QUARTERLY FINANCIAL REPORT

AS AT 30 SEPTEMBER 2016

TLG IMMOBILIEN

KEY FIGURES

KEY GROUP FIGURES ACCORDING TO IFRS

	Unit	01/01/2016–30/09/2016	01/01/2015–30/09/2015	Change in %
Results of operations				
Rental income	in EUR k	103,380	93,812	10.2
Net operating income from letting activities (NOI)	in EUR k	92,612	83,908	10.4
Disposal profits	in EUR k	617	5,093	-87.9
Net income for the period	in EUR k	53,022	100,391	-47.2
FFO	in EUR k	58,612	47,781	22.7
FFO per share [1]	in EUR	0.87	0.78	11.5

	Unit	30/09/2016	31/12/2015	Change in %
Balance sheet metrics				
Investment property	in EUR k	1,974,067	1,739,474	13.5
Cash and cash equivalents	in EUR k	43,059	183,736	-76.6
Total assets	in EUR k	2,090,843	1,999,461	4.6
Equity	in EUR k	969,912	967,874	0.2
Equity ratio	in %	46.4	48.4	-2.0 pp
Liabilities to financial institutions	in EUR k	859,220	782,688	9.8
Net debt	in EUR k	816,161	598,952	36.3
Net LTV [2]	in %	40.4	33.6	6.8 pp
EPRA NAV	in EUR k	1,191,322	1,171,594	1.7
EPRA NAV per share [1]	in EUR	17.67	17.37	1.7

	Unit	30/09/2016	31/12/2015	Change in %
Key portfolio performance indicators				
Property value [3]	in EUR k	1,987,349	1,765,834	12.5
Real estate	Number	407	418	-11 units
Annualised in-place rent [4]	in EUR k	143,462	131,379	9.2
In-place rental yield	in %	7.2	7.4	-0.2 pp
EPRA Vacancy Rate	in %	3.1	3.7	-0.6 pp
WALT	in years	6.2	6.5	-0.3 years
Average rent	EUR/sqm	9.45	9.23	2.4

[1] Total number of shares as at 30 September 2015: 61.3 m; as at 30 September 2016: 67.4 m. The weighted average number of shares was 61.3 m in the first nine months of 2015 and 67.4 m in the first nine months of 2016.

[2] Calculation: Net debt divided by property value; for the composition, see page 18.

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

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

COVER
TECHNISCHES RATHAUS
PRAGER STRASSE 118–136
04317 LEIPZIG, GERMANY

Acquired in the second quarter of 2016

CONTENTS

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

DEAR SHAREHOLDERS, DEAR SIR OR MADAM,

We are happy to close out the third quarter of the year successfully. In addition to fully renting out our recently acquired property “Spreétage” in Berlin and renting out a large volume of space in “Quartier17” in Stralsund, we were able to acquire in August an office property in Berlin with considerable potential to be rented out. We invested around EUR 32.1 m in the acquisition and are confident that we will be able to reduce the vacancy rate of the property quickly. Our assessment of the office property market in Berlin remains positive, as underlined by the study “Market forecast for 2020 – Berlin’s office employees of tomorrow” published in partnership with the analysis firm bulwiengesa in the third quarter. Additionally, we were able to announce the acquisition of two adjoining neighbourhood shopping centres in Dresden at the end of the quarter. We invested a total of around EUR 24.3 m into this transaction and the properties boast outstanding KPIs.

Our operating income also performed positively; for example, our net operating income from letting activities increased by 10.4% to EUR 92.6 m compared to the first three quarters of 2015. Likewise, our funds from operations (FFO) increased by 22.7% to EUR 58.6 m compared to 30 September 2015.

We are therefore sticking to our FFO forecast for 2016 and expect it to be between EUR 74 m and EUR 76 m.

Additionally, after the reporting date we acquired two high-quality office properties in Frankfurt for around EUR 160 m on 14 October 2016, thus paving the way for our strategic entry into western German markets. In this context, we intend to add strategic, promising properties to our portfolio in the promising Rhine-Main region as well as in other locations in Germany. In doing so, we aim to remain disciplined and stay true to our proven business model.

Berlin, 11 November 2016

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

TLG IMMOBILIEN SHARES

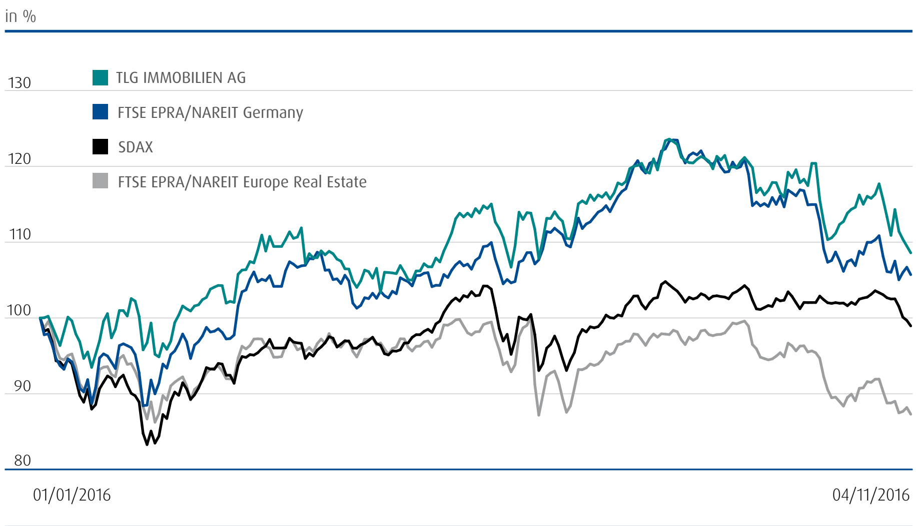
Following a turbulent first six months, the stock market regained significant momentum and stabilised in the third quarter of 2016. In particular, abating fears of the effects of Brexit on the global economy, robust job market data and unchanged interest rates in the USA, and the prospect of more moderate interest rate increases than expected, have had a positive effect on stock markets. Worries about the European banking sector, the falling business climate index in the USA and political influences such as the failed coup in Turkey only had a short-term impact on the markets.

As a result, in the first half of the third quarter the German stock market grew significantly and reached a new annual high of 10,802.32 points on 15 August. The leading index then fell slightly again and was at 10,511.02 points at the end of the quarter. The DAX therefore achieved a quarterly performance of 7.9%, making it only marginally higher than its opening price on 4 January 2016.

Compared to the DAX, the SDAX performed slightly better in the first nine months of the year, increasing by 2.7% between the beginning of January 2016 and the end of September 2016.

In contrast, German real estate share prices experienced more-positive growth. The FTSE EPRA/NAREIT Germany Index grew by 17.6% in the first nine months. The FTSE EPRA/NAREIT Europe Index decreased by 3.0% in the same period, however.

