HALF-YEAR FINANCIAL REPORT

AS AT 30 JUNE 2019

KEY GROUP FIGURES
ACCORDING TO IFRS

	Unit	01/01/2019–30/06/2019	01/01/2018–30/06/2018	Change in %
Earnings indicators				
Rental income	in EUR k	114,827	109,570	4.8
Net operating income from letting activities (NOI)	in EUR k	104,439	97,226	7.4
Disposal profits	in EUR k	16,542	885	1,769.2
Net income for the period	in EUR k	322,064	170,858	88.5
Funds from operations (FFO)	in EUR k	71,541	67,786	5.5
FFO per share[1]	in EUR	0.69	0.66	4.5

	Unit	30/06/2019	31/12/2018	Change
Balance sheet metrics				
Investment property	in EUR k	4,435,111	4,067,527	9.0 %
Cash and cash equivalents	in EUR k	551,083	153,893	258.1 %
Total assets	in EUR k	5,443,597	4,320,847	26.0 %
Equity	in EUR k	2,605,663	2,157,239	20.8 %
Equity ratio	in %	47.9	49.9	−2.0 pp
Interest-bearing liabilities	in EUR k	2,075,466	1,579,442	31.4 %
Net debt	in EUR k	1,302,291	1,425,549	−8.6 %
Net LTV[2]	in %	28.4	34.7	−6.3 pp
EPRA NAV	in EUR k	3,333,112	2,715,723	22.7 %
EPRA NAV per share[1]	in EUR	29.77	26.27	13.3 %

	Unit	30/06/2019	31/12/2018	Change
Key portfolio performance indicators				
Property value[3]	in EUR k	4,592,502	4,109,449	11.8 %
Lettable area	in sqm	1,918,168	1,912,793	0.3 %
Property value per sqm[5]	in EUR/sqm	2,113	2,012	5.0 %
Properties	number	391	409	−18 units
EPRA Vacancy Rate	in %	3.1	3.3	−0.2 pp
WALT	in years	6.0	6.1	−0.1 years
Annualised in-place rent[4]	in EUR k	233,488	227,154	2.8 %
Average rent[5]	in EUR/sqm	10.67	10.39	2.7 %
In-place rental yield[5]	in %	5.7	5.9	−0.2 pp
Average market rent[5]	in EUR/sqm	11.29	10.89	3.7 %
In-place rental yield on market rent[5]	in %	6.3	6.4	−0.1 pp

[1] Total number of shares as at 31 December 2018: 103.4 m, as at 30 June 2019: 112.0 m.
The weighted average number of shares was 102.4 m in the second quarter of 2018 and 103.6 m in the second quarter of 2019.
[2] Calculation: Net debt divided by real estate assets; for the composition see page 20
[3] In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5
[4] The annualised in-place rent is calculated using the annualised rents agreed as at the reporting date – not factoring in rent-free periods.
[5] The calculation does not include the invest asset class.

Related links   Web reference

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Title illustration: Office complex NEO, Dresden

FOREWORD BY THE CHAIRMAN OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS, DEAR BUSINESS PARTNERS, DEAR TENANTS, DEAR EMPLOYEES, DEAR SIR OR MADAM,

TLG IMMOBILIEN can look back on an eventful and successful six months. Barak Bar-Hen became our new CEO at the beginning of June and will now take charge of the future of the company alongside the members of the Management Board Gerald Klinck and Jürgen Overath. There have also been changes on the Supervisory Board: Klaus Krägel, Ran Laufer and Jonathan Lurie were appointed to the Supervisory Board at the general meeting and now form the new Supervisory Board alongside myself and Helmut Ullrich.

I would like to take this opportunity to express my gratitude for the trust of the shareholders who elected me as a member of the Supervisory Board last year. The same goes for the trust placed in me by my colleagues on the Supervisory Board when they elected me Chairman. I will dedicate all of my energy and my experience in the sector and from public offices to furthering the interests of TLG IMMOBILIEN, the employees of the company and, last but not least, the shareholders.

The first six months of the year were extremely promising for the company and the developments are described in more detail on the following pages. However, the crucial factor is how the company is going to maintain its growth in future.

In addition to the exceptionally positive underlying development of the commercial property markets – in spite of everything said about the German economy – the future growth of TLG IMMOBILIEN will be driven by two instruments in particular: developments in the portfolio (i.e. optimisations within the portfolio including manageable and minimal-risk construction measures) and acquisitions of individual properties or portfolios. Significant progress has been made in both fields in the first half of the year.

In addition to the development on Alexanderplatz that was announced in 2018, three additional plot optimisation measures which have already been reported on over the past few months have been added: Annenhöfe and NEO are going to be built in Dresden, and in Berlin the urban district #WRIEZENER KARREE – in the direct vicinity of the world-famous club Berghain – will be developed. As the plots of land for all of these projects are already part of the portfolio of the company, it has not been necessary to invest anything in their acquisition. Already part of the portfolio, these plots of land in excellent central locations have already proven attractive to tenants and some have already been rented out in advance.

**Sascha Hettrich,
Chairman of the Supervisory Board**

Sascha Hettrich was elected Chairman of the Supervisory Board at the inaugural meeting of the Supervisory Board of TLG IMMOBILIEN AG in May 2019. Additionally, he is currently the CEO of the VIVION Group and Member of the Board of Directors of VIVION Investments S.à r.l., a real estate investment company with a focus on the United Kingdom and Germany and a property portfolio worth around EUR 2.9 bn. In total, he has over 35 years of experience in the real estate sector and is a member of the Institute for Corporate Governance in the German Real Estate Industry. A qualified business and real estate administrator, he is also a Fellow of The Royal Institution of Chartered Surveyors (FRICS). Sascha Hettrich will remain a member of the Supervisory Board of TLG IMMOBILIEN AG until the general meeting in 2023.

TLG IMMOBILIEN has also strengthened its financial “firepower” with regard to the other driver of growth: the acquisition of attractive properties and portfolios. The successful capital increase of around EUR 220 m in late June is worthy of note in this regard, as is the significant increase in the value of the property portfolio with a measurement gain of around EUR 400 m, both of which will provide more financial leeway for acquisitions. When making an acquisition, the deciding factor must always be that they meet the company’s strict risk and return criteria in spite of the high price level in the property markets and both expand and strengthen the portfolio sustainably.

I welcome these positive developments on behalf of the Supervisory Board. The Management Board and the company as a whole are committed to and well prepared for the ambitious growth curve. We look forward to implementing this strategy with you.

Yours sincerely,

Sascha Hettrich
Chairman of the Supervisory Board

TLG IMMOBILIEN SHARES

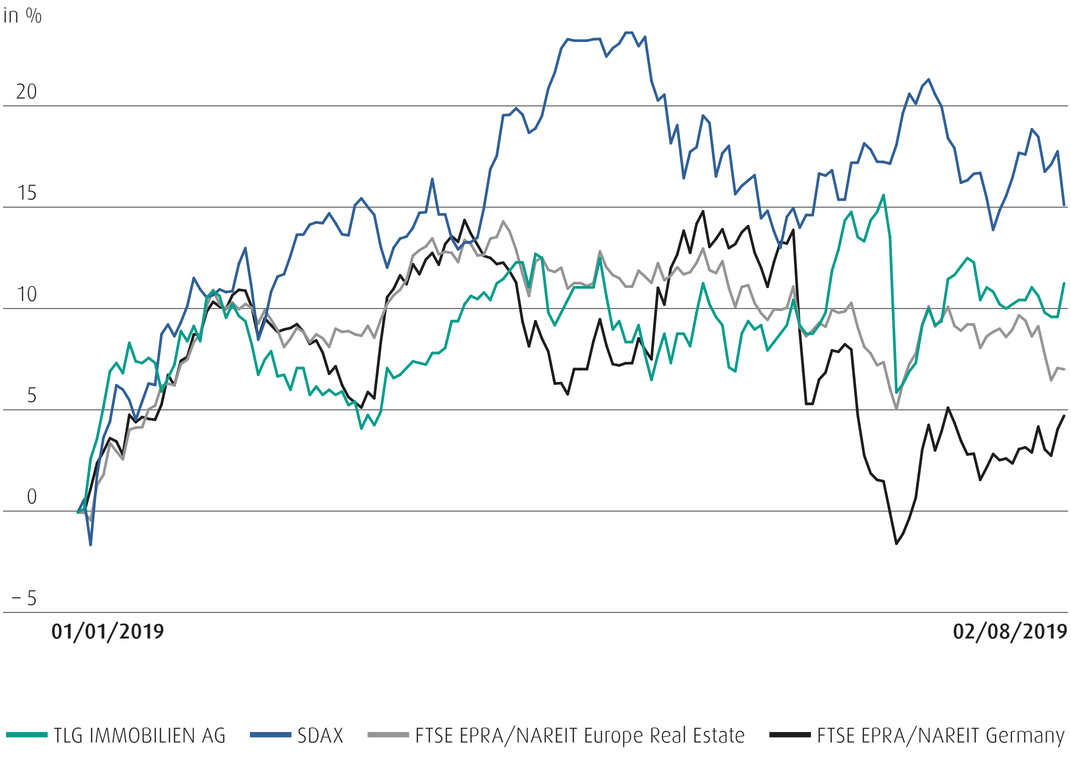
The capital markets fared positively in the first half of 2019. The prospects of a stable ECB interest rate until mid 2020, the current statements by the Chairman of the Federal Reserve that supporting measures will be implemented, and the moderate rate of global inflation allowed for a general recovery in the capital markets in the first half of 2019.

The German stock index DAX therefore grew in the first half of 2019 and closed at 12,398.80 points on 28 June 2019. As a result, the DAX increased by a total of 18.3% compared to its opening price on 2 January 2019.

The SDAX also fared well in the first half of 2019, increasing by 19.6% between early January and the end of June 2019.

European property shares also gained ground in the first half of the year. The FTSE EPRA/NAREIT Europe Index grew by 6.9% over the first six months. In contrast, the FTSE/NAREIT Germany Index declined slightly by 1.1%.

