QUARTERLY FINANCIAL REPORT

AS AT 30 SEPTEMBER 2014

KEY GROUP FIGURES ACCORDING TO IFRS

	Unit	1/1/2014–30/9/2014	1/1/2013–30/9/2013	Change in %
Result of operations				
Rental income	in € k	85,356	88,881	-4.0
NOI from letting activities	in € k	75,978	78,996	-3.8
Disposal profits	in € k	8,169	8,178	-0.1
Net income	in € k	68,477	75,264	-9.0
FFO	in € k	40,355	31,556	27.9
FFO per share [1]	in €	0.78	0.61	27.9

	Unit	30/9/2014	31/12/2013	Change in %
Balance sheet metrics				
Investment property	in € k	1,466,763	1,414,691	3.7
Cash and cash equivalents	in € k	56,985	138,930	-59.0
Balance sheet total	in € k	1,608,288	1,635,695	-1.7
Equity	in € k	630,705	801,036	-21.3
Equity ratio	in %	39.2	49.0	-9.8pp
Bank liabilities	in € k	757,033	626,227	20.9
Net debt	in € k	700,048	487,298	43.7
NET LTV [2]	in %	46.4	33.3	13.1 pp
EPRA NAV	in € k	741,946	913,532	-18.8
EPRA NAV per share	in €	14.27	17.57	-18.8

1 Before the company became an Aktiengesellschaft (stock corporation) on 5 September 2014, it was a limited liability company (GmbH). Therefore, for the purposes of comparison, the value of the issued shares is the value that would have existed if the company had always been an Aktiengesellschaft (stock corporation) with the same number of shares. Total number of shares: 52.0 million as of 30 September 2014.

2 Calculation: Net debt divided by real estate. Composition see page 13.

CONTENTS

(left)
Peter Finkbeiner

(right)
Niclas Karoff

DEAR SHAREHOLDERS, DEAR SIR OR MADAM,

The first nine months of this year were highly eventful for our employees and us. All corporate divisions strove intensely to prepare for the IPO of TLG IMMOBILIEN, which took place in autumn. These endeavours have paid off; since 24 October 2014, the shares of our company have been listed at the Frankfurt Stock Exchange in Prime Standard. TLG IMMOBILIEN enriches the German real estate landscape because we are the only listed commercial real estate company which focuses exclusively on Berlin and the regional economic centres in eastern Germany. On 31 October the European Public Real Estate Association (EPRA) included TLG IMMOBILIEN in eight indices of the FTSE EPRA / NAREIT Global Real Estate Index Series.

Over the past two years we have focused on adjusting our corporate structure: we have streamlined our portfolio and transformed TLG IMMOBILIEN towards an efficiently organised and solid financed real estate company with a targeted long-term loan-to-value (Net LTV)-ratio of between 45 and 50 percent. Our IPO is just one major milestone on our road to a successful future. Our direct access to the capital market will greatly improve our financial flexibility. We will use the gross proceeds of approximately EUR 100 million from our IPO to implement our growth strategy, acquire office and retail properties which will increase our value and invest in our core portfolio.

Our business has also developed well in operative terms in the first nine months of the year. In the first nine month of the reporting period, the net operating income from letting activities was EUR 76.0 million and was slightly lower than in the same period last year (EUR 79.0 million by September 2013), primarily as a result of disposals of non-core properties in the last quarter of 2013. The funds from operations (FFO) increased by 27.9 percent to EUR 40.4 million in the first nine months (period last year: EUR 31.6 million).

Additionally, in the first three quarters we were able to sell other properties that were not part of our core portfolio above their average fair value. During the reporting period we acquired excellent office properties in Berlin and Leipzig. These properties are distinguished by their central locations and high-quality existing leases. On this basis we can confirm our outlook for the 2014 financial year with expected funds from operations of approximately EUR 50 million.

We wish to thank our shareholders, tenants and business partners, and our employees in particular, for the trust they have placed in us and our company. We will do our utmost to remain worthy of this confidence in the future.

Berlin, 28 November 2014

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

ABOUT TLG IMMOBILIEN AG

OVER 20 YEARS OF REAL ESTATE EXPERTISE

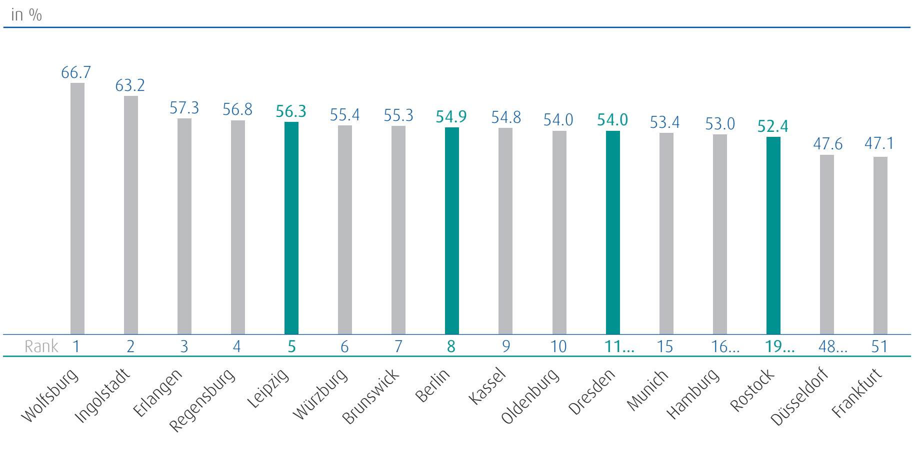
TLG IMMOBILIEN is a leading commercial real estate company in Berlin and eastern Germany and, for over 20 years, has been synonymous with proven real estate expertise and proximity to local markets. The company generates stable rental incomes, has low vacancy rates and excellent building quality in its portfolio, and is distinguished by the high market expertise of its employees on-site.

As an active portfolio manager, TLG IMMOBILIEN is a specialist in office and retail properties: in its high-quality, young portfolio, it predominantly manages office properties in Berlin and other regional economic centres in eastern Germany, as well as a regionally diverse portfolio of retail properties in highly frequented micro locations. Additionally, its portfolio includes a total of five hotels in Berlin, Dresden and Rostock. Its properties are known for good and even excellent locations and long-term leases. The portfolio value (fair value) as at 30 September 2014 was EUR 1.5 billion. The EPRA net asset value of the company is EUR 741,945 thousand and the EPRA NAV per share is EUR 14.27 as at the date of these financial statements.

ABOVE-AVERAGE DYNAMICS IN THE CORE REGIONS OF TLG IMMOBILIEN

In the dynamic city rankings, the core regions of TLG IMMOBILIEN are amongst the top 20 cities in Germany, not least due to their well-developed infrastructures and positive economic performance.

Points in the dynamism rankings



Source: Wirtschaftswoche, Immobilienscout 24, Initiative Neue Soziale Marktwirtschaft.

A STABLE BUSINESS MODEL – FOCUSING ON GROWTH

As a market-leading real estate company, TLG IMMOBILIEN has a strong network in its core markets in Berlin and eastern Germany. The business model of the company is therefore based on the following principles:

STRATEGIC PORTFOLIO AND ASSET MANAGEMENT

- Characterised by a deep understanding of local markets and real estate, important services such as strategic portfolio management and monitoring, value measurement and portfolio planning are rendered centrally.

ACQUISITIONS AND SALES

- With its local expertise, TLG IMMOBILIEN is well-connected in its core markets. This unlocks attractive acquisition and sales opportunities.

ASSET AND PROPERTY MANAGEMENT

- TLG IMMOBILIEN covers all vital elements of the real estate value chain within its own company. The branches are responsible for decentralised tenant relations and lease management.

With its efficient organisational structure, deep roots in its core markets and the financing opportunities on the basis of the strategically defined net LTV corridor of between 45 and 50 percent, TLG IMMOBILIEN is in the best-possible position to implement its growth strategy.

Besides the gross proceeds of approximately EUR 100 million from the company's IPO, the income from the sale of real estate that is not part of the core portfolio will support the further growth of the company. TLG IMMOBILIEN will focus predominantely on the acquisition of office properties in Berlin, Dresden, Leipzig and Rostock, as well as retail properties in excellent micro locations. The business model of TLG IMMOBILIEN currently permits the rapid integration of new real estate with only marginal additional expenses.

INTERIM GROUP MANAGEMENT REPORT

MAJOR CHANGES IN BUSINESS AND ORGANISATION

With the resolution of transformation notarised on 5 September 2014, the change in the legal structure from TLG IMMOBILIEN GmbH to TLG IMMOBILIEN AG (stock corporation) was adopted by the shareholders of TLG IMMOBILIEN GmbH, LSREF II East AcquiCo S.à r.l. and Delpheast Beteiligungs GmbH und Co. KG. A three-person Supervisory Board consisting of Michael Zahn, Alexander Heße and Dr Claus Nolting. The Management Board, consisting of Peter Finkbeiner and Niclas Karoff, was appointed on 8 September 2014.

The change in legal structure from TLG IMMOBILIEN GmbH to TLG IMMOBILIEN AG was completed by the company's entry into the commercial register under number HRB 161314 B of 10 September 2014.

At a general meeting held on 25 September 2014 the shareholders (LSREF II East AcquiCo S.à r.l. and Delpheast Beteiligungs GmbH und Co.KG) appointed the three other members of the Supervisory Board, Dr Michael Bütter, Axel Salzmann and Elisabeth Talma Stheeman.

GENERAL ECONOMIC CONDITIONS AND REAL ESTATE MARKETS

GENERAL ECONOMIC CONDITIONS

The economic growth dynamics have been rather subdued in Germany and the eurozone since the second quarter of 2014. The Cologne Institute for Economic Research (IW) believes economic activity in the eurozone to be impeded by the disputes between Russia and Ukraine, in particular. In spite of the further interest rate reductions by the European Central Bank in June and September 2014, the economic dynamics in the various European member states remain extremely varied.

In the third quarter of 2014 the trend indicators for the German economy were still at a high level, yet they have experienced a continuous decline over recent months. According to the German Federal Statistical Office (Destatis), in the third quarter of 2014 Germany's GDP grew by 0.1 percent – adjusted by price, season and calendar effects – compared to the second quarter. Compared to last year, the German economy has gained considerable ground. The price-adjusted GDP in the third quarter of 2014 grew by 1.2 percent compared to the third quarter of 2013.

In contrast, the number of employees liable to pay social insurance contributions in Germany continued to grow throughout the period under review. According to statistics published by the German Federal Employment Agency (BA), the unemployment rate of 6.5 percent in September was 0.1 percent lower than in the same month last year.

These developments are also expected to be reflected in Berlin and eastern Germany, the core markets of TLG IMMOBILIEN, within the period in question.

According to a Savills analysis, around EUR 1.3 billion were invested in commercial real estate in Berlin and another EUR 1.37 billion in commercial real estate in east German states in the first half of 2014. The half-year result has therefore already surpassed the result of EUR 1.36 billion for the full year 2013, which betokens a positive underlying economy and a good investment climate in the core regions of TLG IMMOBILIEN.

DEVELOPMENT OF THE OFFICE PROPERTY MARKET

According to findings by the German real estate association Immobilienverband Deutschland (IVD), the German office property market remained stable in the second and third quarters of 2014, in spite of the hesitant overall development. Rent increased by just under one percent, resulting in slightly weaker growth than in the same period last year.