Performance of the shares by index



Source: Bloomberg

The shares of TLG IMMOBILIEN enjoyed a good start to 2016 and reached EUR 20.84 on Xetra on 11 August 2016, their highest value on Xetra in the third quarter of 2016. On 30 September 2016, the shares closed the reporting period at EUR 20.10, which represents an increase of 15.5% in the first nine months of 2016 compared to the opening price of EUR 17.40 at the start of the year. This means that the performance of the shares of TLG IMMOBILIEN greatly surpassed that of the DAX and SDAX, as well as the FTSE EPRA/NAREIT Europe real estate index.

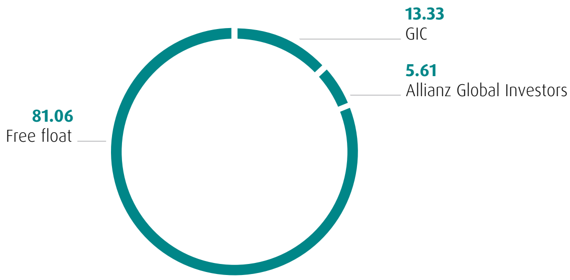
TLG IMMOBILIEN share data

ISIN/WKN	DE000A12B8Z4/A12B8Z
Ticker symbol	TLG
Share capital in EUR	67,432,326.00
Number of shares (no-par-value bearer shares)	67,432,326
Indices (selection)	SDAX, EPRA/NAREIT Global Index, EPRA/NAREIT Europe Index, EPRA/NAREIT Germany Index
Sector/sub-sector	Real estate
Market segment	Regulated market (Prime Standard)
Designated sponsors	Commerzbank AG, ODDO SEYDLER BANK AG
Reporting period high on 11/08/2016 (Xetra) in EUR	20.84
Reporting period low on 21/01/2016 (Xetra) in EUR	16.12
Closing price on 30/09/2016 (Xetra) in EUR	20.10
Market capitalisation in EUR m	1,355.1

SHAREHOLDER STRUCTURE

Shareholder structure as at 30 September 2016[1]

in %



[1] Data based on the latest voting rights notifications.

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

ANNUAL GENERAL MEETING

The annual general meeting of TLG IMMOBILIEN AG was held at the RAMADA Hotel Berlin-Alexanderplatz, Karl-Liebknecht-Strasse 32, 10178 Berlin, on 31 May 2016. The property is one of the seven hotels in the company's portfolio.

Overall, approx. 57% of the total share capital of the company was represented at the annual general meeting. The proposals of the company on all matters of the agenda were passed by a large majority.

In line with the resolution, a dividend of EUR 0.72 per share was distributed immediately on the following day (1 June 2016).

COVERAGE BY ANALYSTS

Bank	Target price in EUR	Rating	Analyst	Date
Bankhaus Lampe	23.00	Buy	Georg Kanders	28/10/2016
BERENBERG	22.00	Buy	Kai Klose	17/10/2016
Kepler Cheuvreux	23.50	Buy	Thomas Neuhold	17/10/2016
Kempen & Co.	20.00	Neutral	Remco Simon	17/10/2016
Victoria Partners	19.50–21.50	n/a	Bernd Janssen	12/10/2016
J.P. Morgan	23.00	Overweight	Tim Leckie	29/09/2016
Nord/LB	19.50	Hold	Michael Seufert	24/09/2016
UBS	20.00	Neutral	Osmaan Malik	10/08/2016
HSBC	22.00	Buy	Thomas Martin	03/06/2016
Deutsche Bank	22.00	Buy	Markus Scheufler	27/05/2016
COMMERZBANK	21.50	Buy	Thomas Rothäusler	04/05/2016

Source: Bloomberg (as at 04/11/2016) and broker research

INVESTOR RELATIONS ACTIVITIES

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

- ODDO & Cie – ODDO FORUM, Lyon
- J.P. Morgan – European Real Estate CEO Conference, London
- UniCredit Kepler Cheuvreux – German Corporate Conference 2016, Frankfurt
- ODDO SEYDLER – Small and Mid Cap Conference 2016, Frankfurt
- Kempen & Co – European Property Seminar, Amsterdam
- Kepler Cheuvreux – German Property Day, Paris
- Deutsche Bank – dbAccess German, Swiss & Austrian Conference, Berlin
- EPRA Conference, Paris
- Bank of America Merrill Lynch – 2016 Global Real Estate Conference, New York
- Berenberg and Goldman Sachs Fifth German Corporate Conference, Munich
- Baader Investment Conference, Munich
- Société Générale, Pan-European Real Estate Conference, London

In addition, roadshows were held in London, Edinburgh, New York and Boston.

The financial figures for 2015 were published on 30 March 2016, the figures for the first quarter on 13 May and the figures for the first half of 2016 on 10 August, and explained to investors and analysts as part of conference calls. Recordings of the conference calls and the report documents are available in the Investor Relations section of our website, www.tlg.eu.

EPRA KEY FIGURES

TLG IMMOBILIEN AG has been a member of EPRA since November 2014 and, as a company listed on a stock exchange, publishes the key figures in line with the best-practices recommendations of EPRA for the sake of transparency and comparability.

Overview of key EPRA figures

in EUR k	30/09/2016	31/12/2015	Change	Change in %
EPRA NAV	1,191,322	1,171,594	19,728	1.7
EPRA NNNAV	926,956	931,029	-4,073	-0.4
EPRA Net Initial Yield (NIY) in %	5.9	6.1	-0.2 pp	
EPRA "topped-up" Net Initial Yield in %	5.9	6.1	-0.2 pp	
EPRA Vacancy Rate in %	3.1	3.7	-0.6 pp	

in EUR k	01/01/2016–30/09/2016	01/01/2015–30/09/2015	Change	Change in %
EPRA Earnings	58,727	48,655	10,072	20.7
EPRA Cost Ratio (including direct vacancy costs) in % [1]	23.0	25.5	-2.6 pp	
EPRA Cost Ratio (excluding direct vacancy costs) in % [1]	21.8	24.0	-2.2 pp	

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

The increase in the EPRA NAV was due essentially to the increase in equity, which in turn was due primarily to the total comprehensive income for the year of EUR k 53,576 attributable to the shareholders of TLG IMMOBILIEN, although this was offset by the payment of a dividend of EUR k 48,551 in June 2016.

The reduction of the EPRA Vacancy Rate for the portfolio as a whole, from 3.7% as at 31 December 2015 to 3.1% as at 30 September 2016, is due primarily to the disposal of two business parks in Chemnitz as well as the reduction of vacancy rates in the office asset class.