Performance of the shares by index

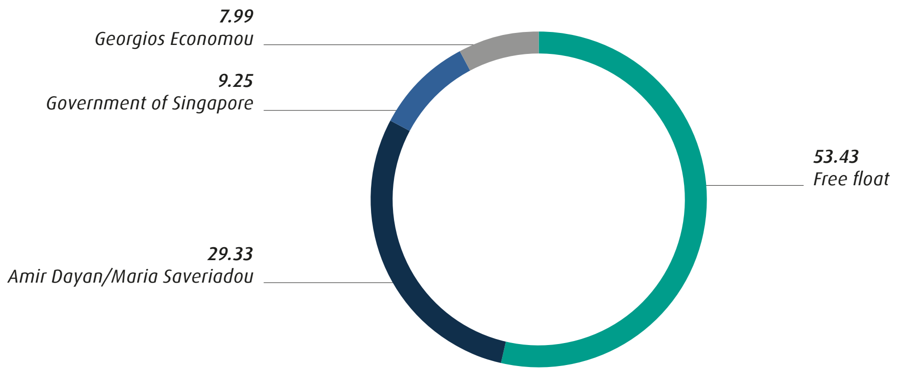


The shares of TLG reached their highest value on Xetra in the first half of the year at EUR 28.10 on 18 June 2019. The shares closed the reporting period at EUR 25.75, which represents an increase of 5.7% compared to the opening price at the start of the year.

TLG IMMOBILIEN share data

ISIN/WKN	DE000A12B8Z4/A12B8Z
Ticker symbol	TLG
Share capital in EUR	111,952,313.00
Number of shares (no-par value bearer shares) as at 30/06/2019	111,952,313
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 18/06/2019 (Xetra) in EUR	28.10
Reporting period low on 27/06/2019 (Xetra) in EUR	24.65
Closing price on 30/06/2019 (Xetra) in EUR	25.75
Market capitalisation in EUR m	2,882.8

Shareholder structure as at 30 June 2019 *



* Data based on the latest voting rights notifications.

Georgios Economou: *Attributed shareholding as reported for 26 April 2019. The shares are held directly by XENOPUS LIMITED. On that date, the total number of voting rights was 103,444,935.*
Government of Singapore: *Indirect shareholding as reported for 6 October 2017. The government of Singapore is the majority shareholder of GIC Private Limited which held all of the reported voting rights of the company as at the key date. On that date, the total number of voting rights was 94,611,266.*
Amir Dayan/Maria Saveriadou: *Attributed shareholding as reported for 15 March 2019. The shares are held by Ouram Holding S.à r.l. On that date, the total number of voting rights was 103,444,574.*
Free float: *Shareholding < 5 %*

The diagram shows the voting rights last disclosed by shareholders according to Sec. 33 and Sec. 34 of the German Securities Trading Act (WpHG), based on the share capital of TLG IMMOBILIEN AG at the time. Please note that the last disclosed number of voting rights might since have changed within the thresholds without the shareholders being obliged to inform the company.

Coverage by analysts

Bank	Target price in EUR	Rating	Analyst	Date
Baader Bank	30.00	Buy	Andre Remke	12/07/2019
J.P. Morgan	33.00	Buy	Tim Leckie	11/07/2019
Bankhaus Lampe	28.00	Hold	Georg Kanders	10/07/2019
Jefferies	28.00	Hold	Thomas Rothaeusler	09/07/2019
Pareto Securities	24.00	Hold	Katharina Mayer	09/07/2019
HSBC	31.50	Buy	Thomas Martin	05/07/2019
Berenberg	28.50	Hold	Kai Klose	13/05/2019
Deutsche Bank	31.50	Buy	Markus Scheufler	08/05/2019
Commerzbank	30.50	Buy	Tom Carstairs	08/05/2019
UBS	28.00	Neutral	Charles Boissier	03/05/2019
Kempen & Co	27.00	Neutral	Robert Woerdeman	04/02/2019
VictoriaPartners	25.60–28.00	n/a	Bernd Janssen	25/01/2019
Kepler Cheuvreux	27.50	Buy	Thomas Neuhold	22/01/2019

Source: Bloomberg (as at 5 August 2019) and broker research

Pareto Securities AS started covering the shares of TLG IMMOBILIEN AG in the first quarter of 2019.

INVESTOR RELATIONS ACTIVITIES

TLG IMMOBILIEN AG attended the following national and international conferences in the first six months of 2019:

- ODDO & Cie – ODDO BHF FORUM, Lyon
- UniCredit Kepler Cheuvreux – German Corporate Conference, Frankfurt/Main
- Commerzbank – German Real Estate Forum, London
- Kepler Cheuvreux – German & Austrian Property Days, Paris
- Kempen – 17th European Property Seminar, Amsterdam

Roadshows were also held in Frankfurt, Munich, London, Paris and the Netherlands (Amsterdam, The Hague and Rotterdam).

The figures for 2018 were published on 21 March 2019 and the first quarterly report on 8 May 2019 and discussed with investors and analysts in a teleconference. A recording of the teleconference and the report documents are available in the Investor Relations section of our website, *www.tlg.eu*.

EPRA KEY FIGURES

TLG IMMOBILIEN AG is a member of the EPRA and, as a company listed on a stock exchange, publishes the key figures in line with the Best Practices Recommendations of the EPRA for the sake of transparency and comparability.

Overview of key figures according to EPRA

in EUR k	30/06/2019	31/12/2018	Change	Change in %
EPRA NAV	3,333,112	2,715,723	617,389	22.7
EPRA NNNAV	2,524,489	2,121,149	403,340	19.0
EPRA Net Initial Yield (NIY) in %	4.1	4.5	−0.4 pp	
EPRA "topped-up" Net Initial Yield in %	4.1	4.5	−0.4 pp	
EPRA Vacancy Rate in %	3.1	3.3	−0.2 pp	

in EUR k	01/01/2019–30/06/2019	01/01/2018–30/06/2018	Change	Change in %
EPRA Earnings[1]	70,376	65,547	4,829	7.4
EPRA Cost Ratio (including direct vacancy costs) in %	23.7	27.8	−4.1 pp	
EPRA Cost Ratio (excluding direct vacancy costs) in %	22.6	26.5	−3.9 pp	

[1] In the 2018 financial year, the reclassification of line items caused individual amounts from the previous year to change (see section D.1 of the notes).

The increase in the EPRA NAV was essentially the result of the increase in equity due to the net income generated for the period as well as the capital increase which took place on 27 June 2019 and generated gross proceeds of EUR k 222,092. Dividend payments of EUR k 94,140 in May 2019 had the opposite effect.

Compared to the previous year, the EPRA Cost Ratios decreased as special items resulting from consulting services in connection with the takeover of WCM AG, for example, influenced earnings for 2018.

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

EPRA Earnings

in EUR k	01/01/2019–30/06/2019	01/01/2018–30/06/2018	Change	Change in %
Net income for the period	322,064	170,858	151,206	88.5
Result from the remeasurement of investment property[1]	–400,831	–182,446	–218,385	119.7
Result from the disposal of properties[1]	–16,542	–885	–15,657	n/a
Result from the remeasurement of derivative financial instruments and refinancing costs	26,291	3,558	22,733	n/a
Acquisition costs of share deals	0	1,914	–1,914	–100.0
Deferred and actual taxes in respect of EPRA adjustments	140,430	74,337	66,093	88.9
Non-controlling interests	–1,036	–1,789	753	–42.1
EPRA Earnings[1]	**70,376**	**65,547**	**4,829**	**7.4**
Average number of shares outstanding in thousands	103,576	102,406		
EPRA Earnings per share in EUR	0.68	0.64		

[1] In the 2018 financial year, the reclassification of line items caused individual amounts from the previous year to change (see section D.1 of the notes).

EPRA Net Asset Value (EPRA NAV)

in EUR k	30/06/2019	31/12/2018	Change	Change in %
Equity of the shareholders of TLG IMMOBILIEN	2,581,903	2,133,924	447,979	21.0
Fair value adjustment of owner-occupied property (IAS 16)	20,425	17,168	3,257	19.0
Fair value adjustment of real estate inventories (IAS 2)	1,182	1,182	0	0.0
Fair value of derivative financial instruments	29,436	8,604	20,832	242.1
Deferred taxes[1]	700,166	554,845	145,321	26.2
EPRA Net Asset Value (EPRA NAV)	**3,333,112**	**2,715,723**	**617,389**	**22.7**
Number of shares in thousands	111,952	103,385		
EPRA NAV per share in EUR	**29.77**	**26.27**		

[1] The calculation is closely based on the specifications of the EPRA and only neutralises deferred tax assets and liabilities attributable to investment property and derivative financial instruments.

EPRA Triple Net Asset Value (NNNAV)

in EUR k	30/06/2019	31/12/2018	Change	Change in %
EPRA Net Asset Value (EPRA NAV)	**3,333,112**	**2,715,723**	**617,389**	**22.7**
Fair value of derivative financial instruments	−29,436	−8,604	−20,832	242.1
Fair value adjustment of liabilities due to financial institutions/bonds	−76,788	−28,892	−47,896	165.8
Deferred taxes[1]	−702,399	−557,078	−145,321	26.1
EPRA Triple Net Asset Value (EPRA NNNAV)	**2,524,489**	**2,121,149**	**403,340**	**19.0**
Number of shares in thousands	111,952	103,385		
EPRA NNNAV per share in EUR	22.55	20.52		

[1] The calculation is closely based on the specifications of the EPRA and only neutralises deferred tax assets and liabilities attributable to investment property, derivative financial instruments, and liabilities due to financial institutions (only EPRA NNNAV).