The vacancy rate in the office segment is gradually falling. Space increases through what an IVD study has called 'speculative construction' have fallen in the current economic environment.

Office property in Germany is still considered an attractive asset class by investors. According to findings by CBRE, in the first half of 2014 offices accounted for 46 percent of the entire volume of commercial transactions in Germany, this equals roughly EUR 7.8 billion.

For example, according to CBRE, by the middle of the year the average office rent in Berlin had grown by around 1.7 percent over the same period last year. The development of prime rents in the other east German office markets also underlines the positive trend. In all markets examined by Catella Real Estate in summer 2014, prime rents demonstrated either stability or growth. According to CBRE, both Saxon cities of Dresden and Leipzig in eastern Germany are considered centres of particular economic growth.

DEVELOPMENT OF THE RETAIL PROPERTY MARKET

Stationary retail in Germany recently experienced growth in turnover in the second and third quarters of 2014. However, according to IVD, at approximately EUR 408 billion the level of turnover in the first half of 2014 is around one percent lower than in the previous year. Falling unemployment and growing income in particular are having a positive effect on consumption in Germany.

The latest Colliers study of the ten most important German retail locations puts Berlin – one of the core regions of TLG IMMOBILIEN – in first place in terms of turnover of floor space in the first half of 2014, ahead of Hamburg and Frankfurt am Main.

Rents for retail properties are growing primarily in class A and B locations. However, good micro locations in class C cities and secondary locations in metropolitan areas are also in demand. Chains with a distinct expansion strategy have proven to be price drivers in this regard. Online retail, which is growing slowly, still has virtually no influence on the food retailers specialising in convenience stores.

In the first nine months of this year, specialist retailers, specialist retail centres, discounters and supermarkets have experienced particular interest from institutional investors. According to CBRE, at EUR 4.8 billion retail properties made up around 29 percent of the transaction volume in Germany in the first half of 2014.

DEVELOPMENT OF THE HOTEL PROPERTY MARKET

According to the German hotel and restaurant association DEHOGA, the sector is currently benefiting from strong household spending and the generally positive economic situation, which is reflected by the stable numbers of private and business guests booking rooms. The percentage of foreign guests grew overproportionately. Overall, the sector registered increased turnover in the first half of 2014.

Particularly for the region of Berlin, the Association of German Chambers of Commerce and Industry's (DIHK) seasonal survey of accommodation providers up to April 2014 showed a significantly better business outlook combined with optimistic expectations for the rest of the 2014 summer season. The sector therefore generally expects the number of guests staying overnight in the capital to continue growing.

PORTFOLIO

		30/9/2014					
Codes	Unit	Total	Core	Office	Retail	Hotel	Non-core portfolio
Total property assets (IFRS)[1]	in € k	1,508,607	1,382,007	524,596	668,223	189,188	126,599
Annualised in-place rent	in € k	116,583	103,273	35,972	54,869	12,432	13,310
In-place rental yield	in %	7.7	7.5	7.0	8.2	6.3	10.6
EPRA vacancy rate	in %	4.6	3.5	7.5	1.1	1.3	13.0
WALT	in years	7.6	7.8	5.9	7.1	16.4	5.6
Number of properties		489	322	46	271	5	167
Total lettable area	in m^2	1,336,430	926,494	365,432	485,210	75,852	409,936

1 Investment property (IAS 40), Owner-occupied property (IAS 16), Non-current assets classified as held for sale (IFRS 5), Inventories (IAS 2)

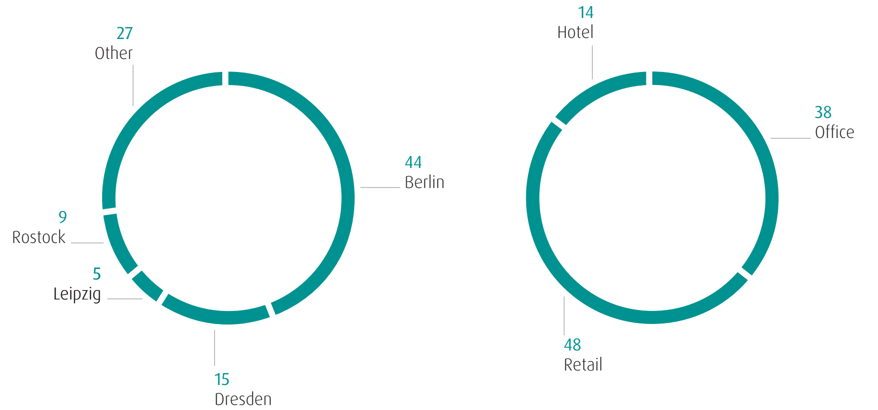
TOP TENANTS BY SEGMENT

Retail
- EDEKA Group
- HELLWEG DIY stores
- Kaiser's Tengelmann
- LIDL
- REWE Group

Office
- Bundesanstalt für Immobilienaufgaben
- Daimler Real Estate
- Freistaat Thüringen
- OstseeSparkasse
- SAP

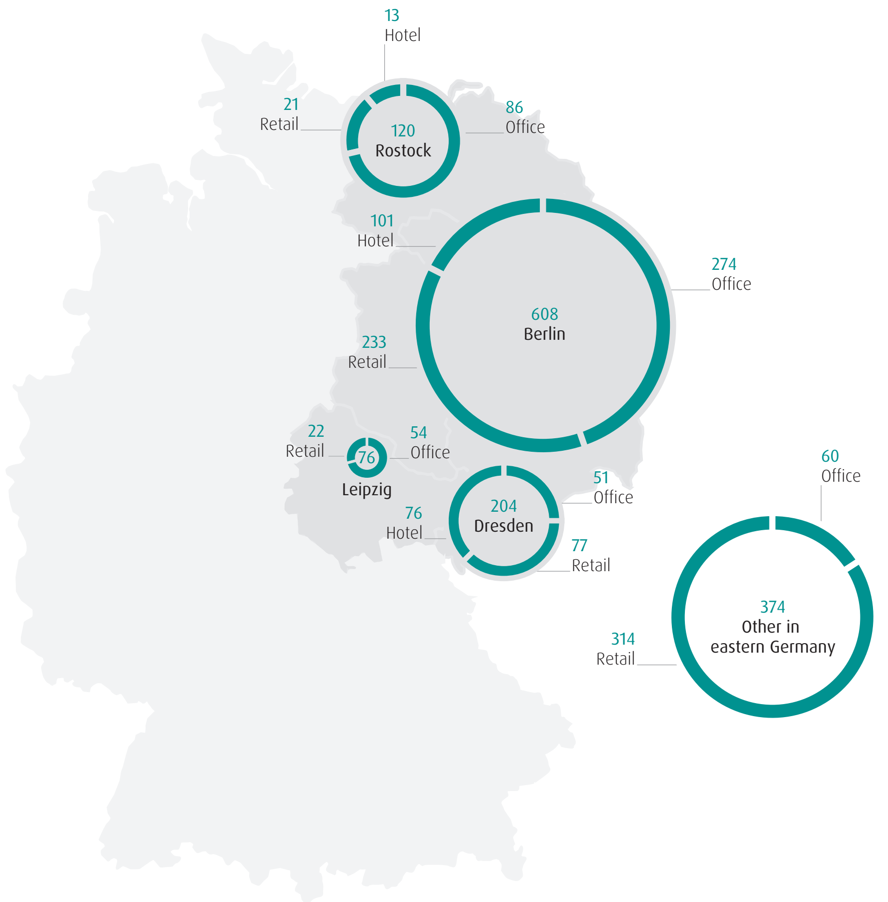
Core portfolio by region and asset class (fair value) as at 30 September 2014

in %



Core portfolio: regional distribution of the real estate portfolio by asset class (fair value) as at 30 September 2014

in € m

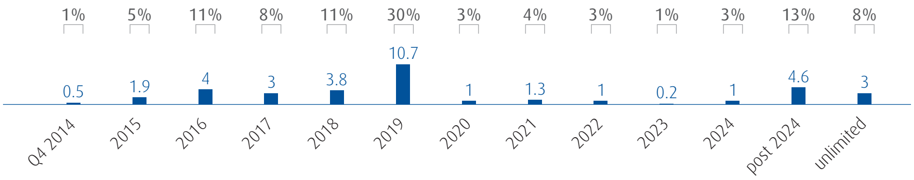


WEIGHTED AVERAGE LEASE TERM (WALT)

Core office portfolio as at 30 September 2014

in € m

Contractual rent p.a. for core offices: EUR 36.0 million | Proportion of contractual rent p.a. for core offices in %

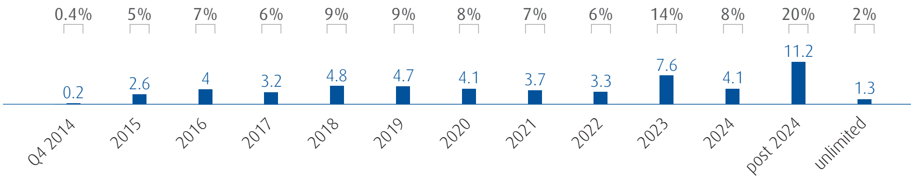


The office portfolio has a WALT of 5.9 years as at 30 September 2014.

Core retail portfolio as at 30 September 2014

in € m

Contractual rent p.a. for core retail properties: EUR 54.9 million | Proportion of contractual rent p.a. for core retail properties in %



The retail portfolio has a WALT of 7.1 years as at 30 September 2014.

OVERVIEW OF BUSINESS

KEY DEVELOPMENTS IN THE PORTFOLIO AND LETTING PERFORMANCE

The EPRA vacancy rate for the core portfolio of TLG IMMOBILIEN was reduced from 4.4 percent (31 December 2013) to 3.5 percent as at 30 September 2014. The weighted average lease term in the core portfolio fell from 8.4 to 7.8 years in the reporting period.

In the "Hotel properties" asset class, full occupancy was almost achieved during the reporting period at the two Motel One project development properties in Dresden and Rostock by means of continued letting.

Additionally, in February and September approximately 41,000 square metres were added to the core portfolio through the acquisition of two office properties in Berlin (Kaiserin-Augusta-Allee 104) and Leipzig ("Forum am Brühl", share deal, 94.9 percent). These properties are characterised by their central locations and These properties are characterised by their central locations and excellent terms of lease.

In the first three quarters of 2014, strategic sales of properties that were not part of the core portfolio led to a reduction of approximately 70,000 square metres in lettable area.

