 0 | 0 | −48,551 |
| Capital contribution in connection with share-based remuneration | 0 | 401 | 0 | 0 | 0 | 0 | 401 |
| **Change during the period** | **0** | **401** | **−15,105** | **−3,322** | **0** | **−56** | **−18,082** |
| **30/06/2016** | **67,432** | **439,911** | **454,264** | **−12,669** | **−1,899** | **2,753** | **949,792** |
| | | | | | | | |
| **01/01/2017** | **67,432** | **440,267** | **515,094** | **−11,128** | **−2,162** | **0** | **1,009,503** |
| Net income for the period | 0 | 0 | 76,532 | 0 | 0 | 0 | 76,532 |
| Other comprehensive income (OCI) | 0 | 0 | 0 | 7,771 | 0 | 0 | 7,771 |
| **Total comprehensive income for the period** | **0** | **0** | **76,532** | **7,771** | **0** | **0** | **84,303** |
| Change in scope of consolidation | 0 | 0 | 124 | 0 | 0 | 0 | 124 |
| Dividend payment | 0 | 0 | −59,340 | 0 | 0 | 0 | −59,340 |
| Share capital increase | 6,744 | 109,240 | 0 | 0 | 0 | 0 | 115,984 |
| Transaction costs relating to the share capital increase, after taxes | 0 | −2,692 | 0 | 0 | 0 | 0 | −2,692 |
| Capital contribution in connection with share-based remuneration | 0 | 380 | 0 | 0 | 0 | 0 | 380 |
| **Change during the period** | **6,744** | **106,928** | **17,316** | **7,771** | **0** | **0** | **138,760** |
| **30/06/2017** | **74,176** | **547,195** | **532,410** | **−3,356** | **−2,162** | **0** | **1,148,263** |

# CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT 30 JUNE 2017

## 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, 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 Germany.

The main activities consist of the operation of real estate businesses and transactions of all types in connection with this, as well as the letting, management, acquisition, disposal and development of office, retail and hotel properties, either itself or via companies of which the company is a shareholder.

### 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 rulings of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. 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 been subjected to a review.

The consolidated interim financial statements are comprised of the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flow, 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.

Since 31 December 2016, one company has been deconsolidated from the scope of consolidation.

There have been no other changes to the scope of consolidation since 31 December 2016.

## B. EXPLANATION OF ACCOUNTING AND MEASUREMENT METHODS

The accounting and measurement methods applied in these consolidated interim financial statements are identical to the methods presented in the IFRS consolidated financial statements as at 31 December 2016. These consolidated interim financial statements should therefore be read in conjunction with the consolidated financial statements of TLG IMMOBILIEN of 31 December 2016.

As at 31 December 2016, the investment property had been subjected to a detailed external valuation by Savills Advisory Services Germany GmbH & Co. KG and recognised at fair value.

An external expert carries out a valuation every six months and the most recently recognised fair values are valued internally on the other reporting dates. The latest valuation carried out by an external expert was on 30 June 2017.

The TLG IMMOBILIEN Group has fully applied all new mandatory standards and interpretations as at 1 January 2017. There were no major effects on the consolidated financial statements as a result.

## C. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### C.1 INVESTMENT PROPERTY

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

| in EUR k | 2017 | 2016 |
|---|---|---|
| **Carrying amount as at 01/01** | **2,215,228** | **1,739,474** |
| Acquisitions | 514 | 442,998 |
| Capitalisation of construction and modernisation expenses | 5,887 | 18,543 |
| Reclassification as assets held for sale | −34,449 | −28,857 |
| Reclassification from property, plant and equipment | 53 | 3,211 |
| Fair value adjustments | 70,085 | 39,860 |
| **Carrying amount as at 30/06/2017 and 31/12/2016** | **2,257,319** | **2,215,228** |

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 selected central locations. While the office portfolio focuses largely on promising A and B-rated cities, the retail portfolio – which is characterised by neighbourhood shopping centres specializing in the food retail segment – is more widely distributed. Decisions on acquisitions, sales and pending investments are subject to the named principles of the portfolio strategy.

