

HALF-YEAR FINANCIAL REPORT

AS AT 30 JUNE 2018



KEY GROUP FIGURES

ACCORDING TO IFRS

	Unit	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	Change in %
Earnings indicators				
Rental income	in EUR k	109,570	78,481	39.6
Net operating income from letting activities (NOI)	in EUR k	96,278	71,147	35.3
Disposal profits	in EUR k	0	169	-100.0
Net income for the period	in EUR k	170,858	76,532	123.3
Funds from operations (FFO)	in EUR k	67,635	46,505	45.4
FFO per share ¹	in EUR	0.66	0.64	3.1

	Unit	30/06/2018	31/12/2017	Change in %
Balance sheet metrics				
Investment property	in EUR k	3,651,646	3,383,259	7.9
Cash and cash equivalents	in EUR k	109,120	201,476	-45.8
Total assets	in EUR k	4,048,349	3,835,748	5.5
Equity	in EUR k	2,020,746	1,936,560	4.3
Equity ratio	in %	49.9	50.5	-0.6 pp
Interest-bearing liabilities	in EUR k	1,593,284	1,541,692	3.3
Net debt	in EUR k	1,484,164	1,340,216	10.7
Net LTV ²	in %	39.9	39.2	0.7 pp
EPRA NAV	in EUR k	2,401,176	2,228,512	7.7
EPRA NAV per share ¹	in EUR	23.26	21.84	6.5

	Unit	30/06/2018	31/12/2017	Change in %
Key portfolio performance indicators				
Property value ³	in EUR k	3,665,478	3,400,582	7.8
Properties	number	419	426	-7 units
Annualised in-place rent ⁴	in EUR k	221,636	214,057	3.5
In-place rental yield	in %	6.0	6.3	-0.3 pp
EPRA Vacancy Rate	in %	3.4	3.6	-0.2 pp
WALT	in years	6.0	6.3	-0.3 years
Average rent	in EUR/sqm	10.26	10.05	2.1

¹ Total number of shares as at 31 December 2017: 102.0m; as at 30 June 2018: 103.2m. The weighted average number of shares was 73.1m in the first half of 2017 and 102.4m in the first half of 2018.

² Calculation: Net debt divided by real estate assets; for the composition see page 16

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.



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TLG IMMOBILIEN SHARES

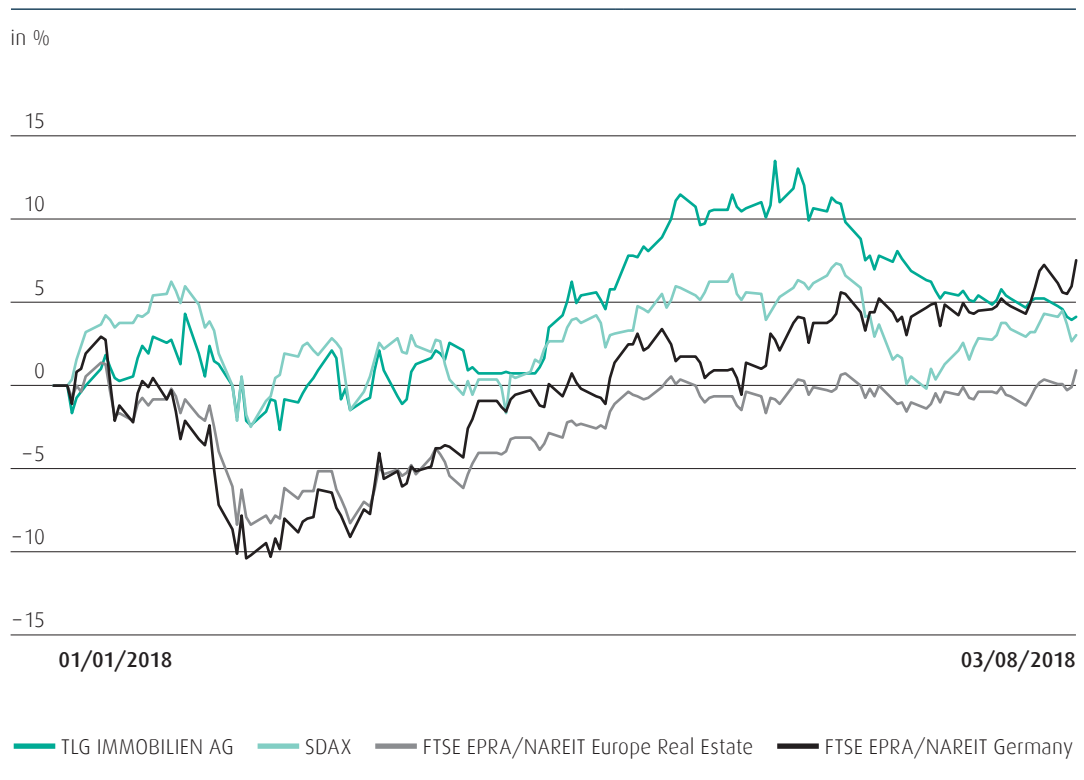
The stock market was under pressure in the first half of 2018 despite the weaker euro, robust US economic data and the promise made by the ECB to keep interest rates low until at least the summer of 2019. Mostly, this was due to the surprisingly large decline in the Ifo Business Climate Index, the weak leading indicators for the Eurozone and the concerns regarding trade tariffs. Additionally, the development was driven by factors such as the political uncertainty in Italy and growing risks in emerging markets.