GROUP RESULTS OF OPERATIONS

in € k	1/1/2014–30/9/2014	1/1/2013–30/9/2013	Change	Change in %
Net operating income from letting activities	75,978	78,996	-3,018	-3.8
Result from the remeasurement of investment property	47,189	60,225	-13,036	-21.6
Result from the disposal of investment property	2,230	493	1,737	n/a
Result from the disposal of real estate inventory	5,939	7,685	-1,746	-22.7
Other operating income	8,901	5,538	3,363	60.7
Personnel expenses	11,901	19,291	-7,390	-38.3
Depreciation	998	1,092	-94	-8.6
Other operating expenses	7,422	3,824	3,598	94.1
Earnings before interest and taxes (EBIT)	**119,916**	**128,730**	**-8,814**	**-6.8**
Income from joint ventures	0	2,137	-2,137	-100.0
Net interest	-17,908	-25,811	7,903	-30.6
Result from the remeasurement of derivatives	2,068	-6,115	8,183	n/a
Earnings before tax (EBT)	**99,939**	**111,170**	**-11,231**	**-10.1**
Income taxes	31,462	35,906	-4,444	-12.4
Group income for the period	**68,477**	**75,264**	**-6,787**	**-9.0**
Other comprehensive income (OCI)	-8,484	0.0	-8,484	n/a
Comprehensive income	**59,993**	**75,264**	**-15,271**	**-20.3**

Net operating income from letting activities fell by approximately EUR 3,018 thousand to EUR 75,978 thousand in the first nine months in comparison with the previous year. The decline resulted primarily from the sale of some non-core properties, especially a nursing home portfolio in the fourth quarter of 2013. The new strategic properties acquired for the portfolio increased net income in the reporting period. However, these did not fully offset the decline in revenue as a result of the disposals.

On the other hand, the result from the remeasurement of investment property was positive in the first nine months of 2014, as in the prior period. As at 30 September 2014, with a volume of EUR 47,189 thousand the increase in value was approximately EUR 13,036 thousand lower than in the same period in 2013, essentially due to the different market situation. EUR 15,173 thousand of the valuation effects was attributable to properties classified under investment property and EUR 32,016 thousand was attributable to property classified under non-current assets held for sale.

The result from the disposal of investment property increased by EUR 1,737 thousand to EUR 2,230 thousand in comparison with the same period last year, however the result from the disposal of real estate inventory fell by EUR 1,746 thousand in the same period to EUR 5,939 thousand. The result from sales in the reporting period was therefore EUR 8,169 thousand (previous year: EUR 8,178 thousand).

The increase in other operating income and expenses essentially resulted from the expenses accrued in connection with the IPO and the current sole shareholders' pro rata assumption of the expenses.

Due to the company's restructuring measures, personnel expenses fell in the first three quarters of 2014 in comparison to the first three quarters of 2013. The decrease in expenses for severance packages from EUR 6,855 thousand to EUR 321 thousand had a positive effect on the overall fall in personnel expenses from EUR 19,291 thousand to EUR 11,901 thousand. A share-based payment component of EUR 1,872 thousand granted to the Management Board by the shareholders increased expenses in the first three quarters. More information is available in article G.3 of the Notes.

The restructuring of financial liabilities (the refinancing of loans and interest rate hedges and the repayment of a loan assumed by the shareholder) led to lower financial expenses. Compared with the prior period, the interim result grew by EUR 7,903 thousand from EUR -25,811 thousand to EUR -17,908 thousand in spite of an overall increase in liabilities due to banks.

The result of the remeasurement of derivative financial instruments includes the adjustments to the fair values of interest rate hedges that do not form part of an effective hedging relationship between the hedged items and hedging transactions in accordance with IAS 39. Replacing by the old interest rate hedges in March 2014 and taking out new contracts means that all interest rate hedges currently meet the requirements of hedge accounting as stipulated in IAS 39.

The group income for the period in the first nine months of 2014 was EUR 6,787 thousand lower than the result as at 30 September 2013; this is predominantly due to the lower results from remeasurement.

Funds from operations (FFO)

in € k	1/1/2014–30/9/2014	1/1/2013–30/9/2013	Change	Change in %
Group income for the period	**68,477**	**75,264**	**-6,787**	**-9.0**
Taxes on income	31,462	35,906	-4,444	-12.4
EBT	**99,939**	**111,170**	**-11,231**	**-10.1**
Result from the disposal of investment property	-2,230	-493	-1,737	n/a
Result from the disposal of real estate inventory	-5,939	-7,685	1,746	-22.7
Result from the remeasurement of investment property	-47,189	-60,225	13,036	-21.6
Gain (-)/loss from the remeasurement of derivatives	2,068	-6,115	8,183	n/a
Other effects [1]	266	3,709	-3,443	-92.8
FFO before tax	**46,915**	**40,361**	**6,554**	**16.2**
Taxes on income	-31,462	-35,906	4,444	-12.4
Deferred taxes	11,058	17,497	-6,439	-36.8
Correction of current taxes due to a lump-sum calculation for interim periods	4,419	-4,027	8,446	n/a
Adjustment of tax effects from the disposal of investment property and real estate inventory, as well as from settlement of interest rate hedge transactions	9,425	13,631	-4,206	-30.9
FFO after taxes	**40,355**	**31,556**	**8,799**	**27.9**
Number of shares (in thousand)	52,000	52,000		
FFO per share	**0.78**	**0.61**	**0.17**	**27.9**

1 Major one-off, non-recurring or non-cash effects are recognised as other effects. These might include depreciation on owner-occupied property, expenses for personnel restructuring, expenses in connection with the IPO, the reversal of provisions for extraordinary events or income from the disposal of subsidiaries.

The funds from operations (FFO) are a key management indicator for the TLG IMMOBILIEN Group. The FFO as at 30 September 2014, adjusted for essential extraordinary effects, totalled EUR 40,355 thousand and, in the first three quarters of 2014, the FFO increased by 27.9 percent or EUR 8,799 thousand compared with the same period last year. The FFO per share was EUR 0.78 for the first nine months of 2014.

Group income for the period in the first three quarters of 2014, which was lower than in the previous year, is also facing downward adjustments for remeasurement results and upward adjustments for taxes. Therefore, the considerable growth of the FFO over the same period last year particularly reflected the lower interest expenses and savings in both personnel and other operating costs.

FINANCIAL POSITION AND NET ASSETS

In the reporting period, the investment property increased by EUR 52,072 thousand to EUR 1,466,763 thousand as at 30 September 2014, mainly as a result of the acquisition of the "Forum am Brühl" in Leipzig as part of a share deal.

The development in comparison to 31 December 2013 is the result of adjustments to the fair value (EUR 47,189 thousand), acquisitions (EUR 70,028 thousand), the amount capitalised for construction activities (EUR 9,231 thousand) and reclassifications as assets held for sale (EUR -77,822 thousand). Additionally, EUR 3,445 thousand was reclassified from property, plant and equipment.

A total of EUR 15,173 thousand of the fair value adjustment relates to properties held as investment property; EUR 32,016 thousand relates to non-current assets held for sale for which contracts have generally already been signed with buyers. The transfer of benefits and burdens has partly not yet been completed.

Finance and liquidity

As at 30 September 2014, the liabilities due to banks have a different maturity structure in comparison with 31 December 2013. The non-current liabilities due to banks have increased by EUR 214,918 thousand, whereas the current liabilities due to banks have fallen by EUR 84,112 thousand. The reason for this is a comprehensive restructuring of loan financing by means of refinancing, the addition of non-current loans and loan repayments.

Net loan to value (LTV)

in € k	30/9/2014	31/12/2013	Change	Change in %
Investment property (IAS 40)	1,466,763	1,414,691	52,072	3.7
Advance payments on investment property (IAS 40)	1,480	2,707	-1,228	-45.3
Owner-occupied property (IAS 16)	12,962	16,464	-3,502	-21.3
Non-current assets classified as held for sale (IFRS 5)	27,368	17,817	9,552	53.6
Inventories (IAS 2)	1,513	13,385	-11,872	-88.7
Real estate	**1,510,086**	**1,465,064**	**45,023**	**3.1**
Liabilities to banks	757,033	626,227	130,806	20.9
Cash and cash equivalents	56,985	138,930	-81,944	-59.0
Net debt	**700,048**	**487,298**	**212,750**	**43.7**
Net loan to value (LTV)	**46.4%**	**33.3%**	**13.1 pp**	**39.4**

The ratio of the net loans to the value of real estate (net LTV) is a core indicator for the management of the company. On the reporting date it was 46.4 percent in the group. Therefore, compared to 31 December 2013, it has grown by 13.1 percentage points, essentially due to the addition of new loans designed to optimise the capital structure.

Balance sheet structure and EPRA net asset value

As at 30 September 2014, the total assets have fallen by EUR 27,407 thousand to EUR 1,608,288 thousand. The equity of the group therefore fell by EUR 170,331 thousand, whereas the liabilities of the group increased by EUR 142,924 thousand. The fall in equity was driven by EUR 233,000 thousand in distributions to shareholders. The total income of EUR 59,993 thousand generated in the first nine months of 2014 had a positive effect on equity.

The financial structure of the company was considerably improved compared with 31 December 2013. By 30 September 2014, 87.4 percent of liabilities had a remaining term of over one year, whereas by 31 December 2013 only 75.5 percent of liabilities could be categorised this way. The positive change was made possible by the repayment of short-term loans (especially a loan assumed by the shareholder), and the addition respectively the refinancing with long-term loans.

The assets are dominated by investment property. Compared with the start of the period, investment property as a proportion of total assets increased from 86.5 to 91.2 percent. This is primarily based on the fact that the levels of cash and cash equivalents fell over the past nine months.

Equity ratio

in € k	30/9/2014	31/12/2013	Change	Change in %
Equity	630,705	801,036	-170,331	-21.3
Total equity and liabilities	1,608,288	1,635,695	-27,407	-1.7
Equity ratio	**39.2 %**	**49.0 %**	**-9.8 pp**	**-19.9**

Compared to 31 December 2013, the equity ratio fell by 9.8 percent to 39.2 percent, primarily due to the fall in equity resulting from distributions to shareholders and the addition of debt.

EPRA Net Asset Value (NAV)

in € k	30/9/2014	31/12/2013	Change	Change in %
Equity[1]	629,900	801,036	-171,135	-21.4
Fair value adjustment of other assets than fixed assets (IAS 16)	3,492	3,786	-294	-7.8
Fair value adjustment of real estate inventory (IAS 2)	592	5,346	-4,754	-88.9
Fair value of derivatives	14,287	18,773	-4,486	-23.9
Deferred tax assets	-6,905	-3,548	-3,357	94.6
Deferred tax liabilities	101,890	88,140	13,751	15.6
Goodwill	-1,311	—	-1,311	n/a
EPRA Net Asset Value (NAV)	**741,946**	**913,532**	**-171,586**	**-18.8**

1 Adjusted for non-controlling interests.

The EPRA NAV – which totalled EUR 741,946 thousand on the reporting date for the period – is another key indicator for the management of TLG IMMOBILIEN. Compared with 31 December 2013, the EPRA NAV fell by EUR 171,586 thousand, mainly reflecting the change in equity due to distributions. The EPRA NAV per share is EUR 14.27 as of 30 September 2014.

CASH FLOW STATEMENT

The following cash flows led to an overall reduction in the cash funds at the end of the period:

in € k	1/1/2014–30/9/2014	1/1/2013–30/9/2013
1. Cash flow from operating activities	20,812	10,610
2. Cash flow from investing activities	-3,749	61,998
3. Cash flow from financing activities	-99,008	-50,595
Net change in cash funds	**-81,946**	**22,013**
Cash and cash equivalents at beginning of period	138,930	60,527
Cash and cash equivalents at end of period	**56,985**	**82,540**

The cash flow from operating activities increased by EUR 10,202 thousand compared to the first three quarters of the previous year. In this context, significant events resulted in a lower decrease of EUR 17,323 thousand in trade payables and other liabilities compared to the prior period. In the previous year, the payment of real estate transfer tax from the separation of the residential portfolio in particular was a cash item. With a change of EUR 5,979 thousand, the trade receivables and other assets developed in the opposite way. The reason for this is the EUR 2,952 thousand in receivables from the shareholders resulting from the IPO, as well as EUR 2,460 thousand in loans receivable from the minority shareholder of the recently acquired subsidiary FAB S.à r.l.