In the first half of 2017, the changes in the fair value of the portfolio were due primarily to fair value adjustments (remeasurement) of EUR k 70,085 (previous year EUR k 39,860) as well as EUR k −34,449 (previous year EUR k −28,857) in reclassifications as assets held for sale.

Of the reclassifications as assets held for sale, 78% are attributable to the strategic disposal of two retail packages with 30 properties in total, mostly discounters. The reclassifications also include all disposals made during the year which are reclassified before being disposed of as assets held for sale.

The remeasurement in the first half of 2017 was due mainly to the highly dynamic development of the markets, especially in Berlin. The market developments are supported by the positive results of the active portfolio and asset management. The dormant portfolio experienced a EUR 3.7 m or 2.4% increase in annual rent excluding utilities in the first half of 2017 alongside a 1.0 percentage points decrease in EPRA Vacancy Rate to just 2.9% as well as a stable weighted average lease term (WALT) of temporary rental agreements of 6.1 years. The dormant portfolio comprises properties that were in the portfolio on both 1 January and 30 June 2017, i.e. properties that were not acquired or reclassified as assets held for sale in the first half of the year. Of the remeasurement, 92% was attributable to the dormant portfolio.

The capitalisation of construction expenses totalling EUR k 5,887 (previous year EUR k 18,543) is almost entirely attributable to the core office, retail and hotel asset classes. The slight decrease compared to the first half of the previous year, which saw capitalisations of EUR k 7,378, is due primarily to higher costs for the development of office space now being rented out, especially in the office property at Alexanderstrasse 1, 3, 5 in Berlin, which was almost fully occupied as at 30 June 2017 with an EPRA Vacancy Rate of 1.4%.

As at 30 June 2017, the fair values of the investment property, broken down by measurement method as well as by asset class, are as follows. Advance payments made on these properties are not included here; they are recognised separately in the statement of financial position.

**Investment properties**

| | Discounted cash flow method | | | | | Liquidation method | |
|---|---|---|---|---|---|---|---|
| **As at 30/06/2017** | **Office** | **Retail** | **Hotel** | **Other** | **Total** | **Total** | **Total** |
| Investment properties in EUR k | 1,050,864 | 863,638 | 277,262 | 39,476 | **2,231,240** | 26,079 | 2,257,319 |
| Average discount rate in % | 4.94 | 5.43 | 4.71 | 7.08 | **5.14** | 4.79 | 5.13 |
| Average capitalisation rate in % | 5.99 | 7.28 | 5.88 | 8.85 | **6.48** | | 6.48 |
| EPRA Vacancy Rate in % | 3.9 | 1.3 | 1.7 | 8.3 | **2.7** | 43.6 | 2.9 |
| Average effective rent in EUR/sqm/month | 9.81 | 10.22 | 12.75 | 4.42 | **9.87** | 7.27 | 9.86 |
| Proportion of temporary rental agreements in % | 96.0 | 97.4 | 97.7 | 89.0 | **96.6** | 80.0 | 96.5 |
| WALT of temporary rental agreements in years | 4.9 | 5.6 | 12.7 | 7.9 | **6.1** | 2.6 | 6.1 |

| | Discounted cash flow method | | | | | Liquidation method | |
|---|---|---|---|---|---|---|---|
| **As at 31/12/2016** | **Office** | **Retail** | **Hotel** | **Other** | **Total** | **Total** | **Total** |
| Investment properties in EUR k | 997,771 | 882,399 | 272,029 | 41,126 | **2,193,325** | 21,904 | 2,215,228 |
| Average discount rate in % | 4.86 | 5.51 | 4.73 | 6.95 | **5.14** | 4.81 | 5.14 |
| Average capitalisation rate in % | 6.14 | 7.51 | 5.91 | 8.76 | **6.67** | | 6.67 |
| EPRA Vacancy Rate in % | 5.3 | 2.0 | 2.4 | 8.2 | **3.7** | 57.3 | 3.8 |
| Average effective rent in EUR/sqm/month | 9.64 | 9.97 | 12.67 | 4.34 | **9.67** | 12.69 | 9.67 |
| Proportion of temporary rental agreements in % | 95.9 | 97.4 | 99.0 | 90.0 | **96.7** | 89.9 | 96.7 |
| WALT of temporary rental agreements in years | 5.0 | 5.4 | 13.1 | 8.2 | **6.1** | 3.2 | 6.1 |

### C.2 EQUITY

As at the reporting date, the subscribed capital of the company was EUR k 74,176 (previous year EUR k 67,432). The share capital is fully paid-in. There are no other share types.