The German stock index DAX therefore fell in the first six months of the year and closed at 12,306.00 points on 29 June 2018. As a result, the DAX decreased by a total of 4.6% compared to its opening price on 2 January 2018.

The SDAX was volatile in the first half of the year, increasing slightly by 0.5% between the beginning of January 2018 and the end of June 2018.

German real estate share prices experienced positive growth. The FTSE EPRA/NAREIT Germany Index grew by 4.0% in the first six months. In contrast, the FTSE EPRA/NAREIT Europe Index declined slightly by 0.9% in the same period.

Performance of the shares by index

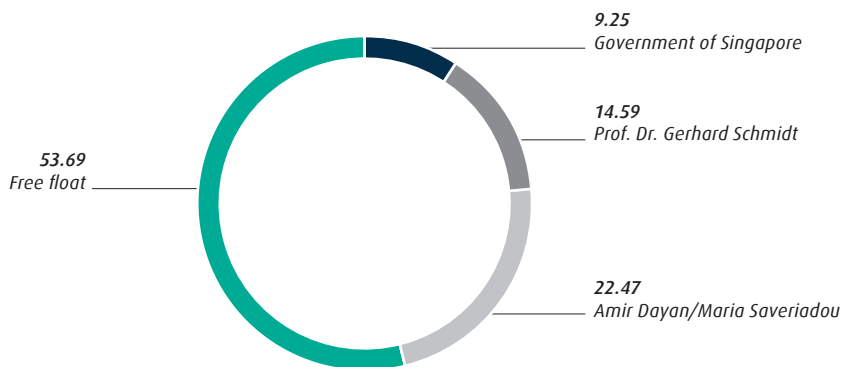


The shares of TLG IMMOBILIEN reached EUR 24.96 on 17 May 2018, their highest value on Xetra in the first half of 2018. The shares closed the reporting period at EUR 22.84, which represents an increase of 3.2% compared to the opening price at the start of the year.

TLG IMMOBILIEN share data

ISIN/WKN	DE000A12B8Z4/A12B8Z
Ticker symbol	TLG
Share capital in EUR	103,231,309.00
Number of shares (no-par value bearer shares) as at 30/06/2018	103,231,309
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 17/05/2018 (Xetra) in EUR	24.96
Reporting period low on 06/02/2018 (Xetra) in EUR	21.02
Closing price on 30/06/2018 (Xetra) in EUR	22.84
Market capitalisation in EUR m	2,357.8

Shareholder structure as at 30 June 2018*



* Data based on the latest voting rights notifications

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.

Prof. Dr. Gerhard Schmidt: Attributed shareholding as reported for 19 June 2018. The shares are held by DIC Real Estate Investments GmbH & Co. Kommanditgesellschaft auf Aktien. On that date, the total number of voting rights was 103,225,855.

Amir Dayan/Maria Saveriadou: Attributed shareholding as reported for 14 April 2018. The shares are held by Ouram Holding S.à.r.l. On that date, the total number of voting rights was 102,347,838.

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
Bankhaus Lampe	23.00	Hold	Georg Kanders	03/08/2018
Bank of America Merrill Lynch	28.00	Buy	Camille Bonnel	28/07/2018
Jefferies	20.00	Hold	Thomas Rothäusler	25/07/2018
UBS	23.00	Neutral	Osmaan Malik	23/07/2018
Deutsche Bank	25.00	Hold	Markus Scheufler	23/07/2018
Commerzbank	28.00	Buy	Tom Carstairs	18/07/2018
J.P. Morgan	26.00	Neutral	Tim Leckie	18/07/2018
M.M.Warburg	25.00	Halten	J. Moritz Rieser	13/06/2018
Nord/LB	23.00	Halten	Michael Seufert	05/06/2018
Kempen & Co	22.00	Neutral	David Prescott	29/05/2018
Kepler Cheuvreux	24.00	Hold	Thomas Neuhold	18/05/2018
Berenberg	26.50	Buy	Kai Klose	15/05/2018
Baader Bank	19.50	Hold	Andre Remke	23/03/2018
HSBC	22.50	Hold	Thomas Martin	08/02/2018
VictoriaPartners	19.50 – 21.30 ¹	n/a	Bernd Janssen	02/05/2017

¹ Fair value range as at 2 May 2017, currently restricted
Source: Bloomberg (as at 6 August 2018) and broker research

Bank of America Merrill Lynch started covering the shares of TLG IMMOBILIEN AG in the first quarter of 2018.

INVESTOR RELATIONS ACTIVITIES

TLG IMMOBILIEN AG attended the following national and international conferences in the first six months of 2018:

- ▼ J.P. Morgan – European Real Estate CEO Conference, London
- ▼ ODDO & Cie – ODDO BHF FORUM, Lyon
- ▼ UniCredit Kepler Cheuvreux – German Corporate Conference, Frankfurt/Main
- ▼ ODDO SEYDLER – 12th ODDO BHF German Conference, Frankfurt/Main
- ▼ Commerzbank – German Real Estate Forum, London
- ▼ UBS – Pan European Small & Mid Cap Conference, London
- ▼ Kepler Cheuvreux – German & Austrian Property Days, Paris
- ▼ Kempen – 16th European Property Seminar, Amsterdam

The full-year figures for 2017 and the first quarterly report were published on 23 March 2018 and 15 May 2018 respectively and discussed with investors and analysts in a teleconference. Recordings of the teleconferences and the report documents are available in the Investor Relations section of our website, www.tlg.eu.