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

in EUR k	30/06/2019	31/12/2018	Change	Change in %
Investment property	4,435,111	4,067,527	367,584	9.0
Inventories	734	737	−3	−0.4
Properties classified as held for sale	148,612	33,080	115,532	349.3
Property portfolio (net)	**4,584,457**	**4,101,344**	**483,113**	**11.8**
Estimated transaction costs	341,051	298,288	42,763	14.3
Property portfolio (gross)	**4,925,508**	**4,399,632**	**525,876**	**12.0**
Annualised rental income	232,145	226,456	5,689	2.5
Property outgoings	−29,226	−28,761	−465	1.6
Annualised net rents	**202,919**	**197,695**	**5,224**	**2.6**
Notional rent for ongoing rent-free periods	1,342	697	645	92.5
Annualised “topped-up” net rent	**204,261**	**198,392**	**5,869**	**−3.0**
EPRA Net Initial Yield (EPRA NIY) in %	**4.1**	**4.5**	**−0.4 pp**	
EPRA “topped-up” Net Initial Yield in %	**4.1**	**4.5**	**−0.4 pp**	

EPRA Vacancy Rate

in EUR k	30/06/2019	31/12/2018	Change	Change in %
Market rent for vacant properties	8,388	8,542	−154	−1.8
Total market rent	268,694	258,583	10,111	3.9
EPRA Vacancy Rate in %	**3.1**	**3.3**	**−0.2 pp**	

EPRA Cost Ratio

in EUR k	01/01/2019–30/06/2019	01/01/2018–30/06/2018	Change	Change in %
Costs pursuant to the consolidated statement of comprehensive income under IFRS				
Expenses relating to letting activities[1]	35,249	33,914	1,335	3.9
Personnel expenses	7,691	7,760	−69	−0.9
Depreciation and amortisation	895	504	391	77.6
Other operating expenses[1]	6,818	9,704	−2,886	−29.7
Income from recharged operating costs	−22,866	−20,850	−2,016	9.7
Income from other goods and services	−566	−558	−8	1.4
Other operating income from reimbursements	1	−53	54	n/a
EPRA Costs (including direct vacancy costs)[1]	**27,222**	**30,421**	**−3,199**	**−10.5**
Direct vacancy costs	−1,273	−1,331	58	−4.4
EPRA Costs (excluding direct vacancy costs)[1]	**25,949**	**29,090**	**−3,141**	**−10.8**
Rental income	114,827	109,570	5,257	4.8
EPRA Cost Ratio (including direct vacancy costs) in %	**23.7**	**27.8**	**−4.1 pp**	
EPRA Cost Ratio (excluding direct vacancy costs) in %	**22.6**	**26.5**	**−3.9 pp**	

[1] In the 2018 financial year, the reclassification of line items caused individual amounts from the previous year to change (see section D.1 of the notes).

CONSOLIDATED INTERIM MANAGEMENT REPORT

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1. COMPANY FUNDAMENTALS

1.1 BUSINESS MODEL OF THE GROUP

1.1.1 Organisational structure

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

- Portfolio management
  Portfolio management forms the strategic orientation of the portfolio with regard to regional markets and locations, individual asset classes and general trends in the property market. It also monitors the development of the portfolio and the valuation of properties.

- Asset management
  Asset management identifies the most economical long-term strategy for every property and is responsible for implementing it. Suitable instruments are selected with regard to renting, conversion and modernisation measures in order to generate the highest possible value for every single property.

- Transaction management
  With its years of expertise, TLG IMMOBILIEN is very well connected in its core markets and operates in the transaction market with an experienced team. Acquisition and disposal processes are controlled by the internal transaction management team from the identification of potential transaction partners to the due diligence phase and contractual negotiations.

- Property management
  Property management is responsible for ongoing commercial property management. This entails maintaining relations with tenants and managing service providers in the property. The property management team is decentralised so that it can be present on site for tenants and properties.

The purpose of its business activities is to further optimise the high-quality property portfolio through active asset management and tap the potential of selected portfolio properties for value growth through construction and conversion measures. In addition to further growth through the acquisition of properties with the potential to increase in value, the disposal of non-strategic properties is a strategy designed to refine the overall portfolio.

2. ECONOMIC REPORT

2.1 GENERAL ECONOMIC CONDITIONS AND REAL ESTATE MARKETS

2.1.1 General economic conditions

The economic slowdown in 2018 continued in the first six months of 2019. In the first quarter, the real gross domestic product (GDP) grew by 0.4% according to the German Federal Ministry for Economic Affairs and Energy (BMWi), although the industrial sector in particular reported a significantly lower volume of incoming orders in the same period than in previous years. In April, the project group “Gemeinschaftsdiagnose” of the leading economic research institutes had already projected GDP growth of just 0.8% for 2019 as a whole. Even the German government revised previous forecasts downward in its spring forecast and now expects the real GDP to increase by 0.5%.

2.1.2 Economic situation in the sectors

According to Savills, commercial properties changed hands on the scale of EUR 24.2 bn in the first six months of 2019. As such, the half-yearly transaction volume decreased for the second year in a row, with an approximately 12% decline compared to the same period in the previous year. However, this means that the commercial investment market is on track for total annual turnover of EUR 50 bn or more for the fifth time since 2015, and no significant downturn is in sight. As financing conditions remain highly favourable, Savills attributes the decline in the volume of transactions to the relatively high 20% decrease in transactions with significant volumes. Colliers also reports that package sales have remained fairly irrelevant over the course of the year so far. As, however, several major deals are in the pipeline, it expects the volume to increase in the third and fourth quarters. As such, it believes that the volume of transactions in 2019 could reach the level of the previous year at around EUR 60 bn. According to Savills, the markets in the top seven cities in particular declined: with the exception of Berlin, for example (EUR 4.9 bn; +94% compared to the first six months of 2018), transactions in the metropolises have declined by an average of 30%. However, Colliers reports that, together, the metropolises still achieved the second-highest half-yearly result ever recorded.

2.1.3 Development of the office property market

The office property markets have continued to sky-rocket. According to the calculations of BNP Paribas Real Estate (BNPPRE), at EUR 11.5 bn, the volume of transactions was the best half-yearly result of the past decade. As such, the asset class made up around 47% of the entire commercial property market. The largest share of the market was attributable to the A-rated cities in which sales totalling EUR 8.9 bn were recorded (a decrease of 9% year-on-year). Bucking the trend, the Berlin market experienced significant growth; BNPPRE calculated a volume of transactions of EUR 3.55 bn and therefore a 130% increase compared to the same period in the previous year. With the exception of Cologne (+10%), however, turnover decreased in all of the top seven cities, especially Hamburg (–58%) and Munich (–45%). According to Colliers, the vacancy rate continued to decline in the top seven and reached a new low of 3.0%, although there was a regional spread between 1.4% in Berlin and 7.2% in Frankfurt/Main. As such, according to JLL, the volume of available space decreased year-on-year by around 1 million sqm or 24%. Colliers attributes the continued growth in both average and top rents by the middle of the year to the consistently high level of demand. Additionally, JLL believes that the high rents – the highest since 1992 and tending to increase further – combined with low vacancy rates are the reason that more and more companies with expansion plans are entering into rental agreements for properties that are under construction.

2.1.4 Development of the retail property market

Making up 22% of the volume of transactions, the retail property market remains the second most important commercial asset class, with turnover of EUR 5.4 bn in the first six months of 2019 according to BNPPRE. This represents a 15% increase compared to the same period in the previous year and is 5% above the long-term average. According to Savills, commercial buildings had the largest share at around 31%, followed by department stores (25%). Sales of shopping centres and special retail centres each made up around 15% of the volume. According to BNPPRE, the only slightly volatile percentage of individual deals over a five-year period is a reflection of the persistently strong level of demand. Of the top seven cities with a total transaction volume of EUR 1.85 bn (34% of the national German volume), six of seven locations performed better than in the previous year. Berlin was once again in first place with a transaction volume of EUR 678 m. In this regard, Savills reports that net initial yields are stable in most cases and are between 3.1% (commercial buildings) and 5.9% (shopping centres in B-rated locations).

2.1.5 Development of the hotel property market

According to the Federal Statistical Office (destatis), the number of overnight stays in the German hotel and restaurant sector increased to 127.3 million from January to April 2019, representing growth of 4% compared to the same period in the previous year. Additionally, destatis reports that the number of overnight stays by foreign guests increased by 3% to 23.8 million, whereas German guests accounted for 103.5 million overnight stays – this represents growth of 4.2%. However, this confirmation of the long-term growth trend is not reflected by the property market: JLL reports that the total half-yearly turnover of hotel properties was EUR 1.47 bn and therefore 20% lower than in the first six months of 2018. JLL attributes this to the worsening lack of supply and not to a decline in investor interest. In particular, properties in excellent locations and with long remaining lease terms are difficult to find in the market at the moment. Due to the resulting excess demand, JLL identified just 33 individual transactions involving hotels with a total volume of EUR 950 m in the first half of the year, compared to the 47 sales with a volume of EUR 1.51 bn which took place between January and June 2018 (this represents a decline of 37%).

2.2 POSITION OF THE COMPANY

2.2.1 Course of business

In the first six months of 2019, TLG IMMOBILIEN could successfully pursue its growth strategy. Successful rental agreements, remeasurements and acquisitions were the main drivers of a 12% increase in value to around EUR 4.6 bn.

Following a comprehensive portfolio analysis, TLG IMMOBILIEN categorises the properties in its portfolio in a strategic and a non-strategic portfolio. The strategic portfolio comprises the office, retail and hotel asset classes, as well as the invest asset class since 30 June 2019. The invest asset class contains the properties which are key for future development measures. The properties in the strategic portfolio deliver sustainable income and have the potential to generate additional income and value through active asset management or investments in the portfolio. Properties in the non-strategic portfolio are to be disposed of over the next few years, taking advantage of the favourable situation in the market.