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

EPRA Earnings

in EUR k	01/01/2016–30/09/2016	01/01/2015–30/09/2015	Change	Change in %
Net income for the period	53,022	100,391	-47,369	-47.2
Result from the remeasurement of investment property	-8,803	-74,287	65,484	-88.2
Result from the disposal of investment property [1]	-332	-4,498	4,166	-92.6
Result from the disposal of real estate inventories	-7	-595	588	-98.8
Taxes on profits or losses on disposals/prior-period taxes	-1,584	-6,641	5,057	-76.1
Gain/loss from the remeasurement of derivative financial instruments	1,654	179	1,475	n/a
Acquisition costs of share deals	957	0	957	n/a
Deferred and actual taxes in respect of EPRA adjustments	13,916	34,278	-20,362	-59.4
Non-controlling interests	-96	-172	76	-44.2
EPRA Earnings	**58,727**	**48,655**	**10,072**	**20.7**
Average number of shares on issue (in thousands)	67,432	61,302		
EPRA Earnings per share (in EUR)	0.87	0.79		

[1] Including the costs resulting from the EUR k 278 adjustment of the purchase price for the disposal of Grimma business park, held as an investment; disclosed in the income statement in other operating income.

EPRA Net Asset Value (EPRA NAV)

in EUR k	30/09/2016	31/12/2015	Change	Change in %
Equity [1]	967,127	965,065	2,062	0.2
Fair value adjustment of fixed assets (IAS 16)	4,725	5,572	-847	-15.2
Fair value adjustment of real estate inventories (IAS 2)	329	333	-4	-1.2
Fair value of derivative financial instruments	22,030	15,921	6,109	38.4
Deferred taxes	198,275	185,867	12,408	6.7
Goodwill	-1,164	-1,164	0	0.0
EPRA Net Asset Value (EPRA NAV)	**1,191,322**	**1,171,594**	**19,728**	**1.7**
Number of shares (in thousands)	67,432	67,432		
EPRA NAV per share (in EUR)	17.67	17.37		

[1] Adjusted for non-controlling interests.

EPRA Triple Net Asset Value (EPRA NNNAV)

in EUR k	30/09/2016	31/12/2015	Change	Change in %
EPRA Net Asset Value (EPRA NAV)	**1,191,322**	**1,171,594**	**19,728**	**1.7**
Fair value of derivative financial instruments	-22,030	-15,921	-6,109	38.4
Fair value adjustment of liabilities to financial institutions	-44,061	-38,777	-5,284	13.6
Deferred taxes	-198,275	-185,867	-12,408	6.7
EPRA Triple Net Asset Value (EPRA NNNAV)	**926,956**	**931,029**	**-4,073**	**-0.4**

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

in EUR k	30/09/2016	31/12/2015	Change	Change in %
Investment property	1,974,067	1,739,474	234,593	13.5
Real estate inventories	1,103	1,104	-1	-0.1
Properties classified as held for sale	4,832	15,912	-11,080	-69.6
Property portfolio (net)	1,980,002	1,756,490	223,512	12.7
Estimated transaction costs	139,752	125,899	13,853	11.0
Property portfolio (gross)	2,119,754	1,882,389	237,365	12.6
Annualised cash passing rental income	143,461	131,097	12,364	9.4
Property outgoings	-17,920	-16,533	-1,387	8.4
Annualised net rents	125,541	114,564	10,977	9.6
Notional rent for ongoing rent-free periods	498	280	218	77.9
Annualised "topped-up" net rent	126,039	114,844	11,195	9.7
EPRA Net Initial Yield (EPRA NIY) in %	**5.9**	**6.1**	**-0.2 pp**	
EPRA "topped-up" Net Initial Yield in %	**5.9**	**6.1**	**-0.2 pp**	

EPRA Vacancy Rate

in EUR k	30/09/2016	31/12/2015	Change	Change in %
Market rent for vacant properties	4,513	4,919	-406	-8.3
Total market rent	145,310	131,679	13,631	10.4
EPRA Vacancy Rate in %	**3.1**	**3.7**	**-0.6 pp**	

EPRA Cost Ratio

in EUR k	01/01/2016–30/09/2016	01/01/2015–30/09/2015	Change	Change in %
Costs according to the consolidated statement of comprehensive income under IFRS [1]				
Expenses relating to letting activities	29,455	25,928	3,527	13.6
Personnel expenses	8,313	9,197	-884	-9.6
Depreciation	426	629	-203	-32.3
Other operating expenses	4,200	4,974	-774	-15.6
Income from recharged operating costs	-17,102	-14,718	-2,384	16.2
Income from other goods and services	-1,534	-1,338	-196	14.6
Other operating income from reimbursements	-23	-718	695	-96.8
Ground rent	-6	-5	-1	20.0
EPRA costs (including direct vacancy costs)	**23,729**	**23,949**	**-220**	**-0.9**
Direct vacancy costs	-1,200	-1,415	215	-15.2
EPRA costs (excluding direct vacancy costs)	**22,529**	**22,534**	**-5**	**0.0**
Rental income	103,380	93,812	9,568	10.2
EPRA Cost Ratio (including direct vacancy costs) in %	**23.0**	**25.5**	**-2.6 pp**	
EPRA Cost Ratio (excluding direct vacancy costs) in %	**21.8**	**24.0**	**-2.2 pp**	

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

INTERIM GROUP MANAGEMENT REPORT DETAILED INDEX

INTERIM GROUP MANAGEMENT REPORT

1. COMPANY FUNDAMENTALS

1.1 BUSINESS MODEL OF THE GROUP

1.1.1 Organisational structure

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

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

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

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

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

2. ECONOMIC REPORT

2.1 GENERAL ECONOMIC CONDITIONS AND REAL ESTATE MARKETS

2.1.1 General economic conditions

According to the German Institute for Economic Research (DIW Berlin) the stable growth of the German economy continued into the third quarter of 2016. The gross domestic product (GDP) provisionally increased by 0.3% between July and September, which represents only marginally slower growth than in the previous quarter. Whereas the dynamism of the manufacturing industry has been restrained for a considerable period of time – despite the confidence of businesses – the strong growth in the consumer-oriented service sectors looks set to continue unabated. The consistently strong increase in employment rates, the perceptible pension increase and the expenses in connection with the influx of refugees are boosting consumerism. Despite recent increases in energy prices, the upward trend might continue.

2.1.2 Economic activity in the real estate sector

According to German Property Partners, the volume of transactions on the commercial real estate investment market in the top seven German cities was around EUR 16.4 bn at the end of the third quarter of 2016. This represents a decrease of 15% compared to the same period in the previous year. Experts believe that the lack of products and high level of liquidity on the market are leading to more intense competition in which investors are more willing to expose themselves to risk.