ANNUAL GENERAL MEETING

The annual general meeting of TLG IMMOBILIEN AG was held at the conference centre at Ludwig Erhard Haus, Fasanenstrasse 85, 10623 Berlin, on 25 May 2018.

Overall, approximately 79% of the total share capital of the company was represented. The proposals of the management on all matters of the agenda were passed by a large majority. In line with the resolution, a dividend of EUR 0.82 per share was paid on the third working day following the general meeting, i.e. 30 May 2018, in accordance with the applicable version of the German Stock Corporation Act (AktG) from 1 January 2017 onwards.

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	30/06/2018	31/12/2017	Change	Change in %
EPRA NAV	2,401,176	2,228,512	172,664	7.7
EPRA NNNNAV	1,967,093	1,827,981	139,112	7.6
EPRA Net Initial Yield (NIY) in %	5.0	5.2	-0.2 pp	
EPRA "topped-up" Net Initial Yield in %	5.0	5.3	-0.3 pp	
EPRA Vacancy Rate in %	3.4	3.6	-0.2 pp	

in EUR k	01/01/2018- 30/06/2018	01/01/2017- 30/06/2017	Change	Change in %
EPRA Earnings	65,392	33,617	31,775	94.5
EPRA Cost Ratio (including direct vacancy costs) in %	27.9	26.1	1.8 pp	
EPRA Cost Ratio (excluding direct vacancy costs) in %	26.7	25.1	1.6 pp	

The increase in the EPRA NAV is due primarily to the increase in equity which in turn was essentially due to the net income generated for the period.

The EPRA Cost Ratios increased as special items, resulting from the takeover of WCM AG for example, influenced earnings.

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

EPRA Earnings

in EUR k	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	Change	Change in %
Net income for the period	170,858	76,532	94,326	123.3
Result from the remeasurement of investment property	-183,487	-70,085	-113,402	161.8
Result from the disposal of real estate inventories	0	-169	169	-100.0
Result from the remeasurement of derivative financial instruments and refinancing costs	3,559	-6,115	9,674	n/a
Acquisition costs of share deals	1,914	2,660	-746	-28.0
Deferred and actual taxes in respect of EPRA adjustments	74,337	30,794	43,543	141.4
Non-controlling interests	-1,789	0	-1,789	n/a
EPRA Earnings	65,392	33,617	31,775	94.5
Average number of shares outstanding in thousands ¹	102,406	73,058		
EPRA Earnings per share in EUR	0.64	0.46		

¹ Total number of shares as at 31 December 2017: 102.0 m; as at 30 June 2018: 103.2 m. The weighted average number of shares was 73.1 m in the first half of 2017 and 102.4 m in the first half of 2018.

EPRA Net Asset Value (EPRA NAV)

in EUR k	30/06/2018	31/12/2017	Change	Change in %
Equity of the shareholders of TLG IMMOBILIEN	1,995,637	1,897,636	98,001	5.2
Fair value adjustment of fixed assets (IAS 16)	9,879	8,807	1,072	12.2
Fair value adjustment of real estate inventories (IAS 2)	1,164	1,174	-10	-0.9
Fair value of derivative financial instruments	4,786	1,813	2,973	164.0
Deferred taxes	438,611	367,983	70,628	19.2
Goodwill from deferred taxes	-48,901	-48,901	0	0
EPRA Net Asset Value (EPRA NAV)	2,401,176	2,228,512	172,664	7.7
Number of shares in thousands	103,231	102,029		
EPRA NAV per share in EUR	23.26	21.84		
Adjustment of remaining goodwill	-115,823	-115,823	0	0
Adjusted EPRA Net Asset Value (EPRA NAV)	2,285,353	2,112,689	172,664	8.2
Number of shares in thousands	103,231	102,029		
Adjusted EPRA NAV per share in EUR	22.14	20.71		

EPRA Triple Net Asset Value (NNNAV)

in EUR k	30/06/2018	31/12/2017	Change	Change in %
EPRA Net Asset Value (EPRA NAV)	2,401,176	2,228,512	172,664	7.7
Fair value of derivative financial instruments	-4,786	-1,813	-2,973	164.0
Fair value adjustment of liabilities due to financial institutions/bonds	11,547	-28,502	40,049	n/a
Deferred taxes ¹	-440,844	-370,216	-70,628	19.1
EPRA Triple Net Asset Value (EPRA NNNAV)	1,967,093	1,827,981	139,112	7.6
Number of shares in thousands	103,231	102,029		
EPRA NNNAV per share in EUR	19.06	17.92		

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	30/06/2018	31/12/2017	Change	Change in %
Investment property	3,651,646	3,383,259	268,387	7.9
Inventories	757	762	-5	-0.7
Properties classified as held for sale	5,693	9,698	-4,005	-41.3
Property portfolio (net)	3,658,096	3,393,719	264,377	7.8
Estimated transaction costs	265,862	244,613	21,249	8.7
Property portfolio (gross)	3,923,958	3,638,332	285,626	7.9
Annualised cash passing rental income	221,099	212,498	8,601	4.0
Property outgoings	-25,089	-22,617	-2,472	10.9
Annualised net rents	196,010	189,881	6,129	3.2
Notional rent for ongoing rent-free periods	536	1,558	-1,022	-65.6
Annualised “topped-up” net rent	196,546	191,439	5,107	2.7
EPRA Net Initial Yield (EPRA NIY) in %	5.0	5.2	-0.2 pp	
EPRA “topped-up” Net Initial Yield in %	5.0	5.3	-0.3 pp	