The cash flow from investing activities essentially resulted from the payment in connection with the acquisition of EPISO Berlin Office Immobilien S.à r.l of net EUR 45,676. On the other hand, in the prior period cash totalling approximately EUR 71,214 thousand was received from the sale of shares in the joint venture Altmarkt-Galerie Dresden KG, Hamburg. In contrast, the cash received from disposals of investment property grew considerably by EUR 47,874 thousand in comparison to the previous year period.

The cash flow from investing activities essentially reflects the distributions to shareholders of EUR 233,000 thousand and the EUR 116,238 thousand in distributions for the repayment of loans. The addition of new loans has provided TLG IMMOBILIEN with funds of EUR 250,229 thousand.

Overall, the cash funds have fallen by EUR 81,946 thousand in the reporting period due to the aforementioned cash flows. The cash consists exclusively of liquid funds.

INVESTMENTS

TLG IMMOBILIEN focuses on a sustainable portfolio strategy and on keeping its real estate and lettable areas competitive. Investments into the quality of the lettable area itself or the building's structure are performed if this is economically advantageous.

TLG IMMOBILIEN considers itself an active portfolio manager and therefore continuously adapts its real estate portfolio in keeping with its strategic objectives. This has led to the signing of purchase agreements for the acquisition of properties in Köpenicker Strasse 30–31 in Berlin and the "Forum am Brühl" (Richard-Wagner-Strasse 1–3) in Leipzig in the third quarter of 2014. The Leipzig property was consolidated for the first time in form of a share deal on 30 September 2014. The acquisitions have been made in line with the growth strategy of the group.

OPPORTUNITIES AND RISKS

The opportunities and risks to which TLG IMMOBILIEN is exposed are described in detail in the 2013 consolidated financial statements. There have been no major changes in the first nine months of 2014. Only the risk of write-downs on the value of property has increased in comparison with 31 December 2013, in particular due to one property whose carrying amount was sufficiently adjusted at the end of the reporting period.

At present there are no risks to the portfolio and none have been identified for the future.

EVENTS AFTER THE REPORTING PERIOD

On 1 October 2014 the acquisition of a new office property on Köpenicker Strasse 30–31 in Berlin was executed. The purchase price of EUR 23 million (including ancillary acquisition costs) was partially financed by a new loan of EUR 13.6 million. On the acquisition date the property, which has over 12,150 square metres of office space and an inner-city location full of potential, had a vacancy rate of around twelve percent. This has already been reduced to below 2.0 percent as at 1 November 2014.

IPO

On 13 October 2014, TLG IMMOBILIEN AG and its existing shareholders decided to offer new and existing shares of TLG IMMOBILIEN AG to private and institutional investors at a price range from EUR 10.75 to 13.75 per share as part of a book-building procedure running from 15 to 23 October 2014. The stock was particularly in demand with national and international institutional investors who intend to hold the shares on a long-term basis. The majority of demand came from the UK and USA.

On 22 October 2014, TLG IMMOBILIEN carried out a capital increase of EUR 9,302,326 (nominal value).

On 23 October 2014, the Management Board of TLG IMMOBILIEN AG and its existing shareholders, together with the underwriting banks led by the joint global coordinators J.P. Morgan and USB Investment Bank, set the issuing price for the listed shares of TLG IMMOBILIEN at EUR 10.75 per share. The stock of TLG IMMOBILIEN has been listed on the Prime Standard at the Frankfurt Stock Exchange since 24 October 2014.

In total, TLG IMMOBILIEN AG generated net issue proceeds of approximately EUR 98.5 million from the issuance of new shares. This amount is now fully available to TLG IMMOBILIEN for financing further growth through strategic acquisitions and investments.

After the successful IPO of TLG IMMOBILIEN on 24 October 2014, the stock had already been included in eight indices of the FTSE EPRA / NAREIT Global Real Estate Index Series by the European Public Real Estate Association (EPRA) by 31 October.

Please see the notes for more detailed information.

OUTLOOK

In the forecast, TLG IMMOBILIEN describes its expectations for future developments. The actual performance of the group depends on a number of factors, some of which are beyond the control of TLG IMMOBILIEN. The statements made in the forecasting report are based on current estimates by the group. These are naturally subject to uncertainty and risk. The actual performance of TLG IMMOBILIEN may turn out better or worse than these estimates.

GENERAL ECONOMIC CONDITIONS AND REAL ESTATE MARKETS

Overall economy

In spite of the impairment of economic activity by the disputes in the Ukraine, the Kiel Institute for the World Economy continues to forecast strong growth in Germany and the European Union in the medium term. This development will mainly be driven by low interest rates. As a result of this, further growth is expected for the German GDP. The labour market should also benefit from this and the unemployment rate should continue to fall.

Office property market

Fundamentally positive economic developments should continue to ensure stability on the office property market. The level of demand for office space will most likely continue to increase due to increased levels of employment and consumer demand.

Retail property market

No significant changes in the general situation are to be expected in the retail segment. Especially with regard to convenience stores providing everyday goods, stable demand is to be expected as a result of the positive consumer climate.

Hotel property market

The generally positive economic development should also continue to support the positive trends in the hotel industry. The number of overnight stays and levels of turnover are expected to perform in line with these figures.

BUSINESS AND ORGANISATION

For the fourth quarter of 2014, TLG IMMOBILIEN expects the general economic conditions in Germany and the real estate sector to remain stable and no major changes to take place on the real estate market or in the business environment of the company.

Most of the company's lettable area is let to tenants on long-term leases with fixed terms. Based on the calculation method recommended by EPRA, the vacancy rate across the entire portfolio was 4.6 percent as at 30 September 2014. The EPRA vacancy rate is expected to remain at a similarly low level at to the end of the year.

For the fourth quarter, TLG IMMOBILIEN expects further progress in the sale of its portfolio of non-core properties and in its internal restructuring measures in connection with personnel and organisation.

OUTLOOK ON REVENUE AND FFO

The results of TLG IMMOBILIEN will mainly be determined by the ongoing profits generated by the properties in the portfolio. Due to the still-ongoing sales process in connection with properties that are not part of the core portfolio, the result from the disposal of investment property and the result from the disposal of real estate inventory will have a high degree of influence on comprehensive income. In 2014, these will probably be lower than in the previous year, because a greater volume of real estate was sold in full year 2013.

Due to the restructuring of loan financing and internal organisation, considerable savings are expected in financial expenses and personnel expenses compared to 2013.

Compared with the previous year, as at 30 September 2014 the FFO had increased to EUR 40.4 million (previous year: EUR 31.6 million), which is due in particular to savings in financial expenses and personnel expenses. The FFO forecast of approximately EUR 50.0 million for the full 2014 financial year can be confirmed.

DIVIDEND POLICY AND DIVIDENDS FOR 2014

TLG IMMOBILIEN combines a solid balance sheet and a high operating cash flow with a conservative approach to finance. This leads to stable funds from operations, sustainable revenue and an attractive potential for dividends. Fundamentally, the company plans to distribute between 70 and 80 percent of its annual FFO as dividends. For the year 2014, in which the company made its initial public offering in October, TLG IMMOBILIEN has already planned a dividend distribution of between EUR 10 and 15 million. This is equivalent to a dividend of between EUR 0.16 and 0.24 per share, based on a total number of shares of 61.3 million, including 9.3 million shares from the capital increase.

INVESTOR RELATIONS

After intense preparation, on 26 September 2014 TLG IMMOBILIEN announced its intention to carry out an initial public offering in the fourth quarter of 2014. The first day of trading of TLG IMMOBILIEN shares in the Prime Standard of the Frankfurt Stock Exchange took place on 24 October 2014. At a price of EUR 10.88 per share, the first quoted price was higher than the issue price of EUR 10.75. On 31 October 2014, the stock of TLG IMMOBILIEN was included in eight indices of the FTSE EPRA / NAREIT Global Real Estate Index Series by the European Public Real Estate Association (EPRA). The company considers its IPO and the subsequent listing of the shares at the Frankfurt Stock Exchange to be a complete success in light of the difficult situation on the capital market.

THE IPO

After the successful organisation and financial reorientation of the company in the last 18 months, the IPO represents the decisive next step for TLG IMMOBILIEN towards implementing its focused growth strategy in the company's core markets.

As part of the book-building process, institutional investors were offered a total of 36,850,000 shares ranging in price from EUR 10.75 to EUR 13.75 per share from 15 to 23 October 2014. The issue volume consisted of 9,302,326 new shares from a capital increase, 24,197,674 shares from the portfolio of existing shareholders as well as an additional over-allotment option of up to 3,350,000 existing bearer shares from the portfolios of the former sole shareholder Lone Star. The Greenshoe-Option was exercised in the amount of 1,415,234 shares, so the gross poceeds from the IPO amount to EUR 375.3 million.

TLG IMMOBILIEN generated approximately EUR 100 million in gross proceeds from the issue of new shares. These proceeds will be used in keeping with the corporate strategy to finance value-boosting acquisitions designed to expand the office and retail portfolios in the core regions, and for investments in the company's core portfolio.

SHAREHOLDER STRUCTURE

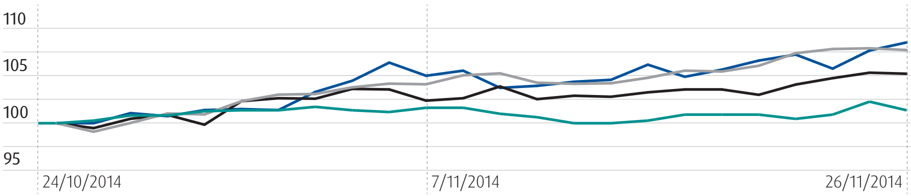
The number of outstanding shares of TLG IMMOBILIEN AG amounts to 61,302,326. After the use of the over-allotment option, LSREF II East AcquiCo S.à r.l. remains the major shareholder of TLG IMMOBILIEN with 43.0 percent. The 57.0 percent free float are essentially held by institutional investors.