2.1.3 Development of the office property market

According to Savills, the volume of transactions in the German office property investment market in the third quarter was 58% higher than in the previous quarter. Overall, from January to September 2016 (inclusive), the total volume of transactions involving office properties was around EUR 13 bn and was therefore around 15% lower than the volume of transactions in the same period in the previous year. The high level of dynamism in the office letting markets is contributing to the consistently high demand for office properties. As many office users are no longer able to find suitable space in central locations and are increasingly looking to B-rated locations, the level of competition between investors for properties in these locations has intensified.

2.1.4 Development of the retail property market

In the first nine months of 2016, the volume of turnover in the retail property market was a significant 46% lower than in the same period in the previous year. The discrepancy between the overwhelmingly core-oriented demand and the space available primarily in the non-core segment remains a key challenge in the market. The demand for properties in the core-plus and value-added risk classes has increased noticeably, due in part to the issue of special value-added funds. According to data collected by Savills, the extremely hard-fought bidding war for attractive special retail centres and shopping centres in B-rated locations is putting even more, noticeable pressure on their returns.

2.1.5 Development of the hotel property market

According to the German Federal Statistical Office, 53.6 m overnight stays were registered in Germany in August 2016 – 1% lower than in August 2015 – yet at around 305 m the total number of overnight stays from January to August 2016 was 2% higher than in the same period in the previous year.

According to CBRE, the volume of transactions in the German hotel investment market in the third quarter of 2016 totalled EUR 856 bn despite amounting to just EUR 1.4 bn in the third quarter of the previous year. A total of EUR 2.8 bn was invested in hotels in Germany in the first nine months of 2016, just 1.5% below the figure for the same period in the previous year.

2.2 POSITION OF THE COMPANY

2.2.1 Course of business

Overall, the performance of TLG IMMOBILIEN in the reporting period was positive.

Key figures

	Total	Office	Retail	Hotel	Others
Property value (EUR k)[1]	**1,987,349**	795,290	864,913	264,590	62,555
Annualised in-place rent (EUR k)[2]	**143,462**	54,405	68,072	15,999	4,987
In-place rental yield (%)	**7.2**	6.9	7.9	5.9	7.9
EPRA Vacancy Rate (%)	**3.1**	4.6	1.5	3.0	8.0
WALT (years)	**6.2**	4.8	5.5	13.3	8.1
Properties (number)	**407**	61	278	7	61
Lettable area (sqm)	**1,338,698**	536,396	582,496	109,482	110,324

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

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

The property portfolio of TLG IMMOBILIEN comprises the office, retail, hotel and others asset classes, where the latter essentially consists of the properties that were part of the non-core portfolio as at 31 December 2015. As at 30 September 2016, the portfolio contains 407 properties (31 December 2015: 418) with a property value (IFRS) of around EUR 1.987 bn (31 December 2015: around EUR 1.766 bn). The 12.5% increase in the value of the portfolio is due largely to new acquisitions.

As at 30 September 2016 the acquisitions concerned the office and hotel asset classes. The scope of the office asset class portfolio has increased by 30.3% to EUR 795.3 m (31 December 2015: EUR 610.2 m, including the reclassification of three office properties worth EUR 3.3 m from the non-core portfolio), due in particular to the acquisition of nine new properties. The increase in the value of the hotel asset class by 27.5% to EUR 264.6 m (31 December 2015: EUR 207.6 m) is largely attributable to the acquisition of two inner-city hotels in Dresden and Leipzig. With a portfolio value of EUR 864.9 m (31 December 2015: EUR 873.4 m), the value of the retail properties decreased slightly by 1.0%. On a like-for-like basis, i.e. without factoring in two sold properties (-0.2%) or the reclassification of three properties to the others asset class following subdivisions (-0.4%), the change in the value of the retail asset class was -0.4%, due primarily to the termination of rental agreements that could not be balanced out completely by the reporting date. The portfolio value of the other asset class decreased by 16.2% to EUR 62.6 m (31 December 2015: EUR 74.7 m, less three properties worth EUR 3.3 m that were transferred to the office asset class), due primarily to disposals.

2.2.2 Earnings

In the first nine months of the 2016 financial year, the net income of TLG IMMOBILIEN for the period was EUR k 53,022. The difference of EUR k 47,369 compared to the same period in the previous year is due essentially to the result from the remeasurement of investment property generated in 2015.

In 2015, a valuation was carried out by an external expert every quarter for the purposes of the quarterly financial statements. An external expert will carry out a valuation every six months from 2016 onwards, and the most recently recognised fair values will be assessed internally on the other reporting dates. The adjustments of the recognised fair values by the third quarter of 2016 were EUR k 65,484 lower than in the same period in the previous year.

The table below presents the results of operations:

in EUR k	01/01/2016–30/09/2016	01/01/2015–30/09/2015	Change	Change in %
Net operating income from letting activities [1]	**92,612**	**83,908**	**8,704**	**10.4**
Result from the remeasurement of investment property	8,803	74,287	-65,484	-88.2
Result from the disposal of investment property	610	4,498	-3,888	-86.4
Result from the disposal of real estate inventories	7	595	-588	-98.8
Other operating income [1]	770	3,187	-2,417	-75.8
Personnel expenses	-8,313	-9,197	884	-9.6
Depreciation	-426	-629	203	-32.3
Other operating expenses [1]	-4,200	-4,974	774	-15.6
Earnings before interest and taxes (EBIT)	**89,863**	**151,673**	**-61,810**	**-40.8**
Financial income	199	337	-138	-40.9
Financial expenses	-18,887	-17,598	-1,289	7.3
Gain/loss from the remeasurement of derivative financial instruments	-1,654	-179	-1,475	n/a
Earnings before taxes	**69,521**	**134,233**	**-64,712**	**-48.2**
Income taxes	-16,500	-33,843	17,343	-51.2
Net income for the period	**53,022**	**100,391**	**-47,369**	**-47.2**
Other comprehensive income (OCI)	-2,916	1,279	-4,195	n/a
Total comprehensive income	**50,106**	**101,670**	**-51,564**	**-50.7**

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

Compared to the same period in the previous year, the net operating income from letting activities of EUR k 92,612 increased by EUR k 8,704 as newly acquired properties were placed under management.

Other operating income was EUR k 770 and was therefore significantly lower than in the same period in the previous year. It essentially comprises income from the reversal of impairments of receivables which was EUR k 1,043 lower than in the previous period. Additionally, EUR k 950 in special items from insurance compensation and damages had an effect in 2015.

The reduction in personnel expenses is due to one-off effects in the previous year in connection with the IPO.

Other operating expenses decreased by EUR k 774 to EUR k 4,200 compared to the same period in the previous year. The decrease was mainly due to a reduction of general IT and administrative expenses as well as the miscellaneous other operating expenses.