As a result, the property portfolio can be broken down as follows:

		Strategic portfolio					
Key figures	**Total**	**Sum**	**Office**	**Retail**	**Hotel**	**Invest**	**Non-strategic portfolio**
Property value (EUR k)[1]	4,592,502	4,215,566	1,955,207	1,112,874	338,465	809,020	376,937
Annualised in-place rent (EUR k)[2]	233,488	205,317	95,793	76,310	17,223	15,990	28,171
In-place rental yield on actual rent (%)[3]	5.7	5.5	4.9	6.8	5.0	–	7.4
In-place rental yield on market rent (%)[3]	6.3	6.3	5.9	6.9	6.3	–	7.2
EPRA Vacancy Rate (%)	3.1	3.2	4.2	2.7	1.8	0.6	2.8
WALT (years)	6.0	5.9	5.8	5.4	10.9	3.0	6.5
Average actual rent (EUR/sqm/month)[3]	10.67	11.33	12.04	10.18	13.66	–	7.66
Average market rent (EUR/sqm/month)[3]	11.29	12.23	13.90	9.74	16.38	–	7.03
Properties (number)	391	287	56	211	7	13	104
Lettable area (sqm)	1,918,168	1,594,944	702,338	655,090	109,727	127,789	323,224

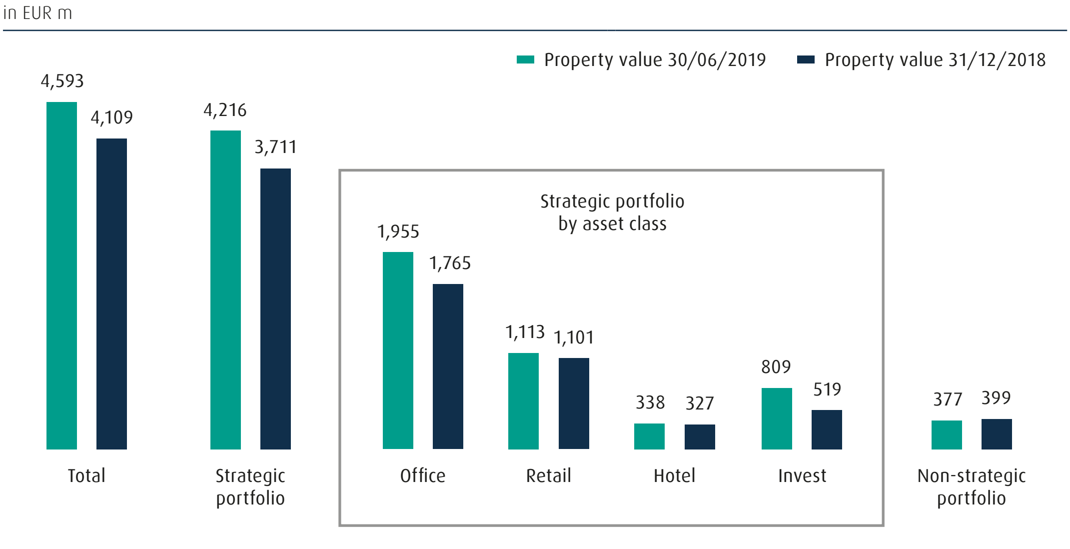
[1] In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5
[2] The annualised in-place rent is calculated using the annualised rents agreed as at the reporting date – not factoring in rent-free periods.
[3] The calculation does not include the invest asset class.

As at 30 June 2019, the property portfolio of TLG IMMOBILIEN comprised 391 properties (31/12/2018: 409) with a fair value (IFRS) of around EUR 4.593 bn (31/12/2018: around EUR 4.109 bn). Besides acquisitions (18.3%), the effects of disposals (–2.7%) and investments in the portfolio (2.4%), the increase of around EUR 483 m is due to remeasurements (83.0%) in particular.

In terms of the property value as at 30 June 2019, 80.3% of the properties in the new invest asset class were previously in the office asset class and the other 19.7% were previously in the retail asset class. Properties in Berlin make up the majority of the invest asset class at 95.6%. The other 4.4% are properties in Dresden.

Of the total value of the properties, 91.8% is attributable to the strategic portfolio (31/12/2018: 90.3%). With regard to the strategic portfolio, office properties are the strongest asset class at 46.4% (31/12/2018: 47.6%), followed by retail properties at 26.4% (31/12/2018: 29.7%), the new invest asset class at 19.2% (31/12/2018: 14.0%) and hotels at 8.0% (31/12/2018: 8.8%). Besides office properties with a share of 6.4% (31/12/2018: 5.1%), the non-strategic portfolio comprises other properties with a share of 8.6% (31/12/2018: 9.7%) consisting mainly of retail properties at 85.1% (31/12/2018: 85.1%). The figures from the previous year have been adjusted here and below in light of the new portfolio structure with the invest asset class.

The property values have developed differently depending on the portfolio strategy and asset class:



On a like-for-like basis, i.e. not factoring in acquisitions or disposals in the first half of 2019, there has been a 10.4% increase in value overall – 11.2% for the strategic portfolio and 2.0% for the non-strategic portfolio – due to the asset management of TLG IMMOBILIEN and the positive development of the markets, especially in Berlin. With regard to the strategic portfolio, properties in the invest asset class experienced the most significant value growth of 56.0% on a like-for-like basis, followed by office properties with growth of 5.8%, hotel properties with growth of 3.6% and retail properties with growth of 1.2%. The increase in the value of the invest asset class is due to progress in individual development projects as well as the development of fair values, especially in Berlin. At 95.3%, the majority of the increase in the value of the invest asset class is attributable to properties in Berlin.

In the first six months of 2019, the acquisitions combined with the renting activities of asset management led to a 2.8% increase in annualised in-place rent to EUR k 233,488 (31/12/2018: EUR k 227,154). On a like-for-like basis, there has been an increase of 1.5% overall and of 1.8% with regard to the strategic portfolio. The largest increase was 10.6% in the office asset class in Berlin and was due primarily to the conclusion of a new rental agreement in the office property Spreétage on Kaiserin-Augusta-Allee with an increase of 55.3%. This rent increase does not factor in rental agreements starting after 30 June 2019.

At 3.1% for the entire portfolio (31/12/2018: 3.3%), the EPRA Vacancy Rate decreased slightly, and on a like-for-like basis it decreased by 0.1 percentage points to 3.2%. The weighted average lease term (WALT) of the temporary rental agreements has decreased slightly from 6.1 years to 6.0 years, or from 6.2 years to 6.0 years on a like-for-like basis.

2.2.2 Financial performance

In the first six months of 2019, TLG IMMOBILIEN generated net income for the period of EUR k 322,064 as a reflection of the highly positive development of the Group as a whole.

The EUR k 151,206 increase compared to the same period in the previous year is due largely to the EUR k 218,385 higher result from the remeasurement of investment property. Additionally, the EUR k 7,213 increase in net operating income from letting activities had a positive effect. The table below presents the financial performance:

in EUR k	01/01/2019–30/06/2019	01/01/2018–30/06/2018	Change	Change in %
Net operating income from letting activities[1]	**104,439**	**97,226**	**7,213**	**7.4**
Result from the remeasurement of investment property[1]	400,831	182,446	218,385	119.7
Result from the disposal of properties[1]	16,542	885	15,657	n/a
Other operating income	701	1,135	–434	–38.2
Personnel expenses	–7,691	–7,760	69	–0.9
Depreciation and amortisation	–895	–504	–391	77.6
Other operating expenses[1]	–6,818	–9,704	2,886	–29.7
Earnings before interest and taxes (EBIT)	**507,109**	**263,724**	**243,385**	**92.3**
Financial income	164	234	–70	–29.9
Financial expenses	–20,668	–14,021	–6,647	47.4
Result from the remeasurement of derivative financial instruments	–22,432	–3,537	–18,895	n/a
Earnings before taxes	**464,173**	**246,401**	**217,772**	**88.4**
Income taxes	–142,109	–75,543	–66,566	88.1
Net income for the period	**322,064**	**170,858**	**151,206**	**88.5**
Other comprehensive income (OCI)	1,017	288	729	253.1
Total comprehensive income	**323,081**	**171,146**	**151,935**	**88.8**

[1] In the 2018 financial year, the reclassification of line items caused individual amounts from the previous year to change (see section D.1 of the notes).

Compared to the previous period, the net operating income from letting activities of EUR k 104,439 has increased by EUR k 7,213, due primarily to acquired properties being placed under management and the successful conclusion of rental agreements within the portfolio.

At EUR k 400,831, the result from the remeasurement of investment property was EUR k 218,385 higher than in the same period in the previous year. The gratifying development of the property portfolio was due in particular to progress with investment projects as well as the positive development of the market in the office segment, primarily in Berlin.

Essentially, the result from the disposal of properties comprises remeasurements of properties classified as held for sale totalling EUR k 16,903 resulting from the disposals of the Greenman portfolio, the government services building in Gera, and “Falke Forum” in Chemnitz that were notarised in the first six months of 2019.

Personnel expenses were at the same level as in the previous year as although the current personnel expenses increased due to the higher number of employees in 2019, the personnel expenses in the previous year included a special item not affecting liquidity of EUR k 574 resulting from the transition of the long-term incentive scheme.

At EUR k 6,818, the other operating expenses were EUR k 2,886 lower than in the same period in the previous year. Other operating expenses of EUR k 1,687 were incurred for transactions in 2018, especially in connection with the takeover of WCM and the related integration measures.

In the reporting period, financial expenses increased by EUR k 6,647 to EUR k 20,668 compared to the previous year. This is mainly due to the costs of repaying loans in connection with the optimisation of the financial structure of the company and to disposals totalling EUR k 3,859. Furthermore, additional interest expenses were incurred for the bond issued in the first six months of 2019 as well as for interest due to open real estate transfer tax proceedings in connection with WCM.

By 30 June 2019, there was a loss of EUR k 22,432 from the remeasurement of derivative financial instruments. The expense is due primarily to lower market interest rates and the resulting market valuation of interest rate hedges on the loans.

Of the tax expenses of EUR k 142,109 in the first six months of 2019, EUR k 1,679 is attributable to current income taxes and EUR k 140,430 is attributable to deferred taxes. The latter are largely due to the high result from the remeasurement of investment property.

in EUR k	01/01/2019–30/06/2019	01/01/2018–30/06/2018	Change	Change in %
Net income for the period	**322,064**	**170,858**	**151,206**	**88.5**
Income taxes	142,109	75,543	66,566	88.1
EBT	**464,173**	**246,401**	**217,772**	**88.4**
Net interest	20,504	13,787	6,717	48.7
Result from the remeasurement of derivative financial instruments	22,432	3,537	18,895	n/a
EBIT	**507,109**	**263,725**	**243,384**	**92.3**
Depreciation and amortisation	895	504	391	77.6
Result from the remeasurement of investment property[1]	−400,831	−182,446	−218,385	119.7
EBITDA[1]	**107,173**	**81,783**	**25,390**	**31.0**
Result from the disposal of properties[1]	−16,542	−885	−15,657	n/a
Other effects from FFO calculation	3,859	3,095	764	24.7
Adjusted EBITDA[1]	**94,490**	**83,993**	**10,497**	**12.5**
Rental income	114,827	109,570	5,257	4.8
Adjusted EBITDA margin in %	**82.3**	**76.7**	**5.0 pp**	

[1] In the 2018 financial year, the reclassification of line items caused individual amounts from the previous year to change (see section D.1 of the notes).

By 30 June 2019, TLG IMMOBILIEN has generated an adjusted EBITDA of EUR k 94,490. This represents an increase of EUR k 10,498 over the same period in the previous year, due primarily to the higher net operating income from letting activities.