Basic share data	
Share type	Bearer shares with no par value
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated market (Prime Standard)
Subscription period	15/10/2014–23/10/2014
First trading day	24/10/14
Book-building range	€ 10.75–13.75
Issue price	€ 10.75
First price	€ 10.88
Closing price (26/11/2014)	€ 10.90
WKN	A12B8Z
ISIN	DE000A12B8Z4
Ticker symbol	TLG
Number of shares at IPO (24/10/2014)	61,302,326
Global Coordinators	J.P. Morgan, UBS Investment Bank
Consortium	Joint Global Coordinators & Joint Bookrunners: J.P. Morgan, UBS Investment Bank Joint bookrunners: Commerzbank AG, Kempen & Co, HSBC
Share capital in €	61,302,326.00
Share capital in units	61,302,326

Stock Performance vs. Indices

in %

TLG IMMOBILIEN | SDAX | FTSE EPRA/NAREIT Developed Europe REAL ESTATE | FTSE EPRA/NAREIT Germany



FINANCIAL CALENDAR

30 April 2015	Publication of 2014 annual report
1 June 2015	Publication of quaterly finacial report Q1 2015

We will be continuously updating our financial calendar, the latest version of which will be available online at all times.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

as at 30 September 2014 – unaudited

in € k	1/7/2014–30/9/2014	1/7/2013–30/9/2013	1/1/2014–30/9/2014	1/1/2013–30/9/2013
Net operating income from letting activities				
Income from letting activities				
a) Rental income	28,359	29,665	85,356	88,881
b) Income from recharged utilities and other operating costs	5,788	4,511	14,841	13,983
c) Income from other goods and services	443	187	1,296	1,135
	34,590	34,363	101,493	103,999
Expenses related to letting activities				
d) Utilities and other operating costs	6,407	6,352	19,097	19,815
e) Maintenance expenses	984	1,259	2,887	3,124
f) Other expenses	1,242	456	3,531	2,064
	8,633	8,067	25,515	25,003
	25,957	**26,296**	**75,978**	**78,996**
Result from the remeasurement of investment property	**-4,141**	**25,843**	**47,189**	**60,225**
Result from the disposal of investment property	**1,772**	**265**	**2,230**	**493**
Result from the disposal of real estate inventory	**3,650**	**2,202**	**5,939**	**7,685**
a) Proceeds from the disposal of real estate inventory	20,172	5,513	26,073	19,775
b) Book value of real estate inventory disposed	16,522	3,311	20,134	12,090
Other operating income	**5,268**	**1,660**	**8,901**	**5,538**
Personnel expenses	**4,243**	**3,911**	**11,901**	**19,291**
Depreciation	**297**	**350**	**998**	**1,092**
Other operating expenses	**4,999**	**1,535**	**7,422**	**3,824**
Earnings before interest and taxes (EBIT)	**22,967**	**50,470**	**119,916**	**128,730**
Income from joint ventures	**—**	**—**	**—**	**2,137**
Financial income	**93**	**102**	**472**	**461**
Financial expenses	**6,286**	**8,184**	**18,380**	**26,272**
Gain (-)/loss from the remeasurement of derivatives	**57**	**-693**	**2,068**	**-6,115**
Earnings before taxes	**16,716**	**43,080**	**99,939**	**111,170**
Taxes on income	**5,645**	**13,915**	**31,462**	**35,906**
Net income	**11,071**	**29,165**	**68,477**	**75,264**
Attributable to:				
Shareholders of TLG IMMOBILIEN AG	11,071	29,165	68,477	75,264
Non-controlling interests	—	—	—	—
Undiluted earnings per share [1]	0.21	0.56	1.32	1.45
Other comprehensive income:				
thereof non-recycling				
Actuarial gains and losses	—	—	—	—
thereof recycling				
Hedge accounting reserve	-3,757	—	-8,484	—
Total comprehensive income for the year	**7,314**	**29,165**	**59,993**	**75,264**
Attributable to:				
Shareholders of TLG IMMOBILIEN AG	7,314	29,165	59,993	75,264
Non-controlling interests	—	—	—	—

1 Before the legal form of the company changed to an Aktiengesellschaft (stock corporation) on 5 September 2014, the company was a limited liability company (GmbH). Therefore, for the purposes of comparison, the value of the issued shares is the value that would have existed if the company had always been an Aktiengesellschaft with the same number of shares (52,000,000). As no diluting financial instruments were issued, the undiluted earnings per share are identical to the diluted earnings per share.

CONSOLIDATED BALANCE SHEET

as at 30 September 2014 – unaudited

Assets

in € k	30/9/2014	31/12/2013
A) Non-current assets		
Investment property	1,466,763	1,414,691
Advance payments on investment property	1,480	2,707
Property, plant and equipment	14,187	17,762
Intangible assets	538	872
Other non-current financial assets	2,584	124
Goodwill	1,311	0
Other assets	8,408	8,423
Deferred tax assets	6,905	3,548
	1,502,176	**1,448,127**
B) Current assets		
Inventories	1,513	13,385
Trade receivables	10,516	11,567
Receivables from income taxes	293	194
Financial instruments	0	15
Other current financial assets	2,994	4,953
Receivables and other assets	6,442	707
Cash and cash equivalents	56,985	138,930
Assets classified as held for sale	27,368	17,817
	106,112	**187,568**
Total assets	**1,608,288**	**1,635,695**

Equity and Liabilities

in € k	30/9/2014	31/12/2013
A) Equity		
Subscribed capital	52,000	52,000
Capital reserves	253,574	410,249
Revenue reserves	333,963	339,939
Other comprehensive income	-9,637	-1,152
Non-controlling interests	805	0
	630,705	**801,036**
B) Liabilities		
I.) Non-current liabilities	854,244	630,245
Non-current liabilities to financial institutions	727,920	513,002
Pension obligations	6,751	6,931
Non-current derivative financial instruments	14,287	18,788
Other non-current liabilities	3,396	3,384
Deferred tax liabilities	101,890	88,140
II.) Current liabilities	123,339	204,414
Current liabilities to financial institutions	29,113	113,225
Trade payables	14,282	14,573
Other current provisions	13,057	16,193
Tax liabilities	57,893	44,287
Other current liabilities	8,994	16,136
	977,583	**834,659**
Total equity and liabilities	**1,608,288**	**1,635,695**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 30 September 2014 – unaudited

in € k	1/1/2014–30/9/2014	1/1/2013–30/9/2013
1. Cash flow from operating activities		
Earnings before taxes	99,939	111,173
Depreciation	999	1,092
Result from the remeasurement of investment property	-47,189	-60,225
Result from the remeasurement of derivatives	2,068	-6,115
Increase / decrease in provisions	-3,031	-655
Other non-cash income and expenses	1,856	—
Results of joint ventures	—	-2,137
Gain / loss from disposal of property, plant and equipment	-2,478	2
Increase / decrease in inventories	11,872	8,474
Financial income	-472	-461
Financial expenses	18,380	26,272
Increase / decrease in trade receivables and other assets	-3,670	2,309
Increase / decrease in trade payables and other liabilities	-9,288	-26,611
	68,987	**53,118**
Net cash flow from operating activities		
Interest received	498	461
Interest paid	-41,875	-42,098
Income tax paid	-6,798	-871
	20,812	**10,610**
2. Cash flow from investing activities		
Cash received from disposals of investment property	70,500	22,626
Cash received from disposals of property, plant and equipment	—	15
Cash paid for acquisitions of investment property	-28,019	-31,724
Cash paid for acquisitions of property, plant and equipment	-373	-28
Cash paid for investments in intangible assets	-181	-105
Cash paid in relation with the acquisition of consolidated companies	-45,676	—
Cash received from disposals of joint ventures	—	71,214
	-3,749	**61,998**
3. Cash flow from financing activities		
Cash received from equity contributions	—	15,200
Cash distributions to shareholders	-233,000	—
Cash received from bank loans	250,229	77,704
Repayments of bank loans	-116,238	-143,499
	-99,008	**-50,595**
4. Cash and cash equivalents at end of period		
Change in cash and cash equivalents (subtotal of 1 to 3)	-81,945	22,013
Cash and cash equivalents at beginning of period	138,930	60,527
	56,985	**82,540**
5. Composition of cash and cash equivalents		
Cash	56,985	82,540
Cash and cash equivalents at end of period	**56,985**	**82,540**

CHANGES IN GROUP EQUITY

unaudited

in € k	Subscribed capital	Capital reserves	Revenue reserves	Revenue reserves: Reserve for hedge accounting	Revenue reserves: Actuarial gains and losses	Non-controlling interests	Equity
1/1/2013	**52,000**	**151,461**	**804,278**	**—**	**-1,005**	**—**	**1,006,734**
Net income	—	—	75,267	—	—	—	75,267
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	75,267	—	—	—	75,267
Withdrawals from capital reserves	—	-199,776	199,776	—	—	—	—
Distributions to shareholders	—	—	-325,177	—	—	—	-325,177
Additional contributions to capital reserves	—	15,200	—	—	—	—	15,200
Release of special reserve, Art. 27.2 DMBilG	—	—	-438,071	—	—	—	-438,071
Contributions to capital reserves	—	438,071	—	—	—	—	438,071
	—	253,495	-488,204	—	—	—	-234,709
30/9/2013	**52,000**	**404,956**	**316,075**	**—**	**-1,005**	**—**	**772,026**
1/1/2014	**52,000**	**410,249**	**339,939**	**-124**	**-1,028**	**—**	**801,036**
Net income	—	—	68,477	—	—	—	68,477
Other comprehensive income	—	—	—	-8,484	—	—	-8,484
Total comprehensive income for the year	—	—	68,477	-8,484	—	805	60,798
Withdrawals from capital reserves	—	-158,547	158,547	—	—	—	—
Distributions to shareholders	—	—	-233,000	—	—	—	-233,000
Additional contributions to capital reserves	—	—	—	—	—	—	—
Capital contribution in connection with manager remuneration	—	1,872	—	—	—	—	1,872
	—	-156,675	-5,977	-8,484	—	805	-170,330
30/9/2014	**52,000**	**253,574**	**333,963**	**-8,609**	**-1,028**	**805**	**630,705**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Selected notes to the consolidated interim financial statements of TLG IMMOBILIEN AG as at 30 September 2014

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

1. CHANGE OF LEGAL STRUCTURE TO THAT OF AN AKTIENGESELLSCHAFT (STOCK CORPORATION)

With the resolution of transformation notarised on 5 September 2014, the change in the legal structure from TLG IMMOBILIEN GmbH to TLG IMMOBILIEN AG was adopted by the shareholders of TLG IMMOBILIEN GmbH, LSREF II East AcquiCo S.à r.l. and Delpheast Beteiligungs GmbH und Co. KG. The shareholders of TLG IMMOBILIEN GmbH appointed the following persons to the first Supervisory Board as part of this resolution of transformation:

a) Mr Michael Zahn;
b) Mr Alexander Heße;
c) Dr Claus Nolting.

By resolution of the Supervisory Board on 8 September 2014, the following persons were appointed to the first Management Board of TLG IMMOBILIEN AG:

a) Mr Peter Finkbeiner;
b) Mr Niclas Karoff.

The change in the legal structure from TLG IMMOBILIEN GmbH to TLG IMMOBILIEN AG was completed by the company's entry into the commercial register under number HRB 161314 B on 10 September 2014.

2. ABOUT THE COMPANY

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

The main activities of the parent company and its subsidiaries are the conclusion of real estate contracts and any type of related business, especially the exploitation, letting, construction, conversion, acquisition and sale of commercial real estate in the broader sense, especially offices, retail properties and hotels, the development of real estate projects and the provision of services in connection with these corporate activities, either itself or through companies in which the company holds a stake.

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

3. BASES OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements of the TLG Group were prepared in accordance with IAS 34 (Interim Financial Reporting) in condensed form and in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), as adopted by the European Union. The consolidated interim financial statements were prepared in accordance with the provisions of Regulation (EC) No 1606/2002 of the European Parliament and of the European Council of 19 July 2002 concerning the application of international accounting standards in conjunction with Section 315a (3) of the German Commercial Code (HGB), taking into account the supplementary commercial regulations. The requirements of IAS 34 (Interim Financial Reporting) have been complied with.

The consolidated interim financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, 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 comprises the interim group management report and the assurance of the legal representatives.