Following the capital increase in exchange for cash contributions based on the resolution of the Management Board on 30 January 2017 and the approval of the Supervisory Board, making partial use of the Authorised Capital 2016, the company's share capital of EUR k 67,432, divided into 67,432,326 ordinary bearer shares with a notional value of EUR 1.00, was increased by EUR k 6,743 to EUR k 74,176 by the issue of 6,743,232 no-par value bearer shares. The shares issued in January 2017 have a notional value of EUR 1.00 and entitlement to dividends from 1 January 2016. The gross proceeds were approximately EUR k 115,984.

The capital reserve amounts to EUR k 547,195 (previous year EUR k 440,267). The changes (EUR k 106,928) are due essentially to a contribution of EUR k 106,548 to the capital reserve as part of the cash capital increase and a contribution of EUR k 380 to the capital reserve from share-based remuneration.

In the first six months of the 2017 financial year, a dividend totalling EUR 59.3 m was paid to the shareholders, which corresponds to EUR 0.80 per no-par value bearer share entitled to dividends.

The changes in other comprehensive income (OCI) before taxes recorded in the hedge accounting reserve were as follows:

| in EUR k | 2017 | 2016 |
|---|---|---|
| **Opening balance as at 01/01** | **−16,040** | **−13,472** |
| Recognition in equity in the reporting period | 4,172 | −7,368 |
| Reversal from equity into the statement of profit or loss | 7,042 | 4,800 |
| **Closing balance as at 30/06/2017 and 31/12/2016** | **−4,826** | **−16,040** |

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

## D. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### D.1 RESULT FROM THE REMEASUREMENT OF INVESTMENT PROPERTY

The result from the remeasurement of investment property was positive due to the dynamic development of the markets in the first half of 2017, especially in Berlin. In addition to the favourable market conditions, the EPRA Vacancy Rate, which fell by 0.9 percentage points to just 2.9% in the first half of 2017 and the weighted average lease term (WALT) of temporary rental agreements of 6.1 years, having remained stable since 31 December 2016, had a stabilising effect on the fair values of properties.

### D.2 NET INTEREST

The net interest is characterised by special items totalling EUR k 12,400 resulting from the refinancing in the first half of the year.

### D.3 GAIN/LOSS (–) FROM THE REMEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

Hedge accounting for derivatives was discontinued at the start of the second quarter of 2017. From then on, all changes in the fair values will be presented in the item "Gain/loss (–) from the remeasurement of derivative financial instruments".

The changes in fair values recognised in other comprehensive income (OCI) in previous periods and allocated to an equity reserve will be reversed gradually over the remaining term of each underlying transaction.

### D.4 INCOME TAXES

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

| in EUR k | 01/01/2017–30/06/2017 | 01/01/2016–30/06/2016 |
|---|---|---|
| Current income tax | 2,257 | 3,072 |
| Deferred taxes | 30,794 | 11,127 |
| **Tax expenses/income** | **33,051** | **14,179** |

TLG IMMOBILIEN discloses income taxes on the basis of the expected average effective Group tax rate. A change in the tax rate compared to the previous period can be the result of various factors, especially changes in the recognition of loss carryforwards/interest carryforwards, the accrual of tax-free income and expenses and previous-period tax effects.

### D.5 EARNINGS PER SHARE

The earnings per share are calculated by dividing the net income attributable to the shareholders of the parent company by the weighted average number of shares outstanding.

| | 01/01/2017–30/06/2017 | 01/01/2016–30/06/2016 |
|---|---|---|
| Net income for the period attributable to the shareholders of the parent company in EUR k | 76,532 | 33,446 |
| Weighted average number of shares outstanding in thousands | 73,058 | 67,432 |
| **Basic earnings per share in EUR** | **1.05** | **0.50** |
| Potential diluting effect of share-based remuneration in thousands | 117 | 74 |
| Number of shares with a potential diluting effect in thousands | 73,175 | 67,506 |
| **Diluted earnings per share in EUR** | **1.05** | **0.50** |

The share-based payments to the Management Board and some employees have a diluting effect based on employee services already received. The number of shares on the reporting date would increase by around 117,000 shares (previous year 74,000 shares).