2.2.3 Cash flows

The following cash flow statement was generated using the indirect method under IAS 7. By 30 June 2019, the proceeds and cash paid in the reporting period have resulted in an increase in cash and cash equivalents, due primarily to the issuance of a bond with a nominal value of EUR k 600,000 in May 2019.

in EUR k	01/01/2019–30/06/2019	01/01/2018–30/06/2018	Change	Change in %
1. Net cash flow from operating activities	59,166	65,284	−6,118	−9.4
2. Cash flow from investing activities	−66,318	−122,801	56,483	−46.0
3. Cash flow from financing activities	404,341	−34,839	439,180	n/a
Net change in cash and cash equivalents	**397,189**	**−92,356**	**489,545**	**n/a**
Cash and cash equivalents at beginning of period	153,893	201,476	−47,583	−23.6
Cash and cash equivalents at end of period	**551,082**	**109,120**	**441,962**	**n/a**

In the reporting period, the cash flow from operating activities decreased by EUR k 6,118 compared to the previous year. The higher current surpluses from letting activities were counteracted by financial expenses in connection with loan repayments as part of the optimisation of the financial structure of the company.

Essentially, the negative cash flow from investing activities of EUR k 66,318 is characterised by the cash paid for acquisitions of investment property totalling EUR k 104,408, including for the acquisition of Westside Office Bonn in the amount of EUR k 88,618.

The cash received from property disposals totalling EUR k 55,318, especially the Aronia retail portfolio, the residential and commercial building Bergstrasse in Rostock, the office and medical centre Kopernikusstrasse in Zwickau, the government services building in Gera, and "Falke Forum" in Chemnitz had the opposite effect.

The positive cash flow from financing activities of EUR k 404,341 is primarily related to the issuance of a bond with a nominal amount of EUR k 600,000 in May 2019 as well as the cash received for loans in the amount of EUR k 67,796.

In the second quarter, this was counteracted by premature loan repayments totalling EUR k 143,990 made as part of the optimisation of the financial structure of the company, as well as dividend payments of EUR k 94,140 in May 2019.

The cash and cash equivalents consist entirely of liquid funds.

2.2.4 Net 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 non-current.

in EUR k	30/06/2019	31/12/2018	Change	Change in %
Investment property/prepayments	4,435,202	4,067,550	367,652	9.0
Other non-current assets	39,472	31,688	7,784	24.6
Financial assets	13,983	13,517	466	3.4
Cash and cash equivalents	551,083	153,893	397,190	258.1
Other current assets	403,857	54,199	349,658	n/a
Total assets	**5,443,597**	**4,320,847**	**1,122,750**	**26.0**
Equity	2,605,663	2,157,239	448,424	20.8
Non-current liabilities	2,076,204	1,489,098	587,106	39.4
Deferred tax liabilities	621,365	480,489	140,876	29.3
Current liabilities	140,365	194,021	−53,656	−27.7
Total equity and liabilities	**5,443,597**	**4,320,847**	**1,122,750**	**26.0**

The assets side is dominated by investment property including advance payments. The increase of EUR k 367,652 compared to the previous year is primarily due to the measurement gains from properties as well as the acquisition of a property in Bonn.

Compared to 31 December 2018, the proportion of investment property in the total assets has decreased from 94% to 81%. This is due on the one hand to the strong liquidity resulting from the issuance of the bond with a nominal value of EUR k 600,000 in May 2019, and on the other the reclassification of properties as non-current assets held for sale. This reclassification took place upon the notarisation of the sales and relates primarily to the Greenman portfolio in the amount of EUR k 118,054 as well as the government services building in Gera, and "Falke Forum" in Chemnitz.

The EUR k 349,658 increase in other current assets is largely the result of the capital increase in exchange for cash contributions on 27 June 2019 which affected liquidity in July 2019, as well as the reclassification of properties that are due to be sold and for which the deeds have already been drawn up.

The equity of the Group is EUR k 2,605,663 and has increased by EUR k 448,424 since the start of the financial year, due primarily to the total comprehensive income generated for the period and the capital increase carried out on 27 June 2019 which generated gross proceeds of EUR k 222,092. The dividend payments of EUR k 94,140 in May 2019 had the opposite effect.

Compared to 31 December 2018, the equity ratio has decreased slightly by 2.0 percentage points to 47.9%.

2.2.5 Financial performance indicators

FFO development

in EUR k	01/01/2019–30/06/2019	01/01/2018–30/06/2018	Change	Change in %
Net income for the period	**322,064**	**170,858**	**151,206**	**88.5**
Income taxes	142,109	75,543	66,566	88.1
EBT	**464,173**	**246,401**	**217,772**	**88.4**
Result from the disposal of properties[1]	−16,542	−885	−15,657	n/a
Result from the remeasurement of investment property[1]	−400,831	−182,446	−218,385	119.7
Result from the remeasurement of derivative financial instruments	22,432	3,537	18,895	n/a
Depreciation and amortisation	895	504	391	77.6
Attributable to non-controlling interests	−611	−681	70	−10.3
Other effects[2]	3,859	3,095	764	24.7
Income taxes relevant to FFO	−1,834	−1,738	−96	5.5
FFO[3]	**71,541**	**67,786**	**3,755**	**5.5**
Average number of shares outstanding in thousands[3]	103,576	102,406		
FFO per share in EUR	**0.69**	**0.66**	**0.03**	**4.5**

[1] In the 2018 financial year, the reclassification of line items caused individual amounts from the previous year to change (see section D.1 of the notes).
[2] The other effects include
(a) transaction costs (EUR k 0; previous year EUR k 2,499),
(b) refinancing costs/repayment of loans (EUR k 3,859; previous year EUR k 22),
(c) one-off effect from the transition of the LTI scheme (EUR k 0, previous year EUR k 574).
[3] Total number of shares as at 31 December 2018: 103.4 m, as at 30 June 2019: 112.0 m.
The weighted average number of shares was 102.4 m in the first half of 2018 and 103.6 m in the first half of 2019.

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

Funds from operations, adjusted for significant unsustainable effects and effects not affecting liquidity, totalled EUR k 71,541 in the reporting period. The considerable increase in FFO by 5.5% or EUR k 3,755 compared to the same period in the previous year is due predominantly to the higher net operating income from letting activities.

FFO per share was EUR 0.69 and was therefore higher than in the previous year.

Net Loan to Value (Net LTV)

in EUR k	30/06/2019	31/12/2018	Change	Change in %
Investment property (IAS 40)	4,435,111	4,067,527	367,584	9.0
Advance payments on investment property (IAS 40)	91	23	68	295.7
Owner-occupied property (IAS 16)	8,045	8,104	−59	−0.7
Non-current assets classified as held for sale (IFRS 5)	148,612	33,080	115,532	349.3
Inventories (IAS 2)	734	737	−3	−0.4
Real estate assets	**4,592,593**	**4,109,471**	**483,122**	**11.8**
Interest-bearing liabilities	2,075,466	1,579,442	496,024	31.4
Cash and cash equivalents[1]	773,175	153,893	619,282	402.4
Net debt	**1,302,291**	**1,425,549**	**−123,258**	**−8.6**
Net Loan to Value (Net LTV) in %	**28.4**	**34.7**	**−6.3 pp**	

[1] The capital increase that was carried out in June has been factored into the cash and cash equivalents (the net cash inflow took place in early July 2019).

As a ratio between net debt and real estate assets, the Net LTV is another key performance indicator for the company. It was 28.4% in the Group as at the reporting date. It has therefore declined by 6.3 percentage points compared to 31 December 2019, due primarily to the higher portfolio value resulting from the positive remeasurement of the properties and the capital increase on 27 June 2019.

EPRA Net Asset Value (EPRA NAV)

in EUR k	30/06/2019	31/12/2018	Change	Change in %
Equity of the shareholders of TLG IMMOBILIEN	2,581,903	2,133,924	447,979	21.0
Fair value adjustment of owner-occupied property (IAS 16)	20,425	17,168	3,257	19.0
Fair value adjustment of real estate inventories (IAS 2)	1,182	1,182	0	0.0
Fair value of derivative financial instruments	29,436	8,604	20,832	242.1
Deferred taxes	700,166	554,845	145,321	26.2
EPRA Net Asset Value (EPRA NAV)	**3,333,112**	**2,715,723**	**617,389**	**22.7**
Number of shares in thousands	111,952	103,385		
EPRA NAV per share in EUR	**29.77**	**26.27**		

The EPRA Net Asset Value (EPRA NAV) is another key performance indicator of TLG IMMOBILIEN and was EUR k 3,333,112 as at 30 June 2019. Compared to 31 December 2018, the EPRA NAV increased by EUR k 617,389, due primarily to the change in equity resulting from the net income generated for the period as well as the capital increase carried out on 27 June 2019 which generated gross proceeds of EUR k 222,092. Dividend payments of EUR k 94,140 in May 2019 had the opposite effect.

The EPRA NAV per share was EUR 29.77, compared to EUR 26.27 as at 31 December 2018.

3. REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

3.1 RISK REPORT

TLG IMMOBILIEN is exposed to constantly changing general economic, technical, political, legal and societal conditions that could impede its achievement of its targets or the implementation of its long-term strategies. However, business opportunities can also arise.

These risks and opportunities are described in detail in the 2018 annual report.

In the first half of 2019, there were no significant changes in the risk situation since 31 December 2018.

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

3.2 OPPORTUNITY REPORT

In the first half of 2019, there were no significant changes to the opportunities of TLG IMMOBILIEN. Therefore, please see the disclosures in the opportunity report in the consolidated financial statements of 31 December 2018.