The consolidated interim financial statements have been prepared in EUR.

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

These condensed consolidated interim financial statements are unaudited.

B. NEW ACCOUNTING STANDARDS

The TLG Group has applied all new mandatory standards and interpretations as at 1 January 2014. The following standards and interpretations which were mandatory as at 1 January 2014 had no significant impact on the consolidated interim financial statements:

- IFRS 10 "Consolidated Financial Statements" focuses in particular on the possibility of de facto control in consolidation issues
- IFRS 11, published in May 2011 by IASB, replaces IAS 31 and SIC-13
- IFRS 12 "Disclosure of Interests in Other Entities" stipulates the disclosures required in the notes for interests in other entities with respect to risk and significance on the financial position, financial performance and cash flow
- The amendments to transitional provisions of IFRS 10, IFRS 11 and IFRS 12 are mainly limited to the figures from the prior year in the event of changes due to the application of the new standards to a comparison year
- IASB issued the revised IAS 27 in May 2011. With the publication of IFRS 10 and IFRS 12, the scope of application for IAS 27 was limited to accounting for investments in subsidiaries, associates and joint ventures in the separate financial statements of an entity
- The interpretation of IFRIC 21 published in May 2013 clarifies at which time an entity recognises a liability for a levy imposed by a government
- The new IAS 28 "Investments in Associates and Joint Ventures" addresses accounting for shares in associates and joint ventures

- The amendment of IAS 32 clarifies the requirements for offsetting financial instruments. In particular, it highlights the significance of the current legal right to offset. This is currently not expected to impact TLG IMMOBLIEN
- The amendment of IAS 36 “Impairment of Assets” clarifies that information on the recoverable amount of a cash-generating unit are only necessary if impairments or appreciation were recognised for these during the reporting period
- The amendment of IAS 39 permits the continuation of hedge accounting after novation of an over-the-counter (OTC) derivative as a hedging instrument. This is currently not expected to impact TLG IMMOBILIEN

C. CONSOLIDATION METHODS

Number of fully consolidated subsidiaries

	30/9/2014	31/12/2013
As at 1/1	4	4
Additions	1	–
As at 30/9/31/12	**5**	**4**

Number of joint ventures at equity

	30/9/2014	31/12/2013
As at 1/1	–	1
Disposals	–	1
As at 30/9/31/12	**–**	**–**

On 30 September 2014, approximately 94.9 percent of the shares of EPISO Berlin Office Immobilien S.à r.l. (EPISO) were acquired. Due to the acquisition of approximately 94.9 percent of the shares by TLG IMMOBILIEN AG on 30 September 2014, and the subsequent appointment of the management on the same day by TLG IMMOBILIEN AG, on 30 September 2014 TLG IMMOBILIEN AG acquired control of EPISO. With the notarised shareholders’ resolution of 30 September 2014, the name of the acquired company was changed to TLG FAB S.à r.l. Accordingly, the initial consolidation of the aforementioned company took place on 30 September 2014.

D. GROUP ACCOUNTING AND MEASUREMENT PRINCIPLES

The accounting and valuation methods applied in these consolidated interim financial statements are virtually identical to the methods outlined in IFRS. Therefore, these consolidated interim financial statements are to be read in conjunction with the consolidated financial statements of the TLG Group of 31 December 2013.

1. BUSINESS COMBINATIONS

The TLG Group applied IFRS 3 "Business Combinations" for the first time in the 2014 financial year.

With the notarised purchase agreement of 5 September 2013, TLG IMMOBILIEN AG acquired approximately 94.9 percent of the shares of EPISO, a company governed by Luxembourg law with headquarters in Luxembourg. Upon the transfer of the shares and with the necessary notarised appointment of the managing directors by TLG IMMOBILIEN AG on 30 September 2014 in line with Luxembourg law, TLG IMMOBILIEN AG acquired control of EPISO on 30 September 2014. With the notarised shareholders' resolution of 30 September 2014, the name of the acquired company was changed to TLG FAB S.à r.l.

TLG FAB S.à r.l. is a real estate company and is the owner and operator of the office and retail building "Forum am Brühl" in Leipzig. The office and retail building, which was built in 1996/1997 with a lettable area of 26,500 square metres and which consists of two buildings, is located in the centre of Leipzig in direct proximity to the main station, the town centre and the central public transport stops. The office and retail areas have been let to over 30 mostly high-quality lessees with long-term contracts. The seller of the company shares is a holding company governed by Luxembourg law with headquarters in Luxembourg.

The consideration for the acquisition of the shares is made up as follows:

in € k	
Preliminary purchase price of the shares	14,958
Preliminary consideration for the acquisition of shares	**14,958**

As consideration for the acquisition of the shares, the preliminary purchase price was paid in full within the reporting period.

Furthermore, TLG IMMOBILIEN AG assumed loans receivable and settled the following liabilities due to banks:

in € k	
Acceptance of loans receivable of the current shareholder, from an affiliated company of the current shareholder and from an associate of the current shareholder	12,666
Settlement of the company's liabilities due to banks	19,267
Sum	**31,933**

The loans of the current shareholder were accepted in exchange for payment of the loan amount to the current shareholder in the reporting period. The liabilities due to banks were settled upon payment of the redemption amounts in the reporting period.

The following assets and liabilities, currently measured at their fair value and categorised by main groups, were assumed as part of the merger:

in € k	
Investment property	50,000
Trade receivables	214
Other receivables and current assets	25
Cash and cash equivalents	1,216
Total assets	51,456
Other non-current liabilities	1,710
Deferred tax liabilities	3,125
Trade payables	205
Other current liabilities	31,964
Total liabilities	37,004
Acquired net assets	**14,452**

The full goodwill method was applied to the calculation of goodwill. This method produces goodwill of EUR 1,311 thousand, of which EUR 67 thousand is attributable to the non-controlling interests. The goodwill represents expected synergies from the integration of the company.

The value that is not attributable to the non-controlling interests is EUR 805 thousand and corresponds to the purchase price paid by the minority shareholder for the acquisition of the shares on 30 September 2014.

Based on the current contractually agreed rents, rental income of approximately EUR 3,300 thousand is expected in 2015 and EUR 800 thousand in Q4 2014.

In the third quarter, incidental acquisition costs of EUR 200 thousand were recognised as a net loss under other operating expenses, which became non-cash items in the same quarter.

If, within 12 months of the acquisition, new information should render it necessary to evaluate the recognition and the value of assets and liabilities assumed on the acquisition date in a different way, they will be adjusted with retroactive effect to the acquisition date.

2. FAIR VALUE MEASUREMENT

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

The fair value of the financial instruments is determined on the basis of corresponding market values or measurement methods. For cash and other current primary financial instruments, the fair values are approximately equal to the carrying amounts recognised on each reporting date.

For non-current receivables and other assets and liabilities, fair value is calculated on the basis of expected cash flows using the applicable reference interest rates on the reporting date. The fair values of financial instruments are determined on the basis of the reference interest rates on the reporting date plus the own risk or counterparty risk.

For financial instruments to be recognised at fair value, fair value is generally calculated using the corresponding market or publicly quoted prices. If no market or publicly quoted prices are available, the fair value is measured using standard valuation methods with consideration for instrument-specific market parameters. The fair value is calculated using the discounted cash flow method, while individual credit ratings and other market conditions used to calculated present value in the form of credit ratings or standard liquidity spreads.

The relevant market prices and interest rates observed on the date of the statement of financial position – and obtained from recognised external sources – are used as input parameters for the valuation models when calculating the fair value of derivative financial instruments.

Investment property is measured at fair value. Fair value measurement of the investment property is categorised under Level 3 of the fair value hierarchy of IFRS 13.86 (measurement on the basis of unobservable inputs).

The market value of the property held for generating rental income or for capital appreciation over the long term is calculated by means of the discounted cash flow method. Properties with negative cash inflows (such as permanently vacant properties) are valued using the liquidation method (land value less demolition costs, plus residual net income, if applicable). Appraisal of undeveloped land was conducted using the comparative value procedure taking into account the standard land values of the local committees for property values.

Given that the measurement of the financial investments has not changed since the 2013 consolidated financial statements, the detailed information on the fair value measurement in the consolidated financial statements has also not changed.

The fair value hierarchy of the TLG Group was as follows on the reporting date, 30 September 2014:

in € k	Level 1	Level 2	Level 3
Investment property	–	–	1,466,763
Liabilities to banks[1]	–	757,033	–
Derivatives with negative fair value	–	14,287	–

1 The fair value has been calculated exclusively for information in the notes.

By way of comparison, the hierarchy was as follows on 31 December 2013:

in € k	Level 1	Level 2	Level 3
Investment property	–	–	1,414,691
Derivatives with positive fair value	–	15	–
Liabilities to banks[1]	–	626,227	–
Derivatives with negative fair value	–	18,788	–

1 The fair value has been calculated exclusively for information in the notes.

There were no transfers within the fair value hierarchy during the third quarter of 2014.

3. SHARE-BASED PAYMENT

In the 2014 financial year, the TLG Group applied IFRS 2 “Share-based Payment” for the first time, as an options programme was introduced for the management during the 2014 financial year.

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the consolidated interim financial statements in accordance with IFRS requires the management to make assumptions and estimates which will influence the carrying amounts of the recognised assets, liabilities, income and expenses, as well as the disclosure of contingent liabilities. These assumptions and estimates concern the measurement of investment property and the accounting and measurement of assets intended for sale, liabilities, pension provisions, other provisions, liabilities due to financial institutions and the recognition of deferred tax assets.

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

5. SEGMENT REPORTING

There were no changes from the consolidated financial statements of 31 December 2013 when the management report was generated. Consequently, in accordance with IFRS 8 it is a segment – one which contains all operative activities of the TLG Group and about which the main decision-makers regularly receive reports – which must still be disclosed.

E. SELECTED NOTES TO THE CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

In the 2013 financial year and through to the reporting date for the consolidated interim financial statements, **investment property** as defined in IAS 40, including reclassifications as assets held for sale as defined in IFRS 5, developed as follows:

in € k	1/1/2014–30/9/2014	1/1/2013–31/12/2013
Carrying amount as at 1/1	**1,414,691**	**1,511,726**
Acquisitions	70,028	3,591
Capitalisation of construction activities	9,231	36,396
Reclassification as assets held for sale	-77,822	-209,259
Reclassification as property, plant and equipment	-25	—
Reclassification from property, plant and equipment	3,470	—
Fair value adjustment	47,189	72,237
Carrying amount as at 30/9/31/12	**1,466,763**	**1,414,691**

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

The office portfolio has been expanded by two attractive office properties in Berlin and Leipzig. After all project development properties during the previous year were reclassified as under management as at 31 December 2013, further expansion work was performed up to 30 September 2014. The decline in project development activities is reflected in the amount capitalised for construction activities of EUR 9,231 thousand (previous year EUR 36,396 thousand).

EUR 77,822 thousand was reclassified as assets held for sale to reflect disposals in keeping with the portfolio strategy.

As in 2013, consistently favourable market conditions made it possible, in particular, to sell a number of inner-city development plots at attractive prices in 2014 as well, with the result that the EUR 47,189 thousand fair value adjustment in 2014 related to 68 percent of the assets held for sale. Properties reclassified as assets held for sale also included all sales conducted during the year, which had first been reclassified as assets held for sale and then sold off.