In the reporting period, financial expenses increased by EUR k 1,289 to EUR k 18,887 compared to the same period in the previous year. This was due to loan interest and higher expenses for interest rate hedges resulting from new loans.

2.2.3 Financial position

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

in EUR k	01/01/2016–30/09/2016	01/01/2015–30/09/2015	Change	Change in %
1. Cash flow from operating activities	56,437	64,233	-7,796	-12.1
2. Cash flow from investing activities	-227,603	-160,069	-67,534	42.2
3. Cash flow from financing activities	30,490	-8,213	38,703	n/a
Net change in cash and cash equivalents	**-140,676**	**-104,049**	**-36,627**	**35.2**
Cash and cash equivalents at beginning of period	183,736	152,599	31,137	20.4
Cash and cash equivalents at end of period	**43,060**	**48,550**	**-5,490**	**-11.3**

In the reporting period, the cash flow from operating activities decreased by EUR k 7,796 compared to the same period in the previous year. Besides other effects, the reimbursement of income tax had an effect here.

The negative cash flow from investing activities of EUR k 227,603 essentially reflects the higher disbursements for the acquisition of properties. Whereas the special retail centres on Adlergestell in Berlin and in Burgwall in Wismar, the offices on Ferdinandplatz in Dresden and Doberaner Strasse in Rostock, the Südstadt Center in Rostock, and the shopping centres in Bernau and Strausberg were purchased in the same period in the previous year, in the reporting period investments were made in the hotel and office building on Wiener Platz in Dresden, the BLUE-5 portfolio and the office properties “Erlenhöfe” in Berlin, “Technisches Rathaus” in Leipzig and “Kap-Carré” in Berlin in particular.

Furthermore, as expected, investments resulting from the disposal of properties were EUR k 13,356 lower than in the same period in the previous year.

The higher cash flow from financing activities is due to two new loans worth EUR k 94,500. This was offset by the larger dividend of EUR k 48,551 distributed to the shareholders in the 2016 financial year, compared to EUR k 15,326 in 2015.

The cash and cash equivalents consist entirely of liquid funds.

2.2.4 Assets

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

in EUR k	30/09/2016	31/12/2015	Change	Change in %
Investment property/advance payments	2,006,840	1,753,746	253,094	14.4
Other non-current assets	18,904	20,556	-1,652	-8.0
Financial assets	3,609	2,535	1,074	42.4
Cash and cash equivalents	43,059	183,736	-140,677	-76.6
Other current assets	18,431	38,888	-20,457	-52.6
Total assets	**2,090,843**	**1,999,461**	**91,382**	**4.6**
Equity	969,912	967,874	2,038	0.2
Non-current liabilities	844,178	771,914	72,264	9.4
Deferred tax liabilities	198,275	185,867	12,408	6.7
Current liabilities	78,478	73,809	4,669	6.3
Total equity and liabilities	**2,090,843**	**1,999,461**	**91,382**	**4.6**

The assets side is dominated by investment property including advance payments. Compared to 31 December 2015, the proportion of investment property in the total assets increased from 88% to 96%, due primarily to the increase in real estate assets through acquisitions (see the disclosures in the notes).

The equity of the Group was EUR k 969,912 and increased by EUR k 2,038, due in particular to the total comprehensive income generated for the period, although this was offset by the payment of the dividend of EUR k 48,551 in June 2016.

Compared to 31 December 2015, the equity ratio decreased by 2.0 pp to 46.4%.

2.2.5 Financial performance indicators

FFO development

in EUR k	01/01/2016–30/09/2016	01/01/2015–30/09/2015	Change	Change in %
Net income for the period	**53,022**	**100,391**	**-47,369**	**-47.2**
Income taxes	16,500	33,843	-17,343	-51.2
EBT	**69,521**	**134,233**	**-64,712**	**-48.2**
Result from the disposal of investment property [1]	-332	-4,498	4,166	-92.6
Result from the disposal of real estate inventories	-7	-595	588	-98.8
Result from the remeasurement of investment property	-8,803	-74,287	65,484	-88.2
Gain/loss from the remeasurement of derivative financial instruments	1,654	179	1,475	n/a
Other effects [2]	747	-1,045	1,792	n/a
FFO before taxes	**62,780**	**53,987**	**8,793**	**16.3**
Income taxes	-16,500	-33,843	17,343	-51.2
Deferred taxes	13,916	34,278	-20,362	-59.4
Correction of tax effects from the disposal of property, the rescheduling of interest rate hedge transactions and from prior-period effects	-1,584	-6,641	5,057	-76.1
FFO after taxes	**58,612**	**47,781**	**10,831**	**22.7**
Average number of shares on issue (in thousands) [3]	67,432	61,302		
FFO per share in EUR	**0.87**	**0.78**	**0.09**	**11.5**

[1] Including the costs resulting from the EUR k 278 adjustment of the income from the disposal of Grimma business park, held as an investment; disclosed in the income statement in other operating income.

[2] The other effects include
(a) the depreciation of IAS 16 property (owner-occupied property) (EUR k 113; previous year: EUR k 143),
(b) income from the service contract with TAG Wohnen (EUR k 0; previous year: EUR k 30),
(c) personnel restructuring expenses (EUR k 364; previous year: EUR k 148),
(d) share-based payments (EUR k 0; previous year: EUR k 957),
(e) the reversal of provisions for reclaimed subsidies (EUR k 404; previous year: EUR k 1,313),
(f) income from insurance compensation and the payment of damages to the notary (EUR k 0; previous year: EUR k 950),
(g) the reversal of the provision for liabilities arising from purchase agreements (EUR k 283; previous year: EUR k 0),
(h) transaction costs (EUR k 957; previous year: EUR k 0).

[3] Total number of shares on 30 September 2015: 61.3 m, on 30 September 2016: 67.4 m. The average weighted number of shares was 61.3 m as at 30 September 2015 and 67.4 m as at 30 September 2016.

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

The funds from operations, adjusted for significant unsustainable effects and effects not affecting liquidity, totalled EUR k 58,612 in the reporting period. The considerable increase in FFO by 22.7%, or EUR k 10,831, compared to the same period in the previous year is due predominantly to the higher net operating income from letting activities and the reduction of personnel expenses and other operating expenses.

FFO per share was EUR 0.87 and therefore higher than in the same period in the previous year in spite of the increased number of shares resulting from the capital increase in November 2015.