## E. OTHER INFORMATION

### E.1 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

With the exception of derivatives recognised at fair value, all assets and liabilities have been measured at amortised cost. With regard to the assets and liabilities measured at amortised cost, the carrying amounts of the financial assets and liabilities on the statement of financial position are good approximations of fair value, with the exception of liabilities to financial institutions.

The fair values of the liabilities to financial institutions correspond to the present values of the payments associated with the liabilities, with consideration for the current interest parameters as at the reporting date (level 2 according to IFRS 13), and were EUR k 944,584 as at 30 June 2017 (31 December 2016: EUR k 1,063,025).

The derivative financial instruments recognised in the statement of financial position have been measured at fair value. They are all interest rate hedges.

The measurement methods have not changed since 31 December 2016.

### E.2 RELATED COMPANIES AND PARTIES

There were no significant transactions with related companies or parties in the first six months of the 2017 financial year.

With effect from 10 February 2017, Frank D. Masuhr was appointed as a member of the Supervisory Board of TLG IMMOBILIEN AG, initially until the end of the annual general meeting in 2017. Thereafter, Mr Masuhr was re-appointed as a member of the Supervisory Board for another four years by the annual general meeting of TLG IMMOBILIEN AG in 2017. Mr Masuhr succeeded Alexander Heße who resigned in 2016.

### E.3 SUBSEQUENT EVENTS

There were no significant subsequent events between 30 June 2017 and the date of the publication of the consolidated interim financial statements.

### E.4 RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements of TLG IMMOBILIEN AG of 30 June 2017 give a true and fair view of the financial performance, financial position and cash flows of the Group, and the consolidated interim 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, 10 August 2017

| | |
|---|---|
| Peter Finkbeiner | Niclas Karoff |
| Member of the Management Board | Member of the Management Board |

## F. AUDITOR'S REPORT

To TLG IMMOBILIEN AG, Berlin

We have reviewed the condensed consolidated interim financial statements – consisting of the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow and selected explanatory notes – and the consolidated interim management report of TLG IMMOBILIEN AG, Berlin, which are components of the half-year financial report in accordance with Sec. 37w of the German Securities Trading Act (WpHG), for the period from 1 January 2017 to 30 June 2017. The legal representatives of the company are responsible for preparing the condensed consolidated interim financial statements in accordance with the IFRS for interim financial reporting as applicable in the EU, and the consolidated interim management report in accordance with the provisions of the German Securities Trading Act (WpHG) which apply to consolidated interim management reports. Our task is to issue a certificate for the condensed consolidated interim financial statements and the consolidated interim management report on the basis of our review.

We carried out our review of the condensed consolidated interim financial statements and the consolidated interim management report with consideration for the generally accepted accounting principles in Germany that were established by the German Institute of Auditors (IDW). These stipulate that the review must be planned and conducted in such a way that following our critical appraisal we can, with a degree of certainty, conclude that the condensed consolidated interim financial statements have essentially been prepared in accordance with the IFRS for interim financial reporting as applicable in the EU, and that the consolidated interim management report has essentially been prepared in accordance with the provisions of the German Securities Trading Act (WpHG) that apply to consolidated interim management reports. A review is mainly limited to interviews with employees of the company and analytical evaluations, and therefore does not provide the certainty that can be achieved by an audit. As we have not been engaged to conduct an audit, we cannot provide an audit certificate.

On the basis of our review we have not discovered any discrepancies that would give us cause to assume that the condensed consolidated interim financial statements of TLG IMMOBILIEN AG, Berlin, have not essentially been prepared in accordance with the IFRS for interim financial reporting as applicable in the EU, and that the consolidated interim management report has not essentially been prepared in accordance with the provisions of the German Securities Trading Act (WpHG) that apply to consolidated interim management reports.

Berlin, 10 August 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Kreninger | Pilawa |
| Auditor | Auditor |

## FINANCIAL CALENDAR

### 9 NOVEMBER 2017
Publication of quarterly financial report Q3/2017

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