3.3 FORECAST REPORT

The expected development of TLG IMMOBILIEN in the 2019 financial year was described in detail in the 2018 annual report. The current expectations as to the development of the Group in the 2019 financial year are still consistent with the disclosures in the 2018 annual report.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 June 2019

in EUR k	01/04/2019–30/06/2019	01/04/2018–30/06/2018	01/01/2019–30/06/2019	01/01/2018–30/06/2018
Rental income	57,835	54,603	114,827	109,570
Income from recharged operating costs	10,791	9,206	22,866	20,850
Income from other goods and services	1,519	362	1,995	720
Income from letting activities	**70,145**	**64,171**	**139,688**	**131,140**
Expenses from operating costs[1]	–13,966	–13,824	–29,418	–30,151
Maintenance expenses[1]	–2,145	–1,316	–4,217	–2,294
Other services[1]	–379	–377	–1,614	–1,469
Expenses relating to letting activities	**–16,490**	**–15,517**	**–35,249**	**–33,914**
Net operating income from letting activities	**53,655**	**48,654**	**104,439**	**97,226**
Proceeds from the disposal of properties	22	3,344	29,852	11,817
Carrying amount of properties disposed of	–3	–3,344	–29,833	–11,817
Change in value of properties held for sale	5,322	591	16,903	1,041
Expenses from the disposal of properties[1]	–380	39	–380	–156
Result from the disposal of properties[2]	**4,961**	**630**	**16,542**	**885**
Result from the remeasurement of investment property	**400,831**	**182,446**	**400,831**	**182,446**
Other operating income	353	742	701	1,135
Personnel expenses	–4,442	–3,774	–7,691	–7,760
Depreciation and amortisation	–374	–288	–895	–504
Other operating expenses[1]	–3,089	–4,095	–6,818	–9,704
Earnings before interest and taxes (EBIT)	**451,895**	**224,315**	**507,109**	**263,724**
Financial income	133	102	164	234
Financial expenses	–12,268	–6,332	–20,668	–14,021
Result from the remeasurement of derivative financial instruments	–9,607	–5,544	–22,432	–3,536
Earnings before taxes	430,153	212,540	464,173	246,401
Income taxes	–132,690	–61,400	–142,109	–75,543
Net income for the period	**297,463**	**151,141**	**322,064**	**170,858**
Other comprehensive income (OCI):				
Thereof will be classified to profit or loss				
Gain/loss from remeasurement of derivative financial instruments in hedging relationships, net of taxes	860	141	1,017	288
Total comprehensive income for the period	**298,323**	**151,282**	**323,081**	**171,146**
Of the net income for the period, the following is attributable to:				
Non-controlling interests	193	955	1,036	1,789
The shareholders of the parent company	297,269	150,187	321,028	169,070
Earnings per share (basic) in EUR	**2.87**	**1.47**	**3.10**	**1.65**
Earnings per share (diluted) in EUR	**2.87**	**1.47**	**3.10**	**1.65**
Of the total comprehensive income for the period, the following is attributable to:				
Non-controlling interests	193	955	1,036	1,789
The shareholders of the parent company	298,130	150,327	322,045	169,357

[1] Comparative figures from the previous year have been adjusted. We refer to the explanations in section D.1.
[2] Adjustment of recognition: The change in the value of properties held for sale is now recognised in the result from the disposal of properties. This amount was previously recognised in the result from the remeasurement of investment property.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

Assets

in EUR k	30/06/2019	31/12/2018
A) Non-current assets	**4,488,657**	**4,112,755**
Investment property	4,435,111	4,067,527
Advance payments on investment property	91	23
Property, plant and equipment	8,781	8,933
Intangible assets	3,008	2,590
Other non-current financial assets	18,783	13,517
Right-of-use assets	2,214	n.a.
Other assets	20,669	20,165
B) Current assets	**954,940**	**208,092**
Inventories	734	737
Trade receivables	9,957	14,864
Receivables from income taxes	1,812	1,827
Other current financial assets	16,360	1,129
Other receivables and assets	226,382	2,562
Cash and cash equivalents	551,083	153,893
Assets classified as held for sale	148,612	33,080
Total assets	**5,443,597**	**4,320,847**

Equity and liabilities

in EUR k	30/06/2019	31/12/2018
A) Equity	**2,605,663**	**2,157,239**
Subscribed capital	111,952	103,385
Capital reserves	1,224,883	1,011,381
Retained earnings	1,248,644	1,023,751
Other reserves	−3,576	−4,593
Equity attributable to shareholders of the parent company	**2,581,903**	**2,133,924**
Non-controlling interests	23,760	23,315
B) Liabilities	**2,837,934**	**2,163,608**
I.) Non-current liabilities	**2,697,569**	**1,969,587**
Non-current liabilities due to financial institutions	1,026,816	1,046,342
Corporate bonds	982,913	395,975
Pension provisions	7,921	8,019
Non-current derivative financial instruments	31,586	10,254
Other non-current liabilities	26,968	28,508
Deferred tax liabilities	621,365	480,489
II.) Current liabilities	**140,365**	**194,021**
Current liabilities due to financial institutions	61,661	136,613
Corporate bonds[1]	4,076	512
Trade payables	27,938	35,389
Other current provisions	3,575	4,451
Tax liabilities	2,869	2,743
Other current liabilities	40,246	14,313
Total equity and liabilities	**5,443,597**	**4,320,847**

[1] Adjusted recognition: The accrued interest for corporate bonds is now recognised as a separate line item under current liabilities.

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 30 June 2019

in EUR k	01/01/2019–30/06/2019	01/01/2018–30/06/2018
1. Cash flow from operating activities		
Consolidated net income for the period before taxes	464,173	246,401
Depreciation of property, plant and equipment and amortisation of intangible assets	895	504
Result from the remeasurement of investment property	–400,831	–182,446
Result from the remeasurement of derivative financial instruments	22,432	3,537
Increase/decrease (–) in provisions	–974	1,471
Change in value of properties held for sale[1]	–16,903	–1,041
Other non-cash income/expenses	–806	–233
Gain (–)/loss from disposal of property, plant and equipment and intangible assets	–18	0
Increase (–)/decrease in inventories	3	5
Financial income	–164	–234
Financial expenses	20,668	14,021
Increase (–)/decrease in trade receivables and other assets	–972	538
Increase (–)/decrease in trade payables and other liabilities	–9,601	–3,279
Cash flow from operating activities	**77,902**	**79,244**
Interest received	164	234
Interest paid	–18,035	–13,978
Income tax paid/received	–865	–217
Net cash flow from operating activities	**59,166**	**65,284**
2. Cash flow from investing activities		
Cash received from disposals of investment property	55,318	11,627
Cash received from disposals of property, plant and equipment	0	7
Cash paid for acquisitions of investment property	–104,408	–132,593
Cash paid for acquisitions of property, plant and equipment	–283	281
Cash paid to deposit restricted funds	–16.065	0
Cash paid for investments in intangible assets	–879	–1,326
Change in scope of consolidation	0	–796
Cash flow from investing activities	**–66,318**	**–122,801**
3. Cash flow from financing activities		
Cash received from the issuance of corporate bonds	590,274	0
Dividend payment	–94,140	–84,645
Cash paid to minority shareholders	–1,223	0
Cash received from bank loans	67,796	56,202
Repayments of bank loans	–158,114	–6,396
Cash paid to settle liabilities for leases	–251	0
Cash flow from financing activities	**404,341**	**–34,839**
4. Cash and cash equivalents at end of period		
Net change in cash and cash equivalents (subtotal of 1–3)	397,190	–92,356
Cash and cash equivalents at beginning of period	153,893	201,476
Cash and cash equivalents at end of period	**551,083**	**109,120**
5. Composition of cash and cash equivalents		
Cash	551,083	109,120
Cash and cash equivalents at end of period	**551,083**	**109,120**

[1] Comparative figures from previous year have been adjusted. The change in value of properties held for sale has previously been recognised in the result from the remeasurement of investment property.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 30 June 2019

in EUR k	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income (OCI): Reserve hedge accounting	Other comprehensive income (OCI): Actuarial gains/losses	Non-controlling interests	Equity
01/01/2018	**102,029**	**1,061,087**	**739,603**	**-3,135**	**-1,948**	**38,924**	**1,936,560**
Net income for the period	0	0	169,070	0	0	1,789	170,859
Other comprehensive income (OCI)	0	0	0	288	0	0	288
Total comprehensive income for the year	**0**	**0**	**169,070**	**288**	**0**	**1,789**	**171,146**
Dividend payment	0	0	-84,645	0	0	0	-84,645
Guaranteed dividend	0	0	0	0	0	-1,360	-1,360
Share capital increase in exchange for contributions in kind	1,202	26,943	-14,037	0	0	-14,108	0
Capital contribution in connection with share-based payments	0	-24	0	0	0	0	-24
Other	0	0	-796	0	0	-136	-932
Change during the period	**1,202**	**26,919**	**69,592**	**288**	**0**	**-13,815**	**84,187**
30/06/2018	**103,231**	**1,088,006**	**809,195**	**-2,847**	**-1,948**	**25,109**	**2,020,747**
01/01/2019	**103,385**	**1,011,381**	**1,023,751**	**-2,394**	**-2,199**	**23,315**	**2,157,239**
Net income for the period	0	0	321,028	0	0	1,036	322,064
Other comprehensive income (OCI)	0	0	0	1,017	0	0	1,017
Total comprehensive income for the year	**0**	**0**	**321,028**	**1,017**	**0**	**1,036**	**323,081**
Dividend payment	0	0	-94,140	0	0	0	-94,140
Share capital increase in exchange for contributions in kind	67	1,678	-1,255	0	0	-490	0
Share capital increase in exchange for cash contributions	8,500	213,592	0	0	0	0	222,092
Transaction costs associated with the share capital increase, after taxes	0	-1,235	0	0	0	0	-1,235
Capital contributions/redemptions in connection with share-based payments	0	-533	0	0	0	0	-533
Other	0	0	-739	0	0	-101	-840
Change during the period	**8,567**	**213,502**	**224,894**	**1,017**	**0**	**445**	**448,425**
30/06/2019	**111,952**	**1,224,883**	**1,248,645**	**-1,377**	**-2,199**	**23,760**	**2,605,663**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT 30 JUNE 2019

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

A.1 INFORMATION ON THE COMPANY

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

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

A.2 FUNDAMENTALS OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements of TLG IMMOBILIEN were prepared in condensed form in accordance with IAS 34 (Interim Financial Reporting) and the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), as adopted by the European Union. The consolidated interim financial statements were prepared in accordance with the rulings of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The requirements of IAS 34 (Interim Financial Reporting) were adhered to. The notes are presented in condensed form on the basis of the option provided by IAS 34.10. These condensed consolidated interim financial statements have been subjected to an auditor's review.

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

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

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

There have been no significant changes to the scope of consolidation since 31 December 2018.

In the reporting period, more shareholders of WCM accepted the swap offered by TLG IMMOBILIEN. As at 30 June 2019, TLG IMMOBILIEN holds 91.88% of the shares of WCM.