EPRA Vacancy Rate

in EUR k	30/06/2018	31/12/2017	Change	Change in %
Market rent for vacant properties	8,218	8,055	163	2.0
Total market rent	238,967	226,278	12,689	5.6
EPRA Vacancy Rate in %	3.4	3.6	-0.2 pp	

EPRA Cost Ratio

in EUR k	01/01/2018– 30/06/2018	01/01/2017– 30/06/2017	Change	Change in %
Costs pursuant to the consolidated statement of comprehensive income under IFRS				
Expenses relating to letting activities	34,862	22,707	12,155	53.5
Personnel expenses	7,760	5,711	2,049	35.9
Depreciation and amortisation	504	263	241	91.6
Other operating expenses	8,911	6,840	2,071	30.3
Income from recharged operating costs	-20,850	-14,249	-6,601	46.3
Income from other goods and services	-558	-771	213	-27.6
Other operating income from reimbursements	-53	-18	-35	194.4
Ground rent	0	-4	4	-100.0
EPRA Costs (including direct vacancy costs)	30,576	20,479	10,097	49.3
Direct vacancy costs	-1,331	-753	-578	76.8
EPRA Costs (excluding direct vacancy costs)	29,245	19,726	9,519	48.3
Rental income	109,570	78,481	31,089	39.6
EPRA Cost Ratio (including direct vacancy costs) in %	27.9	26.1	1.8 pp	
EPRA Cost Ratio (excluding direct vacancy costs) in %	26.7	25.1	1.6 pp	

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

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

▼ Asset management

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

▼ Transaction management

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

▼ Property management

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

2. ECONOMIC REPORT

2.1 GENERAL ECONOMIC CONDITIONS AND REAL ESTATE MARKETS

2.1.1 General economic conditions

On 13 June, the German Institute for Economic Research (DIW) revised its forecast for the growth of Germany's gross domestic product downwards to 1.9% for 2018 and 1.7% for 2019. This represents a 0.5 percentage point decrease for 2018 and a 0.2 percentage point decrease for 2019 compared to the forecast made in March. The adjustment was the result of the unexpectedly weak start to the year and the increasingly uncertain global economic environment. The primary factors behind these developments were the growing concerns for individual European countries, especially Italy, as well as the risk of an escalating trade war between the USA and the rest of the world. This is affecting the investment activities of companies all over the world and stifling the potential for German export growth. In spite of the slightly weaker economic situation, the German economy remains in good condition. Following a weak start, the summer quarter can be expected to become more dynamic. This favours private consumption which remains an important cornerstone of the economic developments in Germany.

2.1.2 Economic situation in the sectors

According to Savills, the volume of transactions in the commercial real estate markets was over EUR 25.2 bn in the first half of the year. It was therefore around 8% lower than in the same period in the previous year, yet still represents the second-highest volume of investments in the current market cycle so far. Despite the ongoing excess demand, the majority of investors are unwilling to take risks. For example, there were no significant increases in investment activities outside of the top seven cities. On the contrary: the seven largest German property markets accounted for around 68% of the total volume in the first half of the year, which was above the average of the past five years. In the first half of the year, office properties represented the majority of usage types. With a transaction volume of around EUR 10.0 bn, they made up around 40% of the total turnover. Retail properties were in second place with EUR 5.0 bn or 20%, followed by logistics and industrial properties with almost EUR 3.2 bn or 13%.

2.1.3 Development of the office property market

According to Savills, the level of demand for office properties in Germany remained strong in the first half of 2018. The volume of transactions was a little over EUR 10 bn, which was around 4% less than in the previous year. In the first six months, the level of demand was split almost evenly between foreign and domestic buyers (51% and 49% of the volume of transactions). In the first half of 2018, more than 78% of the total volume of transactions was attributable to the seven A-rated cities. In this time, Frankfurt and Munich dominated the transaction market with around EUR 2.6 bn and EUR 1.7 bn respectively. Nine of the ten largest transactions took place in these two cities alone.

According to JLL, the vacancy rates in the seven A-rated cities continued to fall, decreasing by 20 basis points to 4.3% in the second quarter. In the middle of the year, they were between 2.3% (Stuttgart) and 7.7% (Düsseldorf). According to JLL, the top rents increased further from an annual perspective, with Berlin experiencing the strongest growth of 12.5% to EUR 31.50 per square metre. At 1.8 million square metres, the volume of turnover in the top seven cities was around 4.5% lower than in the previous year. JLL largely attributes the slight decrease to the scarce supply.

2.1.4 Development of the retail property market

In the retail property market, at EUR 5.0 bn, the volume of transactions in the first half of 2018 was around 19% lower than in the previous year, reports Savills. According to the calculations of CBRE, at EUR 4.3 bn, the volume was even 28% lower than in the previous year. In the first half of the year, the sub-segments with the strongest turnover were specialist retailers and special retail centres with a share of 41% of the volume of transactions. Savills reports that the share of the A-rated cities in the total volume of hotel transactions was almost 39% in the second quarter, its highest for three years. In comparison, the share was 18% in the first quarter and 30% in the 2017 financial year. The supply growth in the major cities can be expected to continue over the rest of the year.