Net Loan to Value (Net LTV)

in EUR k	30/09/2016	31/12/2015	Change	Change in %
Investment property (IAS 40)	1,974,067	1,739,474	234,593	13.5
Advance payments on investment property (IAS 40)	32,773	14,272	18,501	129.6
Owner-occupied property (IAS 16)	7,346	9,344	-1,998	-21.4
Non-current assets classified as held for sale (IFRS 5)	4,832	15,912	-11,080	-69.6
Inventories (IAS 2)	1,103	1,104	-1	-0.1
Real estate	**2,020,122**	**1,780,106**	**240,016**	**13.5**
Liabilities to financial institutions	859,220	782,688	76,532	9.8
Cash and cash equivalents	43,059	183,736	-140,677	-76.6
Net debt	816,161	598,952	217,209	36.3
Net Loan to Value (Net LTV) in %	**40.4**	**33.6**	**6.8 pp**	

As a ratio between net debt and real estate assets, Net LTV is a key performance indicator for the company. It was 40.4% in the Group as at the reporting date. It is therefore 6.8% higher than on 31 December 2015, due primarily to property acquisitions that were financed in part by loans.

EPRA Net Asset Value (EPRA NAV)

in EUR k	30/09/2016	31/12/2015	Change	Change in %
Equity [1]	967,127	965,065	2,062	0.2
Fair value adjustment of fixed assets (IAS 16)	4,725	5,572	-847	-15.2
Fair value adjustment of real estate inventories (IAS 2)	329	333	-4	-1.2
Fair value of derivative financial instruments	22,030	15,921	6,109	38.4
Deferred taxes	198,275	185,867	12,408	6.7
Goodwill	-1,164	-1,164	0	0.0
EPRA Net Asset Value (EPRA NAV)	**1,191,322**	**1,171,594**	**19,728**	**1.7**
Number of shares (in thousands)	67,432	67,432		
EPRA NAV per share (in EUR)	17.67	17.37		

[1] Adjusted for non-controlling interests.

EPRA Net Asset Value (EPRA NAV) is another key performance indicator of TLG IMMOBILIEN and was EUR k 1,191,322 on 30 September 2016. EPRA NAV increased by EUR k 19,728 compared to 31 December 2015.

EPRA NAV per share was EUR 17.67, compared to EUR 17.37 on 31 December 2015.

3. STATEMENT OF EVENTS AFTER THE REPORTING DATE

Please see our comments in the notes (section E.3).

4. REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

4.1 RISK REPORT

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

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

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

4.2 OPPORTUNITY REPORT

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

4.3 FORECAST REPORT

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

After preparing the consolidated financial statements as at 31 December 2015, the company was able to acquire additional attractive properties and slightly decrease its operational management and administrative cost forecasts. Therefore, the previous forecast of between EUR 71 m and EUR 73 m for the funds from operations in the 2016 financial year has been revised upwards to between EUR 74 m and EUR 76 m.

TLG IMMOBILIEN AG believes that a defensive approach to finance is in the interest of the long-term success of the company. To underline this, the company has added to the stated target corridor for its Net LTV of between 45% and 50% in the 2015 management report, with a declaration that it intends to limit its long-term Net LTV to 45%.

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS DETAILED INDEX

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 September 2016

in EUR k	01/07/2016–30/09/2016	01/07/2015–30/09/2015[1]	01/01/2016–30/09/2016	01/01/2015–30/09/2015[1]
Net operating income from letting activities	**31,372**	**28,979**	**92,612**	**83,908**
Income from letting activities	43,351	37,268	122,067	109,836
a) Rental income	35,795	32,752	103,380	93,812
b) Income from recharged operating costs	6,699	4,192	17,102	14,718
c) Income from other goods and services	857	324	1,585	1,306
Expenses related to letting activities	-11,979	-8,289	-29,455	-25,928
d) Expenses from operating costs	-8,837	-6,373	-22,216	-20,538
e) Maintenance expenses	-1,591	-1,167	-3,977	-3,437
f) Other services	-1,551	-749	-3,262	-1,953
Result from the remeasurement of investment property	**926**	**16,550**	**8,803**	**74,287**
Result from the disposal of investment property	**0**	**-81**	**610**	**4,498**
Result from the disposal of real estate inventory	**0**	**484**	**7**	**595**
a) Proceeds from the disposal of real estate inventory	0	800	8	847
b) Carrying amount of real estate inventory disposed	0	-316	-1	-252
Other operating income	**327**	**942**	**770**	**3,187**
Personnel expenses	**-2,664**	**-2,953**	**-8,313**	**-9,197**
Depreciation and amortisation	**-140**	**-201**	**-426**	**-629**
Other operating expenses	**-1,129**	**-1,135**	**-4,200**	**-4,974**
Earnings before interest and taxes (EBIT)	**28,692**	**42,583**	**89,863**	**151,673**
Financial income	**74**	**56**	**199**	**337**
Financial expenses	**-6,918**	**-5,868**	**-18,887**	**-17,598**
Gain/loss (-) from the remeasurement of derivative financial instruments	**-16**	**-60**	**-1,654**	**-179**
Earnings before taxes	**21,832**	**36,711**	**69,521**	**134,233**
Income taxes	**-2,322**	**-11,209**	**-16,500**	**-33,843**
Net income for the period	**19,512**	**25,505**	**53,022**	**100,391**
Other comprehensive income (OCI):				
thereof will be reclassified to profit or loss				
Gain/loss from remeasurement of derivative financial instruments in hedging relationship, net of taxes	406	-2,100	-2,916	1,279
Total comprehensive income for the period	**19,918**	**23,405**	**50,106**	**101,670**
Of the net result for the period, the following is attributable to:				
Non-controlling interests	32	59	96	172
The shareholders of the parent company	19,480	25,446	52,926	100,219
Earnings per share (undiluted) in EUR	0.29	0.41	0.78	1.63
Earnings per share (diluted) in EUR	0.29	0.41	0.78	1.63
Of the total comprehensive income for the period, the following is attributable to:				
Non-controlling interests	32	59	96	172
The shareholders of the parent company	19,886	23,346	50,010	101,498

[1] Comparative figures from previous year have been adjusted. Please see section D.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2016

Assets

in EUR k	30/09/2016	31/12/2015
A) Non-current assets	**2,029,353**	**1,776,837**
Investment property	1,974,067	1,739,474
Advance payments on investment property	32,773	14,272
Property, plant and equipment	7,584	9,827
Intangible assets	1,400	1,566
Other non-current financial assets	3,609	2,535
Other assets	9,920	9,163
B) Current assets	**61,490**	**222,624**
Inventories	1,103	1,104
Trade receivables	3,160	11,911
Receivables from income taxes	4,066	2,195
Other current financial assets	872	883
Other receivables and assets	4,398	6,883
Cash and cash equivalents	43,059	183,736
Assets classified as held for sale	4,832	15,912
Total assets	**2,090,843**	**1,999,461**