B. EXPLANATION OF ACCOUNTING AND MEASUREMENT METHODS

The accounting and measurement methods applied in these consolidated interim financial statements are identical to the methods presented in the IFRS consolidated financial statements as at 31 December 2018, with the exception of the IFRS standards that came into effect on 1 January 2019. The Group does not prematurely apply any standards, interpretations or amendments that have been adopted or published by the IASB yet whose application is not yet mandatory in the European Union.

These consolidated interim financial statements should therefore be read in conjunction with the consolidated financial statements of TLG IMMOBILIEN of 31 December 2018.

The Group started applying IFRS 16 (Leases) on 1 January 2019, the initial application date of the new standard, in accordance with the modified retrospective method. The comparative figures from the previous year have not been adjusted. The Group utilises the recognition exemptions provided by IFRS 16.5 and, as such, does not apply IFRS 16.22 to IFRS 16.49 to leases with a contractual term of twelve months or less or to leases (on a case-by-case basis) in which the underlying asset is of low value.

As at 30 June 2019, the initial application resulted in the recognition of assets and liabilities in the amount of EUR k 2,214 (01/01/2019: EUR k 3,806). Additionally, EUR k 251 has been recognised under depreciation and amortisation. Until now, these costs have been recognised in various items of expenditure. The average discount rate was 2.86%.

IFRS 16 replaces the previous classification of leases by lessors as operating or finance. Instead, IFRS 16 introduces a single lessee accounting model requiring lessees to recognise assets (for the right of use) and liabilities for all leases unless the lease term is 12 months or less. This means that leases which were not previously recognised must now be recognised in a statement of financial position – largely similar to the current recognition of financial leases.

However, the approach of IAS 17 (Leases) which differentiates between operating and finance leases continues to apply to lessors. The list of criteria for assessing a finance lease has been adopted as-is from IAS 17.

Additionally, the disclosure obligations of lessees and lessors have become significantly more extensive in IFRS 16 compared to IAS 17. The purpose of the disclosure obligations is to provide readers of the financial statements with information that gives them a better understanding of the effects leases have on the net assets, cash flows and financial performance.

Costs incurred in connection with leases are incurred in order to successfully conclude rental agreements (especially commission for brokers). As before, these costs are spread over the term of the rental agreement.

As at 30 June 2019, the investment property was subjected to an external appraisal by Savills Advisory Services Germany GmbH & Co. KG and recognised at fair value.

An external expert carries out a valuation every six months and the most recently recognised fair values are valued internally on the other reporting dates.

C. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

C.1 INVESTMENT PROPERTY

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

in EUR k	2019	2018
Carrying amount as at 01/01	**4,067,527**	**3,383,259**
Acquisitions	88,348	140,176
Capitalisation of construction activities and modernisation expenses	11,665	33,070
Change in value of properties held for sale	16,903	7,921
Reclassification as assets held for sale	−145,362	−48,408
Reclassification as property, plant and equipment	0	−1,375
Fair value adjustments	400,831	552,884
Disposals	−4,800	0
Carrying amount as at 30/06/2019 and 31/12/2018	**4,435,111**	**4,067,527**

The portfolio strategy of TLG IMMOBILIEN stipulates the concentration on the asset classes of office and retail, as well as selected hotels to a more limited extent. Properties that represent key properties for future development measures have been part of the separate invest asset class since 30 June 2019.

The office portfolio focuses on promising A and B-rated locations. Hotel properties are situated in selected central locations and are leased to well-known operators on a long-term basis. The retail portfolio is more widely distributed and is characterised by retail properties in attractive micro-locations, most of which have anchor tenants operating in the field of food retail.

Decisions on acquisitions, sales and pending investments are subject to the principles of the portfolio strategy.

In the first six months of 2019, the reclassifications as assets held for sale totalling EUR k −145,362 (31/12/2018: EUR k −48,408) stood in contrast to acquisitions totalling EUR k 88,348 (2018: EUR k 140,176). The acquisition was the office property Westside Office in Bonn. Essentially, the strategic disposals are attributable to the disposal of a package of 29 food markets and an office property in Gera. The transfer of benefits and encumbrances for these disposals did not take place before the reporting date. The reclassifications also contained all disposals throughout the year that were first reclassified and then disposed of from assets classified as held for sale.

The capitalisation of construction activities of EUR k 11,665 in the first six months of 2019 was slightly higher than the EUR k 10,265 in the first six months of 2018. Essentially, the capitalisations were attributable to ongoing capital expenditure measures (52%) and tenant fit-outs (32%).

Of the fair value adjustment (remeasurement) totalling EUR k 400,831 (EUR k 552,884 in 2018), 94% is attributable to properties in Berlin. The properties in the invest asset class make up the majority of the remeasurement at 72%. In addition to progress in individual development projects and the positive effects of asset management, these developments are the result of the consistently dynamic development of the market, especially in Berlin but also to a lesser extent in Dresden and Leipzig, increasing market rents and declining yields. The remeasurement was almost entirely attributable to the dormant portfolio of investment property. The dormant portfolio contains the properties that were in the portfolio during the reporting period from 1 January to 30 June 2019, i.e. without acquisitions and reclassifications into assets held for sale carried out in the first six months of 2019.

The following overview breaks down key measurement parameters for the dormant portfolio by region.

Dormant portfolio as at 30/06/2019 versus 31/12/2018	Berlin	Dresden/ Leipzig/ Rostock	Rhine-Main	Other locations	Total
Investment properties as at 30/06/2019 in EUR k	1,949,314	858,748	633,438	905,411	4,346,911
Change from 30/06/2019 to 31/12/2018 in EUR k	378,804	38,359	865	−10,490	407,538
Change from 30/06/2019 to 31/12/2018 in %	24.1	4.7	0.1	−1.1	10.3
Discount rate, weighted average as at 30/06/2019 in %	3.89	4.77	4.22	5.05	4.35
Change from 30/06/2019 to 31/12/2018 in percentage points	−0.24	−0.01	−0.05	0.04	−0.14
Capitalisation rate, weighted average as at 30/06/2019 in %	4.48	6.09	5.28	6.58	5.37
Change from 30/06/2019 to 31/12/2018 in percentage points	−0.36	−0.01	−0.08	0.13	−0.19
Average actual rent as at 30/06/2019 in EUR/sqm/month[1]	12.54	9.76	14.63	9.42	10.86
Change from 30/06/2019 to 31/12/2018 in EUR/sqm/month	0.65	0.08	0.17	0.04	0.21
Change from 30/06/2019 to 31/12/2018 in %	5.4	0.8	1.2	0.5	1.9
Average market rent as at 30/06/2019 in EUR/sqm/month[1]	15.65	10.64	14.29	8.89	11.52
Change from 30/06/2019 to 31/12/2018 in EUR/sqm/month	0.87	0.33	0.28	0.02	0.32
Change from 30/06/2019 to 31/12/2018 in %	5.9	3.2	2.0	0.2	2.9
EPRA Vacancy Rate as at 30/06/2019 in %	0.8	2.2	9.1	4.1	3.2
Change from 30/06/2019 to 31/12/2018 in percentage points	−1.1	0.1	0.7	0.5	−0.2
WALT of temporary rental agreements as at 30/06/2019 in years	5.7	7.1	5.7	5.0	5.8
Change from 30/06/2019 to 31/12/2018 in years	−0.2	−0.1	−0.3	−0.1	−0.2

[1] The calculation does not include the invest asset class.

With regard to the dormant portfolio, the change in the value of the Berlin portfolio was the most significant compared to 31 December 2018 at EUR k 378,804 or 24.1%. The change in value in Berlin can be broken down as follows by asset class: 73.1% properties in the invest asset class, 20.2% office properties, 4.5% retail properties and 2.3% hotels. The largest increase in Berlin is attributable to the invest asset class at 55.7%, followed by office properties at 12.1%, retail properties at 5.9% and hotels at 5.7%. The dormant portfolio experienced a EUR 3.4 m or 1.6% increase in annualised in-place rent in the first six months of 2019 at the same time as a 0.2 pp reduction in the EPRA Vacancy Rate to 3.2% and a weighted average lease term (WALT) of 5.8 years.

Following a comprehensive portfolio analysis, TLG IMMOBILIEN categorises the properties in its portfolio in a strategic and non-strategic portfolio. The strategic portfolio comprises the office, retail and hotel asset classes, as well as the invest asset class since 30 June 2019. The table below presents the fair values of the investment property by the strategic classification of the portfolio and by asset class by 30 June 2019. Prepayments made towards these properties are not included here, but rather are recognised separately in the statement of financial position. The figures from the previous year have been adjusted here and below in light of the new portfolio structure with the invest asset class.

Investment properties as at 30/06/2019

	Strategic portfolio						
As at 30/06/2019	Office	Retail	Hotel	Invest	Total	Non-strategic portfolio	Total
Investment properties in EUR k	1,929,562	1,112,874	338,465	809,020	4,189,921	245,190	4,435,111
Average discount rate in %	4.24	4.95	4.37	3.45	4.29	5.46	4.35
Average capitalisation rate in %	5.16	6.37	5.43	3.82	5.30	6.67	5.37
Average actual rent in EUR/sqm/month[1]	12.33	10.18	13.66	–	11.45	7.50	10.91
Average market rent in EUR/sqm/month[1]	14.23	9.74	16.38	–	12.35	6.74	11.56
EPRA Vacancy Rate in %	4.3	2.7	1.8	0.6	3.2	3.0	3.2
Proportion of temporary rental agreements in %	98.1	97.7	98.9	98.0	98.0	93.2	97.6
WALT of temporary rental agreements in years	5.9	5.4	10.9	3.0	5.9	4.7	5.8

[1] The calculation does not include the invest asset class.