2.1.5 Development of the hotel property market

The growth trend in the German hospitality sector is continuing unabated: 45.6 m German and foreign guests stayed overnight in German hospitality businesses in May 2018. On the basis of preliminary results, the Federal Statistical Office of Germany (Destatis) reported an increase of 9% compared to May 2017. The number of overnight stays by foreign guests increased by 2% to 7.5 m, whereas the number of overnight stays by German guests increased by 11% to 38.1 m. Over the course of the year so far – from January to May 2018 – the number of overnight stays has increased by 5% to 167.9 m compared to the previous year.

With an investment volume of EUR 1.9 bn, the first half of 2018 was the second-strongest in the past decade, reports BNP Paribas Real Estate (BNPPRE). Only in 2016 was a higher volume generated due to the sale of the Interhotel portfolio. However, the first half of 2018 was the strongest in terms of individual transactions. At EUR 1.4 bn, the seven A-rated locations accounted for the majority of the investment volume. With a volume of EUR 400 m, Berlin relegated Munich to second place. Of this amount, around EUR 300 m was attributable solely to the sale of the Hilton in Berlin – according to JLL, “Germany’s largest individual hotel transaction of all time”.

2.2 POSITION OF THE COMPANY

2.2.1 Course of business

The properties were as follows as at the reporting date:

Key figures	Total	Office	Retail	Hotel	Other
Property value (EUR k) ¹	3,665,478	1,833,609	1,477,209	305,663	48,997
Annualised in-place rent (EUR k) ²	221,636	97,199	103,220	16,717	4,501
In-place rental yield (%)	6.0	5.3	7.0	5.4	9.0
EPRA Vacancy Rate (%)	3.4	4.2	2.7	1.9	7.8
WALT (years)	6.0	5.0	5.9	11.7	7.8
Properties (number)	419	68	299	7	45
Lettable area (sqm)	1,897,537	770,852	931,325	109,689	85,671

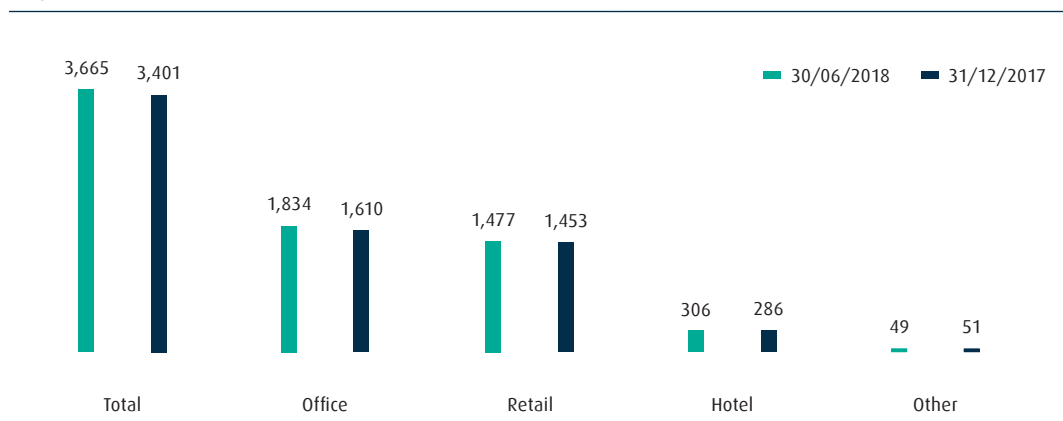
¹ In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5

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 following asset classes: office, retail, hotel and other. As at 30 June 2018, the portfolio contained 419 properties (31/12/2017: 426) with a fair value (IFRS) of around EUR 3.665 bn (31/12/2017: approx. EUR 3.401 bn). Besides acquisitions and the positive effects of asset management, the 7.8% increase in the value of the property portfolio is due essentially to market remeasurements, especially in Berlin.

The property values in the individual asset classes developed as follows:

in EUR m



2.2.2 Financial performance

In the first half of 2018, TLG IMMOBILIEN generated net income for the period of EUR k 170,858. The EUR k 94,326 increase compared to the same period in the previous year is due primarily to the EUR k 113,402 higher result from the remeasurement of investment property. The EUR k 25,131 higher net operating income from letting activities also had a positive effect.

The table below presents the financial performance:

in EUR k	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	Change	Change in %
Net operating income from letting activities	96,278	71,147	25,131	35.3
Result from the remeasurement of investment property	183,487	70,085	113,402	161.8
Result from the disposal of real estate inventories	0	169	-169	-100.0
Other operating income	1,135	815	320	39.3
Personnel expenses	-7,760	-5,711	-2,049	35.9
Depreciation and amortisation	-504	-263	-241	91.6
Other operating expenses	-8,911	-6,840	-2,071	30.3
Earnings before interest and taxes (EBIT)	263,725	129,402	134,323	103.8
Financial income	234	90	144	160.0
Financial expenses	-14,021	-26,024	12,003	-46.1
Result from the remeasurement of derivative financial instruments	-3,537	6,115	-9,652	n/a
Earnings before taxes	246,401	109,583	136,818	124.9
Income taxes	-75,543	-33,051	-42,492	128.6
Net income for the period	170,858	76,532	94,326	123.3
Other comprehensive income (OCI)	288	7,771	-7,483	-96.3
Total comprehensive income	171,146	84,303	86,843	103.0

Compared to the same period in the previous year, the net operating income from letting activities of EUR k 96,278 increased by EUR k 25,131, due primarily to newly acquired properties of WCM being placed under management and other acquisitions.