Equity and liabilities

in EUR k	30/09/2016	31/12/2015
A) Equity	**969,912**	**967,874**
Subscribed capital	67,432	67,432
Capital reserves	440,114	439,510
Retained earnings	473,743	469,369
Other reserves	-14,162	-11,246
Equity attributable to the shareholders of the parent company	967,127	965,065
Non-controlling interests	2,785	2,809
B) Liabilities	**1,120,931**	**1,031,590**
I.) Non-current liabilities	1,042,453	957,781
Non-current liabilities to financial institutions	811,993	746,677
Pension provisions	7,999	8,080
Non-current derivative financial instruments	22,030	15,921
Other non-current liabilities	2,156	1,236
Deferred tax liabilities	198,275	185,867
II.) Current liabilities	78,478	73,809
Current liabilities to financial institutions	47,227	36,011
Trade payables	19,043	14,926
Other current provisions	1,465	2,416
Tax liabilities	3,495	6,415
Other current liabilities	7,248	14,041
Total equity and liabilities	**2,090,843**	**1,999,461**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 30 September 2016

in EUR k	01/01/2016–30/09/2016	01/01/2015–30/09/2015
1. Cash flow from operating activities		
Earnings before taxes	69,521	134,233
Depreciation and amortisation	426	629
Result from the remeasurement of investment property	-8,803	-74,287
Gain/loss from the remeasurement of derivative financial instruments	1,654	-179
Increase/decrease (-) in provisions	-1,032	-3,141
Other non-cash income/expenses	604	1,488
Gain (-)/loss from disposal of property, plant and equipment and intangible assets	-611	-4,477
Increase (-)/decrease in inventories	1	373
Financial income	-199	-337
Financial expenses	18,887	17,598
Increase (-)/decrease in trade receivables and other assets	9,246	15,960
Increase/decrease (-) in trade payables and other liabilities	-4,406	-6,538
Cash flow from operating activities	85,288	81,322
Interest received	141	337
Interest paid	-21,592	-19,774
Income tax paid/received	-7,401	2,348
Net cash flow from operating activities	56,437	64,233
2. Cash flow from investing activities		
Cash received from disposals of investment property	20,055	33,411
Cash received from disposals of property, plant and equipment	202	0
Cash paid for acquisitions of investment property	-247,652	-193,077
Cash paid for acquisitions of property, plant and equipment	-150	-207
Cash paid for investments in intangible assets	-58	-196
Net cash flow from investing activities	-227,603	-160,069
3. Cash flow from financing activities		
Dividend payment	-48,551	-15,326
Cash distribution to minority shareholders	-119	0
Cash received from bank loans	94,500	21,567
Repayments of bank loans	-15,340	-14,454
Cash flow from financing activities	30,490	-8,213
4. Cash and cash equivalents at end of period		
Net change in cash and cash equivalents (subtotal of 1–3)	-140,677	-104,049
Cash and cash equivalents at beginning of period	183,736	152,599
Cash and cash equivalents at end of period	43,059	48,550
5. Composition of cash and cash equivalents		
Cash	43,059	48,550
Cash and cash equivalents at end of period	43,059	48,550

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 30 September 2016

in EUR k	Subscribed capital	Capital reserves	Retained earnings	Other reserves		Non-controlling interests	Equity
				Reserve hedge accounting	Actuarial gains and losses		
01/01/2015	**61,302**	**343,003**	**354,074**	**-11,050**	**-1,934**	**2,569**	**747,963**
Net income for the period	0	0	100,219	0	0	172	100,391
Other comprehensive income (OCI)	0	0	0	1,279	0	0	1,279
Total comprehensive income for the period	**0**	**0**	**100,219**	**1,279**	**0**	**172**	**101,669**
Adjustment for non-controlling interests	0	0	0	0	0	-3	-3
Dividend payment	0	0	-15,326	0	0	0	-15,326
Capital contribution in connection with share-based remuneration	0	1,488	0	0	0	0	1,488
Change during the period	0	1,488	84,893	1,279	0	170	87,830
30/09/2015	**61,302**	**344,491**	**438,968**	**-9,772**	**-1,934**	**2,739**	**835,794**
01/01/2016	**67,432**	**439,510**	**469,369**	**-9,347**	**-1,899**	**2,809**	**967,874**
Net income for the period	0	0	52,926	0	0	96	53,022
Other comprehensive income (OCI)	0	0	0	-2,916	0	0	-2,916
Total comprehensive income for the period	**0**	**0**	**52,926**	**-2,916**	**0**	**96**	**50,106**
Adjustment for non-controlling interests	0	0	0	0	0	-120	-120
Dividend payment	0	0	-48,551	0	0	0	-48,551
Capital contribution in connection with share-based remuneration	0	604	0	0	0	0	604
Change during the period	0	604	4,375	-2,916	0	-24	2,038
30/09/2016	**67,432**	**440,114**	**473,743**	**-12,263**	**-1,899**	**2,785**	**969,912**

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

of 30 September 2016

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

A.1 INFORMATION ON THE COMPANY

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

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

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

A.2 FUNDAMENTALS OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements of TLG IMMOBILIEN AG were prepared in condensed form in accordance with IAS 34 (Interim Financial Reporting) and the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), as adopted by the European Union. The interim consolidated financial statements were prepared in accordance with the regulations of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The requirements of IAS 34 (Interim Financial Reporting) were adhered to. The notes are presented in condensed form on the basis of the option provided by IAS 34.10. These condensed interim consolidated financial statements have not been audited or subjected to an auditor's review.

The interim consolidated financial statements comprise 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 condensed notes to the interim consolidated financial statements. Besides the interim consolidated financial statements, the interim report contains the interim group management report and the responsibility statement.

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

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

Four new companies have been added to the scope of consolidation since 31 December 2015, which merely served as a shelf company as of 30 September 2016.

There have been no other changes to the scope of consolidation since 31 December 2015.

B. EXPLANATION OF ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods applied in these interim consolidated financial statements are identical to the methods presented in the IFRS consolidated financial statements as of 31 December 2015, with the following exception: in the consolidated statement of comprehensive income certain items were reclassified (please see section D.). These interim consolidated financial statements should therefore be read in conjunction with the consolidated financial statements of TLG IMMOBILIEN as of 31 December 2015.

As at 31 December 2015, the investment property had been subjected to a detailed external valuation by Savills Advisory Services Germany GmbH & Co. KG and recognised at fair value.

An external expert will carry out a valuation every six months from 2016 onwards, and the most recently recognised fair values will be assessed internally on the other reporting dates.

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

C. SELECTED NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

C.1 INVESTMENT PROPERTY

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

in EUR k	2016	2015
Carrying amount as at 01/01	**1,739,474**	**1,489,597**
Acquisitions	219,760	193,634
Capitalisation of construction and modernisation expenses	12,407	6,743
Receipt of grants and subsidies	0	-3,259
Reclassification as assets held for sale	-8,366	-38,603
Reclassification from property, plant and equipment	1,990	3,506
Adjustment of the fair value	8,803	87,856
Carrying amount as at 30/09/2016 and 31/12/2015	**1,974,068**	1,739,474

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

By 30 September 2016, nine office properties and two inner-city hotels in Dresden and Leipzig had been added to the portfolio. The acquisitions totalling EUR k 219,760 thus realised have already overtaken the acquisitions made in the previous year.