Investment properties as at 31/12/2018

	Strategic portfolio						
As at 31/12/2018	Office	Retail	Hotel	Invest	Total	Non-strategic portfolio	Total
Investment properties in EUR k	1,756,410	1,100,765	326,740	518,689	3,702,604	364,923	4,067,527
Average discount rate in %	4.29	4.91	4.37	3.97	4.44	5.19	4.50
Average capitalisation rate in %	5.28	6.35	5.55	4.53	5.51	6.27	5.58
Average actual rent in EUR/sqm/month[1]	11.57	10.19	13.18	–	11.06	7.57	10.41
Average market rent in EUR/sqm/month[1]	13.18	9.71	16.13	–	11.82	6.97	10.93
EPRA Vacancy Rate in %	4.4	2.2	3.3	2.0	3.3	3.5	3.3
Proportion of temporary rental agreements in %	97.4	97.5	98.9	97.8	97.6	97.0	97.5
WALT of temporary rental agreements in years	5.9	5.6	11.5	3.0	6.0	6.8	6.1

[1] The calculation does not include the invest asset class.

As at the reporting date, TLG IMMOBILIEN assumes that future fluctuations in fair value will be largely due to factors that lie outside of the discretionary scope of TLG IMMOBILIEN. These factors essentially include the discount and capitalisation rates used in the measurement.

In addition to the calculation of market value, a sensitivity analysis was carried out when the discount and capitalisation rates changed. If the discount and capitalisation rates on which the measurement of the properties was based had increased or decreased by 0.5 percentage points, the values as at 30 June 2019 would have been the following:

Investment Properties

as at 30/06/2019	Investment properties	Discount rate		
Values in EUR k		−0.5%	0.0%	+0.5%
Capitalisation rate	−0.5%	4,943,451	4,755,311	4,573,171
	0.0%	4,607,901	4,435,111	4,268,321
	+0.5%	4,335,351	4,175,821	4,025,771

Investment Properties

as at 31/12/2018	Investment properties	Discount rate		
Values in EUR k		−0.5%	0.0%	+0.5%
Capitalisation rate	−0.5%	4,418,758	4,234,668	4,060,168
	0.0%	4,124,568	4,067,528	3,906,048
	+0.5%	3,882,188	3,723,978	3,573,948

C.2 OTHER RECEIVABLES AND ASSETS

Other receivables and assets can be broken down as follows:

in EUR k	30/06/2019	31/12/2018
Accruals and deferrals	4,987	5,166
Prepayments	64	44
Accruals and deferrals from rental incentives granted	17,491	15,254
Other assets	224,509	2,264
Total	**247,051**	**22,727**

As the cash from the capital increase of EUR 220 m was received after the reporting date, it has been recognised under other assets as at 30 June 2019. We refer to the disclosures in section C.3 "Equity".

C.3 EQUITY

As at the reporting date, the subscribed capital of the company was EUR k 111,952 (previous year EUR k 103,385). The share capital, not including the cash capital increase of 27 June 2019, is fully paid-in. The payment was effected in July 2019. There are no other share types.

TLG IMMOBILIEN AG has decided to increase its registered share capital from EUR 103,384,729.00 to EUR 111,884,729.00, making partial use of its authorised capital and excluding the subscription rights of the shareholders. The 8,500,000 new no-par value bearer shares were issued for institutional investors through accelerated book-building as part of a private placement and are entitled to a share of profits from 1 January 2019 onwards.

The shares were issued at a placement price of EUR 26.13 per share. The gross proceeds were therefore around EUR 222 m.

The capital reserves amount to EUR k 1,224,883 (previous year EUR k 1,011,381). The increase results from the cash capital increase of 27 June 2019.

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

EUR k	2019	2018
Opening balance as at 01/01	**−3,454**	**−4,285**
Reversal from equity into the statement of profit or loss	1,467	831
Closing balance by 30/06/2019 and 31/12/2018	**−1,987**	**−3,454**

In the first six months of 2019, a dividend totalling EUR 94.1 m was paid to the shareholders (appropriation of income) which corresponds to EUR 0.91 per no-par value bearer share entitled to dividends.

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

C.4 BOND

On 28 May 2019, TLG IMMOBILIEN AG issued a subordinated, unsecured bond with a fixed interest rate, a total nominal value of EUR 600 m and a face value of EUR 100,000. The bond was issued with a term ending on 28 May 2026 and a coupon of 1.50% p.a.

D. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

D.1 NET OPERATING INCOME FROM LETTING ACTIVITIES

In the first six months of 2019, the income from letting activities was slightly higher than in the first six months of 2018; the ratio of expenses related to letting activities to income from letting activities has also improved slightly.

For the purposes of adjusting to the prevailing practice in the industry, the comparative values for the first six months of 2018 for expenses for other services have been adjusted within the expenses relating to letting activities. Overall, EUR k 793 has been reclassified from other services related to letting activities to other operating expenses. These were essentially attributable to acquisition expenses. Additionally, maintenance expenses of EUR k 237 have been reclassified from expenses from other services relating to letting activities to maintenance expenses, and EUR k 155 has been reclassified as expenses from the disposal of properties.

D.2 FINANCIAL RESULT

The financial result is broken down as follows:

in EUR k	01/01/2019–30/06/2019	01/01/2018–30/06/2018
Net interest from bank balances	−1	−4
Net interest from default interest and deferrals	−81	−28
Other financial income	−82	−202
Total financial income	**−164**	**−234**
Interest expenses for interest rate derivatives	3,733	3,223
Interest on loans	12,308	11,317
Interest expenses from pension provisions	63	62
Other interest expenses	4,564	−582
Total financial expenses	**20,668**	**14,021**
Financial result	**20,504**	**13,787**

Essentially, the other financial expenses comprise prepayment penalties for premature loan repayments and interest expenses in connection with a dispute at a fiscal court.

D.3 RESULT FROM THE REMEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

Hedge accounting for derivative financial instruments was discontinued at the start of the second quarter of 2017. Ever since, all changes in market values are presented through the item “Result from the remeasurement of derivative financial instruments”.

The changes in market value that have been presented as other comprehensive income and allocated to an equity reserve in prior periods will be reversed on a pro-rata basis over the remaining term of each underlying transaction.

D.4 INCOME TAXES

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

in EUR k	01/01/2019–30/06/2019	01/01/2018–30/06/2018
Current income tax	1,679	1,205
Deferred taxes	140,430	74,338
Tax expenses/income	**142,109**	**75,543**

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

Unlike the same period in the previous year, no deferred taxes from prior periods have been recognised (tax expenses changed by EUR −3,743).

D.5 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 outstanding.

	01/01/2019–30/06/2019	01/01/2018–30/06/2018
Net income for the period attributable to the shareholders of the parent company in EUR k	321,028	169,070
Weighted average number of shares outstanding in thousands	103,576	102,406
Basic earnings per share in EUR	**3.10**	**1.65**
Potential diluting effect of share-based payments in thousands	0	102
Number of shares with a potential diluting effect in thousands	103,576	102,508
Diluted earnings per share in EUR	**3.10**	**1.65**

E. OTHER INFORMATION

E.1 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

With the exception of derivatives recognised at fair value, all financial assets and liabilities have been measured at amortised cost. With regard to the assets and liabilities measured at amortised cost, the carrying amounts of the financial assets and liabilities on the statement of financial position are good approximations of fair value, with the exception of liabilities 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 1,138,996 as at 30 June 2019 (31 December 2018: EUR k 1,217,078).

As at 30 June 2019, the fair values of the bonds (level 2 according to IFRS 13) were EUR k 1,009,182 (31 December 2018: EUR k 391,256).

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 2018.

E.2 RELATED PARTIES

Related parties

With effect from 3 June 2019, the Supervisory Board of TLG IMMOBILIEN AG has appointed Mr Barak Bar-Hen as a member of the Management Board and Chief Executive Officer for the period until 2 June 2023. The Supervisory Board has defined the remuneration in accordance with the existing remuneration system for the Management Board.

The following members have been appointed to the Supervisory Board with the following majorities of the share capital with voting rights in attendance at the general meeting held on 21 May 2019:

Member	%
Klaus Krägel	87.2034
Jonathan Lurie	87.5664
Ran Laufer	81.3253

The three new members of the Supervisory Board succeed Dr Claus Nolting, who resigned from the Supervisory Board with effect from 31 December 2018, and Mr Michael Zahn and Dr Michael Bütter whose terms of office ended at the end of the annual general meeting in 2019. Due to the resignation of Mr Stefan E. Kowski on 15 May 2019, there is a vacant position on the Board as at 30 June 2019. Mr Sascha Hettrich has been appointed the new Chairman of the Supervisory Board.

Related companies

As at 30 June 2019, DIC Asset AG is no longer a related company in the sense of IAS 24.9(b)(ii).

No transactions of particular significance took place with related parties in the first half of 2019.

E.3 SUBSEQUENT EVENTS

After the reporting date, no significant events took place between 30 June 2019 and the date of publication of the interim consolidated financial statements.

E.4 RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements of TLG IMMOBILIEN of 30 June 2019 give a true and fair view of the net assets, cash flows and financial performance of the Group, and the consolidated interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, 1 August 2019

Barak Bar-Hen	Gerald Klinck	Jürgen Overath
Chief Executive Officer (CEO)	Chief Financial Officer (CFO)	Chief Operating Officer (COO)

F. AUDITOR'S REPORT

To TLG IMMOBILIEN AG, Berlin

We have reviewed the interim condensed consolidated financial statements, comprising the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and selected explanatory notes, and the interim group management report of TLG IMMOBILIEN AG, Berlin, for the period from 1 January 2019 to 30 June 2019, which are part of the six-monthly financial report pursuant to Sec. 115 WpHG ["Wertpapier": German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs [International Financial Reporting Standards] on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Berlin, 8 August 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kreninger	Pilawa
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

FINANCIAL CALENDAR

12 AUGUST 2019	Publication of the quarterly financial report Q2/2019
6 NOVEMBER 2019	Publication of the quarterly financial report Q3/2019

CONTACT

PUBLISHER:
TLG IMMOBILIEN AG

Hausvogteiplatz 12
10117 Berlin, Germany

Investor Relations
Lisa Geppert

Phone: + 49 30 2470 6092
Fax: + 49 30 2470 7446
E-mail: ir@tlg.de
Internet: www.tlg.eu

PUBLISHING DETAILS

CONCEPT, PROJECT MANAGEMENT, AND DESIGN:
GFD – Gesellschaft für Finanzkommunikation mbH, Frankfurt/Main, Germany
www.gfd-finanzkommunikation.de

Ligaturas – Report Design, Kleinmachnow near Berlin, Germany
www.ligaturas.de

TLG IMMOBILIEN AG
Hausvogteiplatz 12, 10117 Berlin, Germany
www.tlg.eu