Personnel expenses were higher than in the same period in the previous year due to the increased number of employees. Additionally, a special item not affecting liquidity resulting from the transition of the long-term incentive scheme had an effect.

Compared to the previous period, other operating expenses have increased by EUR k 2,071 to EUR k 8,911. In the reporting period, expenses of EUR k 1,914 were accrued for transactions, especially in connection with the takeover of WCM and the related integration measures. Of this amount, EUR k 1,687 was attributable to other operating expenses, essentially legal and consulting costs. Additionally, due to the takeover of WCM in 2017, the general administrative expenses have increased.

In the reporting period, financial expenses decreased by EUR k 12,003 to EUR k 14,021 compared to the same period in the previous year. This is due primarily to the refinancing measures and the premature repayment of loans in the same period in the previous year which resulted in additional expenses of EUR k 12,964.

Of the tax expenses of EUR k 75,543 in the first six months of the 2018 financial year, EUR k 1,206 is attributable to ongoing income taxes and EUR k 74,337 is attributable to deferred taxes.

2.2.3 Cash flows

The following cash flow statement was generated using the indirect method under IAS 7. In the first half of 2018, the proceeds and cash paid in the reporting period resulted in a decrease in cash and cash equivalents due primarily to the cash flow from investing activities.

in EUR k	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	Change	Change in %
1. Net cash flow from operating activities	65,284	22,072	43,212	195.8
2. Cash flow from investing activities	-122,801	5,864	-128,665	n/a
3. Cash flow from financing activities	-34,839	-65,351	30,512	-46.7
Net change in cash and cash equivalents	-92,356	-37,415	-54,941	146.8
Cash and cash equivalents at beginning of period	201,476	68,415	133,061	194.5
Cash and cash equivalents at end of period	109,120	31,000	78,120	252.0

In the reporting period, the cash flow from operating activities increased by EUR k 43,212 compared to the previous year. It was affected by the ongoing surpluses resulting from the acquisitions of properties in 2017 and 2018, the takeover of WCM and significantly lower interest and refinancing payments for loans.

The negative cash flow from investing activities of EUR k 122,801 was largely influenced by the larger amount of cash paid for property investments. In the first half of 2018, purchase prices were paid for office properties in Mannheim, Hamburg and Eschborn.

The EUR k 30,512 decrease in the negative cash flow from financing activities is largely in connection with the refinancing measures implemented in the same period in the previous year. In the current year as in the previous year, the payment of the dividend is a significant factor in the negative cash flow from financing activities.

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	30/06/2018	31/12/2017	Change	Change in %
Investment property/advance payments	3,710,349	3,400,784	309,565	9.1
Other non-current assets	189,528	188,671	857	0.5
Financial assets	13,727	14,914	-1,187	-8.0
Cash and cash equivalents	109,120	201,476	-92,356	-45.8
Other current assets	25,625	29,903	-4,278	-14.3
Total assets	4,048,349	3,835,748	212,601	5.5
Equity	2,020,746	1,936,560	84,186	4.3
Non-current liabilities	1,594,657	1,556,459	38,198	2.5
Deferred tax liabilities	347,201	272,736	74,465	27.3
Current liabilities	85,745	69,993	15,752	22.5
Total equity and liabilities	4,048,349	3,835,748	212,601	5.5

The assets side is dominated by investment property including advance payments. Compared to 31 December 2017, the proportion of investment property in the total assets increased from 89% to 92% due largely to the EUR k 113,402 higher result from the remeasurement of investment property as well as acquisitions.

The equity of the Group was EUR k 2,020,746 and increased by EUR k 84,186, due primarily to the total comprehensive income generated for the period less the dividend paid in May 2018.

Compared to 31 December 2017, the equity ratio decreased by 0.6 percentage points to 49.9%.

2.2.5 Financial performance indicators

FFO development

in EUR k	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	Change	Change in %
Net income for the period	170,858	76,532	94,326	123.3
Income taxes	75,543	33,051	42,492	128.6
EBT	246,401	109,583	136,818	124.9
Result from the disposal of real estate inventories	0	-169	169	-100.0
Result from the remeasurement of investment property	-183,487	-70,085	-113,402	161.8
Result from the remeasurement of derivative financial instruments	3,537	-6,115	9,652	n/a
Depreciation and amortisation	504	0	504	100.0
Attributable to non-controlling interests	-681	0	-681	100.0
Other effects ¹	3,095	15,837	-12,742	-80.5
Income taxes relevant to FFO	-1,734	-2,546	812	-31.9
FFO	67,635	46,505	21,130	45.4
Average number of shares outstanding in thousands ²	102,406	73,058		
FFO per share in EUR	0.66	0.64	0.02	3.1

¹ The other effects include

^(a) personnel restructuring expenses (EUR k 0; previous year EUR k 244),

^(b) transaction costs (EUR k 2,499; previous year EUR k 2,660),

^(c) refinancing costs/repayment of loans (EUR k 22; previous year EUR k 12,964),

^(d) one-off effect from the transition of the LTI scheme (EUR k 574; previous year EUR k 0),

^(e) result from the liquidation of Wirkbau (EUR k 0; previous year EUR k 82).