In addition to the aforementioned favourable market conditions, the declined EPRA vacancy rate of 4.6 percent in the first nine months of 2014 (previous year 5.6 percent) led to an increased value of the investment property.

The fair values of investment property were as follows, broken down by the valuation method and by asset class as at 30 September 2014:

in € k	Investment properties	Discount rate			Capitalisation rate		
		Min.	Max.	Average (weighted according to gross present value)	Min.	Max.	Average (weighted according to net sales price)
Valuation method = discounted cash flow (DCF)							
Retail properties	663,603	4.00%	15.00%	6.25%	5.50%	33.00%	8.13%
Office properties	519,774	4.00%	12.00%	5.49%	4.00%	15.00%	6.91%
Hotel properties	189,188	5.00%	6.25%	5.60%	6.25%	6.75%	6.48%
Other properties	72,617	3.75%	12.00%	7.09%	4.00%	25.00%	10.89%
Total (DCF)	**1,445,182**	**3.75%**	**15.00%**	**5.93%**	**4.00%**	**33.00%**	**7.58%**
Valuation method = liquidation method							
Retail properties	4,880	5.00%	5.00%	5.00%	–	–	–
Office properties	230	7.50%	7.50%	7.50%	–	–	–
Other properties	16,471	5.00%	9.50%	5.41%	–	–	–
Total (liquidation method)	**21,581**	**5.00%**	**9.50%**	**5.34%**	**–**	**–**	**–**
Total	**1,466,763**						
Multiplier net rental	12.70						

The following values were reported as at 31 December 2013:

in € k	Investment properties	Discount rate			Capitalisation rate		
		Min.	Max.	Average (weighted according to gross present value)	Min.	Max.	Average (weighted according to net sales price)
Valuation method = discounted cash flow (DCF)							
Retail properties	655,994	5.00%	15.00%	6.25%	5.50%	25.00%	8.16%
Office properties	447,308	4.00%	12.00%	5.54%	4.00%	20.00%	7.12%
Hotel properties	185,611	5.00%	6.25%	5.61%	6.25%	6.75%	6.48%
Other properties	73,698	5.00%	14.00%	7.86%	6.00%	30.00%	11.46%
Total (DCF)	**1,362,610**	**4.00%**	**15.00%**	**6.01%**	**4.00%**	**30.00%**	**7.76%**
Valuation method = liquidation method							
Retail properties	24,500	5.00%	7.50%	5.78%	–	–	–
Office properties	450	7.50%	7.50%	7.50%	–	–	–
Other properties	27,131	3.00%	8.00%	5.07%	–	–	–
Total (liquidation method)	**52,081**	**3.00%**	**8.00%**	**5.43%**	**–**	**–**	**–**
Total	**1,414,691**						
Multiplier net rental	12.68						

Other financial assets included EUR 2,637 thousand in restricted funds as at 30 September 2014.

Cash and cash equivalents essentially consisted of bank balances. These included EUR 129 thousand in restricted funds as at 30 September 2014. The decrease resulted primarily from distributions to shareholders.

The change in the components of **group equity** can be found in the statement of changes in equity. Essentially, the decline resulted from distributions to shareholders of EUR 233,000 thousand. Of that amount, EUR 158,547 thousand was distributed from capital reserves, EUR 843 thousand from revenue reserves and EUR 73,610 thousand from retained earnings.

Liabilities to banks are as follows:

in € k	30/9/2014	31/12/2013
Liabilities to banks with a remaining term of up to 1 year	29,113	113,225
Liabilities to banks with a remaining term longer than 1 year	727,920	513,002
Total liabilities to banks	**757,033**	**626,227**
Cash and cash equivalents	56,985	138,930
Net debt	**700,048**	**487,298**

The increase in liabilities due to banks resulted from regularly scheduled repayments, as well as from the draw-down of tranches from existing and new loans amounting to EUR 250,229 thousand. In addition, EUR 102,514 thousand in old loans was repaid.

Other provisions changed as follows:

in € k	As at 1/1/2014	Additions	Utilisations	Reversals	As at 30/9/2014
Provisions for personnel expenses from restructuring plan	2,845	—	-2,383	—	462
Provisions for litigation risks	12,871	1,161	—	-2,284	11,748
Other miscellaneous provisions	477	523	-150	-3	847
Sum	**16,193**	**1,684**	**-2,533**	**-2,287**	**13,057**

The provisions for litigation costs were reversed in part due to a litigation victory.

F. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net operating income from letting activities fell in the first three quarters of 2014, compared to the first three quarters of 2013, as a result of disposals in connection with strategically driven portfolio optimisations. Income from letting activities, which was lower in comparison to the same period of the previous year, resulted primarily from the sale of a portfolio of nursing home properties in November 2013.

The result from the remeasurement of investment property included EUR 32,016 thousand (EUR 4,681 thousand by 30 September 2013) for properties classified as long-term assets held for sale.

Personnel expenses developed as follows:

in € k	1/1/2014–30/9/2014	1/1/2013–30/9/2013
Salaries	7,330	9,518
Social security contributions and cost of old age pensions	1,501	1,829
Bonuses	877	1,088
Severance packages	321	6,855
Share-based payment components under IFRS 2 [1]	1,872	–
Sum	**11,901**	**19,291**

1 The 2014 interim financial statements include an amount of EUR thousand 795 under salaries which was reclassified in the financial statements for Q3 2014.

The company initiated significant restructuring measures at the beginning of 2013. Over the course of the year, the activities carried out by branch offices were integrated with the central office, thus concentrating operating activities there. Additionally, the workforce was streamlined. This streamlining goes hand-in-hand with the strategic objectives of the property portfolio.

TLG IMMOBILIEN AG is conscious of its social responsibility and on 7 March 2013 adopted measures for a reconciliation of interests on the basis of the social plan of 1 November 2011. In this context, the company has incurred expenses relating to severance packages.

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

The increase in other operating income primarily results from the shareholders' proportional assumption of the expenses of EUR 2,952 thousand incurred during the reporting period in connection with the IPO. For more information see section G under 3. "Related parties".

The increase in other operating expenses is primarily based on the additional expenses accrued in connection with the IPO of the company.

Interest income is as follows:

in € k	1/1/2014–30/9/2014	1/1/2013–30/9/2013
Interest income from bank balances	-279	-295
Interest income from default interest and deferrals	-182	-160
Other interest income	-11	-6
Total interest and similar income	-472	-461
Interest expenses for interest rate derivatives	3,013	5,369
Interest on loans	13,493	20,619
Other financial expenses	1,873	284
Total interest and similar expenses	18,380	26,272
Interest result	**17,908**	**25,811**

Despite the overall increase in liabilities due to financial institutions, the decrease in interest on loans was due to the optimisation of the company's financing structure. Moreover, in the previous year a loan liability taken over by the shareholders increased liabilities. That loan was repaid in March 2014.

The interest expense for interest rate hedges was lower, particularly due to the fact that in March 2014 existing interest rate hedges were unwound and then replaced by hedges at more favourable conditions.

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

in € k	1/1/2014–30/9/2014	1/1/2013–30/9/2013
Current income tax	20,403	18,359
Deferred taxes	11,059	5,540
Tax expense / income	**31,462**	**23,899**
Prior-period income taxes	–	49

G. ADDITIONAL DISCLOSURES

1. 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.

No diluting financial instruments were issued. The undiluted earnings per share are therefore identical to the diluted earnings per share.

	Unit	1/1/2014–30/9/2014	01/1/2013–30/9/2013
Result attributable to shareholders	in € k	68,477	75,264
Number of shares issued[1]	in k	52,000	52,000
Undiluted earnings per share (in EUR per share)	in €	**1.32**	**1.45**

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

2. ADDITIONAL DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

The table below presents the carrying amounts and fair values of financial instruments by class and measurement category:

30/9/2014	Measurement category in accordance with IAS 39	Measured at amortised cost		Measured at fair value	No measurement category in accordance with IAS 39	No financial instruments in accordance with IAS 32	Total items in statement of financial position
in € k		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Other non-current financial assets	LaR	2,460	2,460	—	—	—	**2,460**
Other non-current financial assets	AfS	124	n/a	—	—	—	**124**
Trade receivables	LaR	10,516	10,516	—	—	—	**10,516**
Other short-term financial assets	LaR	2,994	2,994	—	—	—	**2,994**
Cash and cash equivalents	LaR	56,985	56,985	—	—	—	**56,985**
Total financial assets		**73,078**	**70,494**	**—**	**—**	**—**	**73,078**
Liabilities to financial institutions [1]	FLaC	757,033	801,548	—	—	—	**757,033**
Trade payables	FLaC	14,282	14,282	—	—	—	**14,282**
Financial derivatives [2]	FLHfT	—	—	—	14,287	—	**14,287**
Other liabilities	FLaC	12,389	4,199	—	—	8,191	**12,389**
Total financial liabilities		**783,705**	**820,028**	**—**	**14,287**	**8,191**	**797,992**

Categorisation of underlying inputs for fair value measurement in accordance with IFRS 13.93(b) and IFRS 13.97:

1 Liabilities due to banks: Level 2 within the fair value hierarchy (measured on the basis of observable inputs / market data).

2 Derivatives: Level 2 within the fair value hierarchy (measured on the basis of observable inputs / market data).

31/12/2013	Measurement category in accordance with IAS 39	Measured at amortised cost		Measured at fair value	No measurement category in accordance with IAS 39	No financial instruments in accordance with IAS 32	Total items in statement of financial position
in € k		Carrying amount	Fair value	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Other non-current financial assets	AfS	124	n/a	—	—	—	**124**
Trade receivables	LaR	11,567	11,567	—	—	—	**11,567**
Other short-term financial assets	LaR	4,953	4,953	—	—	—	**4,953**
Financial derivatives [1]	FAHfT	—	—	15	—	—	**15**
Cash and cash equivalents	LaR	138,930	138,930	—	—	—	**138,930**
Total financial assets		**155,574**	**155,449**	**15**	**—**	**—**	**155,589**
Liabilities to financial institutions [2]	FLaC	626,227	640,477	—	—	—	**626,227**
Trade payables	FLaC	14,573	14,573	—	—	—	**14,573**
Financial derivative [1]	FLHfT	—	—	18,608	180	—	**18,788**
Other liabilities	FLaC	19,520	11,983	—	—	7,537	**19,520**
Total financial liabilities		**660,321**	**667,033**	**18,608**	**180**	**7,537**	**679,109**

Categorisation of underlying inputs for fair value measurement in accordance with IFRS 13.93(b) and IFRS 13.97:

1 Derivatives: Level 2 with in the fair value hierarchy (measured on the basis of observable inputs / market data).

2 Liabilities to banks: Level 2 with in the fair value hierarchy (measured on the basis of observable inputs / market data).

LaR = Loans and receivables	FLaC = Financial liabilities at cost
HfT = Held for trading	FAHfT = Financial assets held for trading
AfS = Available for sale	FLHfT = Financial liabilities held for trading

The "Other financial assets" class includes AfS financial instruments amounting to EUR 124 thousand (EUR 124 thousand on 31 December 2013). These are shares in entities which are not fully consolidated or measured at equity. The instruments are carried at amortised cost since there is no quoted price available for them on an active market and it is not possible to reliably determine their fair value.