Besides the acquisitions to which 94% of the change in the value of the portfolio is attributable, its value was increased by the capitalisation of construction and modernisation expenses totalling EUR k 12,407 and the fair value adjustment of EUR k 8,803. Twenty-seven per cent of the fair value adjustment concerns properties that have already been disposed of, but whose benefits and encumbrances had not been transferred by the reporting date. At EUR k 8,366 or 0.5%, reclassifications as assets classified as held for sale are of lesser significance with regard to the carrying amount as at 1 January 2016. The reclassifications from property, plant and equipment totalling EUR k 1,990 are largely reclassifications from owner-occupied properties that were rented out again in the meantime.

The parameters on which the valuation is based and the asset classes have not changed materially since 30 June, 2016.

C.2 EQUITY

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

In the nine months ended 30 September 2016, a dividend of EUR 48.6 m was paid to the shareholders, which corresponds to EUR 0.72 per no-par-value bearer share entitled to dividends.

D. SELECTED NOTES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Reclassifications of account items in the financial year caused the comparative figures from the previous year to change. Therefore the net operating income from letting activities can be presented more accurately.

The effects can be broken down as follows:

in EUR k	01/01/2015–30/09/2015 (adjusted)	01/01/2015–30/09/2015	Change
Net operating income from letting activities	**83,906**	**82,448**	**1,458**
Income from letting activities	**109,836**	**108,413**	**1,423**
a) Rental income	93,812	93,812	0
b) Income from recharged operating costs	14,718	14,279	439
c) Income from other goods and services	1,306	322	984
Expenses related to letting activities	**-25,929**	**-25,965**	**36**
d) Expenses from operating costs	-20,538	-20,538	0
e) Maintenance expenses	-3,437	-3,400	-37
f) Other services	-1,953	-2,027	74
Other operating income	**3,187**	**4,609**	**-1,423**
Other operating expenses	**-4,974**	**-4,938**	**-36**

D.1 RESULT FROM THE REMEASUREMENT OF INVESTMENT PROPERTY

D.1 RESULT FROM THE REMEASUREMENT OF INVESTMENT PROPERTY

The result from the remeasurement of investment property was positive in the third quarter of 2016, due mainly to the persistently favourable market conditions. In addition to the favourable market conditions, the low EPRA Vacancy Rate of 3.1% and a remaining term (WALT) of 6.2 years for temporary rental agreements had a stabilising effect on the property value.

D.2 GAIN/LOSS FROM THE REMEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

In the first three quarters of 2016, expenses of EUR k 1,367 resulting from the fair value adjustment of derivative financial instruments were recognised due to a lack of hedges and expenses of EUR k 128 due to ineffectiveness. In contrast, there was no ineffectiveness in derivatives in hedge accounting in the first nine months of the previous year.

D.3 INCOME TAXES

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

in EUR k	01/01/2016–30/09/2016	01/01/2015–30/09/2015
Current income tax	4,167	6,206
Prior-period income taxes	-1,584	-6,641
Deferred taxes	13,916	34,278
Tax expense/income	**16,500**	**33,843**

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

D.4 EARNINGS PER SHARE

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

	01/01/2016–30/09/2016	01/01/2015–30/09/2015
Net income for the period attributable to the shareholders of the parent company, in EUR k	52,926	100,219
Weighted average number of shares issued (in thousands)	67,432	61,302
Undiluted earnings per share, in EUR	**0.78**	**1.63**
Potential diluting effect of share-based payment, in thousands	80	42
Number of shares with a potential diluting effect, in thousands	67,512	61,344
Diluted earnings per share, in EUR	**0.78**	**1.63**

The share-based remuneration of the Management Board and some employees has a diluting effect based on the amount of work already carried out. The number of shares on the reporting date would increase by around 80,000 shares.

E. OTHER INFORMATION

E.1 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

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

The fair values of the liabilities due to financial institutions correspond to the present values of the payments associated with the liabilities, with consideration for the current interest parameters as at the reporting date (level 2 according to IFRS 13), and were EUR k 903,281 on 30 September 2016 (31 December 2015: EUR k 821,465).

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

The measurement methods have not changed since 31 December 2015.

E.2 RELATED COMPANIES AND PARTIES

No transactions of particular significance took place with related companies or parties in the nine months ended 30 September 2016.

The composition of the Supervisory Board has changed as follows: Mr Hesse stepped down from the Supervisory Board with effect from 31 May 2016.

E.3 SUBSEQUENT EVENTS

Between 30 September 2016 and the publication of the interim consolidated financial statements, on 14 October 2016 a purchase agreement was signed for the office properties Campus Carré in Niederrad, Frankfurt, and Olof-Palme-Strasse 35 in Mertonviertel, Frankfurt am Main. The purchase price of this transaction was around EUR 160 m.

Located in the office district of Niederrad, Campus Carré (Lyoner Strasse 25, 60528 Frankfurt am Main) was completed in 2003 and has a lettable area of around 31,500 sqm as well as more than 500 parking spaces. Around EUR 85.7 m of the purchase price is attributable to this property. The office building has modern fittings and as of today generates a contractual annualised in-place rent of around EUR 5.5 m. The weighted average lease term (WALT) of the rental agreements is 4.7 years. With an occupancy rate of 99%, the property is almost fully occupied today. The largest tenants include HOCHTIEF Solutions AG, Techniker Krankenkasse and Steigenberger.

An office property in Mertonviertel (Olof-Palme-Strasse 35, 60439 Frankfurt am Main) was also acquired in the same transaction. The purchase price of this property amounts to EUR 74.3 m. The building has a lettable area of 26,700 sqm, was built in 1993 and was fully modernised in 2013. It features approx. 450 parking spaces. The office property currently has an occupancy rate of 100%, an annualised in-place rent of around EUR 4.3 m and a WALT of 9.5 years. The property is rented by the global industrial concern Air Liquide as part of a long-term agreement.

We are not aware of any other significant events after the reporting date.

E.4 RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements of TLG IMMOBILIEN AG as of 30 September 2016 give a true and fair view of the net assets, financial position and earnings of the Group, and the interim group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, 10 November 2016

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

FINANCIAL CALENDAR

9 March 2017
Publication Annual report 2016

11 May 2017
Publication of the quarterly financial report as at 31 March 2017

23 May 2017
Annual general meeting

11 August 2017
Publication of the half-year financial report as at 30 June 2017

9 November 2017
Publication of the quarterly financial report as at 30 September 2017

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