² Total number of shares as at 31 December 2017: 102.0 m; as at 30 June 2018: 103.2 m.

The weighted average number of shares was 73.1 m in the first half of 2017 and 102.4 m in the first half of 2018.

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 67,635 in the reporting period. The considerable increase in FFO by 45.4% or EUR k 21,130 compared to the same period in the previous year is due predominantly to the higher net operating income from letting activities resulting from the acquisition of other properties and the takeover of WCM.

FFO per share was EUR 0.66 and therefore at the same level as in the same period in the previous year, despite the increased number of shares resulting from the capital increase in exchange for cash contributions in the fourth quarter of 2017 as well as the capital increase as part of the takeover of WCM.

Net Loan to Value (Net LTV)

in EUR k	30/06/2018	31/12/2017	Change	Change in %
Investment property (IAS 40)	3,651,646	3,383,259	268,387	7.9
Advance payments on investment property (IAS 40)	58,703	17,525	41,178	235.0
Owner-occupied property (IAS 16)	7,383	6,868	515	7.5
Non-current assets classified as held for sale (IFRS 5)	5,693	9,698	-4,005	-41.3
Inventories (IAS 2)	757	762	-5	-0.7
Real estate assets	3,724,181	3,418,112	306,069	9.0
Interest-bearing liabilities	1,593,284	1,541,692	51,592	3.3
Cash and cash equivalents	109,120	201,476	-92,356	-45.8
Net debt	1,484,164	1,340,216	143,948	10.7
Net Loan to Value (Net LTV) in %	39.9	39.2	0.7 pp	

As a ratio between net debt and real estate assets, the Net LTV is a key performance indicator for the company. It was 39.9% in the Group as at the reporting date. This represents an increase of 0.7 percentage points compared to 31 December 2017 due to the acquisitions, the payment of the dividend of EUR k 84,645 and the property remeasurements which had the opposite effect.

EPRA Net Asset Value (EPRA NAV)

in EUR k	30/06/2018	31/12/2017	Change	Change in %
Equity of the shareholders of TLG IMMOBILIEN	1,995,637	1,897,636	98,001	5.2
Fair value adjustment of fixed assets (IAS 16)	9,879	8,807	1,072	12.2
Fair value adjustment of real estate inventories (IAS 2)	1,164	1,174	-10	-0.9
Fair value of derivative financial instruments	4,786	1,813	2,973	164.0
Deferred taxes	438,611	367,983	70,628	19.2
Goodwill from deferred taxes	-48,901	-48,901	0	0
EPRA Net Asset Value (EPRA NAV)	2,401,176	2,228,512	172,664	7.7
Number of shares in thousands	103,231	102,029		
EPRA NAV per share in EUR	23.26	21.84		
Adjustment of remaining goodwill	-115,823	-115,823	0	0
Adjusted EPRA Net Asset Value (EPRA NAV)	2,285,353	2,112,689	172,664	8.2
Number of shares in thousands	103,231	102,029		
Adjusted EPRA NAV per share in EUR	22.14	20.71		

The EPRA Net Asset Value (EPRA NAV) is another key performance indicator of TLG IMMOBILIEN and was EUR k 2,401,176 as at 30 June 2018. Compared to 31 December 2017, the EPRA NAV increased by EUR k 172,664, due primarily to the change in equity resulting from the net income generated for the period less the payment of the dividend.

The EPRA NAV per share was EUR 23.26, compared to EUR 21.84 as at 31 December 2017.

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.

TLG IMMOBILIEN has been the majority shareholder of the share capital and voting rights of WCM Beteiligungs- und Grundbesitz-AG since 6 October 2017. On 9 February 2018, a control agreement between the two companies was registered in the commercial register, with TLG IMMOBILIEN AG as the controlling entity. The takeover of WCM could present both risks and opportunities. These risks and opportunities are described in detail in the 2017 annual report.

In the first half of 2018, there were no significant changes in the risk situation since 31 December 2017.

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

3.2 OPPORTUNITY REPORT

No significant changes to the opportunities of TLG IMMOBILIEN were identified in the first half of 2018. Therefore, please see the disclosures in the opportunity report in the consolidated financial statements of 31 December 2017.

3.3 FORECAST REPORT

The expected development of TLG IMMOBILIEN in the 2018 financial year was described in detail in the group management report of 31 December 2017.