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

3. RELATED PARTIES

Related parties and companies are defined as companies and persons which have the ability to control or exercise a material influence over the TLG Group, or which the TLG Group controls or exercises a material influence over.

The transformation of TLG IMMOBILIEN GmbH to TLG IMMOBILIEN AG caused the group of related parties to change.

Accordingly, the members and immediate relatives of the Management and Supervisory Board of TLG IMMOBILIEN AG are considered related parties, as are members of management who exercise key executive functions, as well as the TLG Group's subsidiaries and joint ventures.

In addition, former shareholders and, since the change in legal form, sole shareholders, LSREF II EAST ACQUICO S.à r.l. and Delpheast Beteiligungs GmbH & Co. KG and their related parties are considered related parties of the TLG Group.

Related companies

In the first nine months of 2014, TLG IMMOBILIEN distributed EUR 158,547 thousand from capital reserves, EUR 843 thousand from revenue reserves and EUR 73,610 thousand from retained earnings to shareholders.

Receivables from and liabilities due to related companies were as follows as at 30 September 2014:

in € k	1/1/2014–30/9/2014	01/1/2013–30/9/2013
Statement of financial position		
Receivables from shareholders	2,952	–
Liabilities to other related companies	–	87

In the first nine months, income and expenses from related companies amounted to:

in € k	1/1/2014–30/9/2014	1/1/2013–30/9/2013
Statement of comprehensive income		
Income from expenses passed on to shareholders	2,952	–
Expenses for other related companies (interest)	–	215
Expenses for other related companies (guarantee commissions)	230	72

The receivables from shareholders and income from expenses passed on to shareholders result from the proportional assumption of the expenses accrued in connection with the IPO in the reporting period. A share of approximately 73.0 percent of the issue volume from the IPO for the shareholders was used as a basis when calculating the receivables from shareholders. The resulting expenses consist of audit and advisory costs in connection with the IPO and its preparation.

Related persons

On 11 April 2014, the management of TLG IMMOBILIEN AG entered into a bilateral bonus agreement with the direct shareholders of the company. Under the agreement, any future realised appreciation in the value of the company will be passed on to the beneficiaries in the form of a cash bonus payment.

The amount of the bonus to be paid will be determined on the basis of a reference value which is designed to reflect the appreciation of shareholders' invested equity over the term of their investment. The reference value is determined as the total of distributions to the shareholders less contributions made by the shareholders into the investment. The bonus payment is based on a percentage of the reference value, linked to a 0.4 percent cap.

The bonus payment by the shareholders will be due if several cumulative requirements have been met:

- Occurrence of an exit or partial exit event: neither the direct shareholders nor their associates continue to hold a direct or indirect interest in TLG IMMOBILIEN GmbH or the amount of their interest falls below the total of their current interest
- Distributions must exceed contributions paid by the shareholders by more than 50 percent
- At the (partial) exit date, the managing directors of TLG IMMOBILIEN GmbH must continue to be regularly employed by the company

The incentive programme stipulates a direct payment from the shareholders to the management. The TLG Group is not obliged to make these payments. This bonus programme is therefore accounted for analogously to share-based payments granted to the Management Board of TLG IMMOBILIEN GmbH in accordance with IFRS 2. This is offset by an additional contribution by the shareholders into the capital reserves.

Based on the assessment of the management of TLG IMMOBILIEN GmbH as to the likelihood of the aforementioned conditions being satisfied, a bonus payment can be considered likely. The bonus will vest over a total of 18 months after the agreement of the bonus arrangement.

As part of the preparations for the flotation of TLG IMMOBILIEN AG, in September 2014 the previous contracts of the management dated April 2014 were rescinded and replaced by new contracts for the Management Board.

The new contracts also provide for bonuses to be paid on a sliding scale in the event of partial exit(s) and a final exit. Therefore, the first successful partial exit (IPO) will result in a fixed payment of EUR 1,050 thousand and the transfer of company shares to a value of EUR 300 thousand (based on the issue price) per member of the Management Board.

Following a successful final exit or several subsequent exits leading up to a complete exit, more company shares to a value of EUR 850 thousand (based on the issue price) per head will be transferred to the management. If several other partial exits take place, the second tranche is to be fulfilled proportionately. Similar to the original bonus agreement, the exit bonus agreement is to be recognised as a share-based payment and offset by equity instruments.

The replacement of the old contracts by the new contracts is accounted for as a modification of existing agreements in accordance with IFRS 2.28 f. This requires that the old commitment is accounted for as before, and any incremental fair value arising from the new commitment is also recognised as an expense from the modification date.

The incremental fair value is defined as the difference between the fair value of the original programme and the fair value of the new programme, each calculated as at the date of modification. Owing to the design of the old and new programmes, there was a positive difference as at the date of modification, with the result that the modification of the old contracts led to the recognition of additional expenses totalling EUR 1,384 thousand. The following commitments have been given to the members of the Management Board:

Fair value of the commitment

in € k	Fair value of old contracts	Fair value of new contracts	Incremental fair value
Peter Finkbeiner	1,508	2,200	692
Niclas Karoff	1,508	2,200	692
Total	**3,016**	**4,400**	**1,384**

These contracts will not affect the liquidity of TLG IMMOBILIEN AG. Likewise, the regulations of IFRS 2 have led to a recognition of expenses which differs in terms of both date and amount.

In the third quarter, a total of EUR 1,077 thousand was recognised as expenses of TLG IMMOBILIEN AG in accordance with IFRS 2.

4. CONTINGENT LIABILITIES

There has been no change in contingent liabilities in comparison with 31 December 2013.

5. MANAGEMENT BOARD

As at 30 September, the composition of the Management Board has not changed since the board's initial appointment on 8 September, and consists of the following members:

a) Mr Peter Finkbeiner (member of the Management Board);
b) Mr Niclas Karoff (member of the Management Board).

6. SUPERVISORY BOARD

The Supervisory Board of TLG IMMOBILIEN consisted of the following members as at 30 September 2014:

a) Mr Michael Zahn (Chairman);
b) Mr Alexander Heße (Vice-chairman);
c) Dr Claus Nolting;
d) Dr Michael Bütter;
e) Mr Axel Salzmann;
f) Ms Elisabeth Talma Stheeman.

Dr Michael Bütter, Mr Axel Salzmann and Ms Elisabeth Talma Stheeman were elected to the Supervisory Board at the extraordinary general meeting of 25 September 2014 as part of the expansion of the Supervisory Board from three to six members.

7. EVENTS AFTER THE REPORTING DATE

a) Capital increase on 22 October 2014

The extraordinary general meeting of TLG IMMOBILIEN AG, Berlin, on 22 October 2014 adopted a resolution on a capital increase.

The EUR 52,000,000 in share capital of the company, split into 52,000,000 registered ordinary shares with an interest of EUR 1.00 in the share capital, was increased to EUR 61,302,326 by a cash contribution of EUR 9,302,326 and the issuance of 9,302,326 no-par bearer shares with a national interest of EUR 1.00 in the share capital and entitlement to dividends from 1 January 2014.

The subscription rights of the shareholders of TLG IMMOBILIEN AG were excluded. All of the shareholders' representatives have waived their subscription rights.

By resolution of the extraordinary general meeting of TLG IMMOBILIEN AG, Berlin, on 22 October 2014, Section 4 (Share Capital) of the Articles of Association was amended accordingly.

The capital increase and a reference to the amendment of the Articles of Association were entered into the Commercial Register under HRB 161314 B on 23 October 2014.

b) Authorised capital on 22 October 2014

At the extraordinary general meeting of TLG IMMOBILIEN AG, Berlin, on 22 October 2014, the Management Board of TLG IMMOBILIEN AG was authorised, with the consent of the Supervisory Board, to increase the share capital of the company by up to EUR 30,651,163 until 21 October 2019, by issuing up to 30,651,163 new no-par value bearer shares in exchange for cash and / or in-kind capital contributions, either at once or in several stages.

The current authorisation to increase the share capital in accordance with Section 6 of the Articles of Association, resolved on by the general meeting on 25 September 2014 and valid until 24 September 2019, is rendered null and void by the introduction of the new authorised capital.

By resolution of the extraordinary general meeting of TLG IMMOBILIEN AG, Berlin, on 22 October 2014, Section 6 (Authorised Capital) of the Articles of Association was amended accordingly.

The nullification of the existing authorised capital, the new authorised capital adopted by the extraordinary general meeting and a reference to the amendment of the Articles of Association were entered into the commercial register under HRB 161314 B on 23 October 2014.

c) IPO on 24 October 2014

On 23 October 2014, TLG IMMOBILIEN AG and its existing shareholders, together with the underwriting banks led by the joint global coordinators J.P. Morgan and USB Investment Bank, set the quoted price for the listed shares of TLG IMMOBILIEN at EUR 10.75 per share.

A total of 33,500,000 TLG IMMOBILIEN shares were issued as part of the offer. These included 9,302,326 new bearer shares from the aforementioned cash equity increase and 24,197,674 from the portfolios of the selling shareholders (21,545,674 from the portfolio of LSREF LL East AcquiCo S.à r.l. and 2,652,000 from the portfolio of Delpheast Beteiligungs GmbH und Co. KG). At the quoted price, the volume of available shares is EUR 360.1 million. Additionally, an over-allotment of 1,415,234 existing bearer shares took place from the portfolio of East AcquiCo (also known as the greenshoe option). By making use of the greenshoe option, the total number of issued TLG IMMOBILIEN shares increased to 34,915,234 and the volume of available shares increased to EUR 375.3 million.

The gross proceeds from the sale of new shares totalled approximately EUR 100 million. Of that total, approximately EUR 98.5 million actually went to TLG IMMOBILIEN.

d) Employment contracts of the Management Board

Due to a condition precedent in the employment contracts of the members of the Management Board – the criteria of which were met by the IPO – from 1 January 2015 the Management Board will receive a long-term payment component which will be accounted for in the future in accordance with IFRS 2.

e) Acquisition of new properties

On 18 July 2014, the notarised purchase agreement was signed for a new office property at Köpenicker Strasse 30–31, 10179 Berlin. The purchase price, including incidental acquisition costs, was EUR 23 million. The excellent location on Köpenicker Strasse in Berlin, the size of the let area (12,156 square metres) and the rental structure with two high-quality anchor tenants (Verdi and Deutsche Bahn) are outstanding additions to the real estate portfolio of TLG IMMOBILIEN AG. The transfer of benefits and encumbrances took place on 1 October 2014, as scheduled in the purchase agreement.

A bank loan of EUR 13.6 million was taken out in order to finance this property; the loan was disbursed on 1 October 2014.

Berlin, 28 November 2014

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

ASSURANCE OF THE LEGAL REPRESENTATIVES

To the best of our knowledge and belief, we affirm that the consolidated interim financial statements as at 30 September 2014 accurately reflect the financial position, cash flows and results of operations of the group in accordance with the applicable accounting principles, that the course of business, including business results and the situation of the group, are depicted accurately by the interim group management report and that the major opportunities and risks associated with the foreseeable development of the company have been described.

Berlin, 28 November 2014

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

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This is a translation of the original German text. In the event of conflicts, the German version takes precedence.

Forecasts and statements in this report that concern the future are estimates based on currently available information. If the assumptions should prove inaccurate, the results might also deviate from those forecast in the report.