It was based on an assumed increase in FFO for the 2018 financial year of between EUR 125 m and 128 m. Due to acquisitions as well as the integration of WCM into the processes and structures of the overall Group, the implementation of which was completed more quickly and more economically beneficially than expected, FFO are now expected to increase by between EUR 130 m and 133 m. Other acquisitions in 2018 could also further increase the FFO for 2018.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 June 2018

in EUR k	01/04/2018 – 30/06/2018	01/04/2017 – 30/06/2017	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017
Net operating income from letting activities	48,687	36,753	96,278	71,147
Income from letting activities	64,171	47,300	131,140	93,854
a) Rental income	54,603	39,252	109,570	78,481
b) Income from recharged operating costs	9,206	7,526	20,850	14,249
c) Income from other goods and services	362	522	720	1,124
Expenses relating to letting activities	-15,484	-10,547	-34,862	-22,707
d) Expenses from operating costs	-13,824	-7,913	-30,151	-18,051
e) Maintenance expenses	-1,172	-1,736	-2,057	-2,720
f) Other services	-488	-898	-2,654	-1,936
Result from the remeasurement of investment property	183,037	68,549	183,487	70,085
Result from the disposal of real estate inventories	0	169	0	169
a) Proceeds from the disposal of real estate inventories	0	95	0	95
b) Carrying amount of real estate inventory disposed	0	74	0	74
Other operating income	742	295	1,135	815
Personnel expenses	-3,774	-2,811	-7,760	-5,711
Depreciation and amortisation	-288	-121	-504	-263
Other operating expenses	-4,089	-4,684	-8,911	-6,840
Earnings before interest and taxes (EBIT)	224,315	98,150	263,725	129,402
Financial income	102	67	234	90
Financial expenses	-6,332	-16,911	-14,021	-26,024
Result from the remeasurement of derivative financial instruments	-5,544	5,529	-3,537	6,115
Earnings before taxes	212,541	86,834	246,401	109,583
Income taxes	-61,400	-26,012	-75,543	-33,051
Net income for the period	151,141	60,823	170,858	76,532
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	141	4,964	288	7,771
Total comprehensive income for the period	151,282	65,787	171,146	84,303
Of the net income for the period, the following is attributable to:				
Non-controlling interests	955	0	1,789	0
The shareholders of the parent company	150,187	60,823	169,070	76,532
Earnings per share (basic) in EUR	1.47	0.85	1.65	1.05
Earnings per share (diluted) in EUR	1.47	0.85	1.65	1.05
Of the total comprehensive income for the period, the following is attributable to:				
Non-controlling interests	955	0	1,789	0
The shareholders of the parent company	150,327	65,787	169,357	84,303

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

Assets

in EUR k

	30/06/2018	31/12/2017
A) Non-current assets	3,913,604	3,604,369
Investment property	3,651,646	3,383,259
Advance payments on investment property	58,703	17,525
Property, plant and equipment	8,466	8,245
Intangible assets	167,049	165,923
Other non-current financial assets	13,727	14,914
Other assets	14,013	14,503
B) Current assets	134,745	231,379
Inventories	757	762
Trade receivables	12,160	10,188
Receivables from income taxes	1,221	1,913
Other current financial assets	0	2,016
Other receivables and assets	5,794	5,326
Cash and cash equivalents	109,120	201,476
Non-current assets classified as held for sale	5,693	9,698
Total assets	4,048,349	3,835,748

Equity and liabilities

in EUR k

	30/06/2018	31/12/2017
A) Equity	2,020,746	1,936,560
Subscribed capital	103,231	102,029
Capital reserves	1,088,006	1,061,087
Retained earnings	809,195	739,603
Other reserves	-4,795	-5,083
Equity attributable to shareholders of the parent company	1,995,637	1,897,636
Non-controlling interests	25,109	38,924
B) Liabilities	2,027,603	1,899,188
I.) Non-current liabilities	1,941,858	1,829,195
Non-current liabilities due to financial institutions	1,154,561	1,120,901
Corporate bonds	398,754	395,975
Pension provisions	7,767	7,858
Non-current derivative financial instruments	6,678	4,924
Other non-current liabilities	26,897	26,801
Deferred tax liabilities	347,201	272,736
II.) Current liabilities	85,745	69,993
Current liabilities due to financial institutions	39,969	24,816
Trade payables	21,507	17,169
Other current provisions	4,148	4,049
Tax liabilities	1,973	1,376
Other current liabilities	18,148	22,583
Total equity and liabilities	4,048,349	3,835,748

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 30 June 2018

in EUR k	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017
1. Cash flow from operating activities		
Net income for the period before taxes	246,401	109,583
Depreciation of property, plant and equipment and amortisation of intangible assets	504	263
Result from the remeasurement of investment property	-183,487	-70,085
Result from the remeasurement of derivative financial instruments	3,537	-6,115
Increase/decrease (-) in provisions	1,471	-344
Other non-cash income/expenses	-233	1,218
Increase (-)/decrease in inventories	5	50
Financial income	-234	-90
Financial expenses	14,021	26,024
Increase (-)/decrease in trade receivables and other assets	538	312
Increase (-)/decrease in trade payables and other liabilities	-3,279	-10,317
Cash flow from operating activities	79,244	50,499
Interest received	234	90
Interest paid	-13,978	-26,071
Income tax paid/received	-217	-2,446
Net cash flow from operating activities	65,284	22,072
2. Cash flow from investing activities		
Cash received from disposals of investment property	11,627	16,204
Cash received from disposals of property, plant and equipment	7	0
Cash paid for acquisitions of investment property	-132,593	-9,250
Cash paid for acquisitions of property, plant and equipment	281	-941
Cash paid for investments in intangible assets	-1,326	-273
Change in scope of consolidation	-796	124
Cash flow from investing activities	-122,801	5,864
3. Cash flow from financing activities		
Cash received from equity contributions	0	113,292
Dividend payment	-84,645	-59,340
Cash received from bank loans	56,202	166,098
Repayments of bank loans	-6,396	-285,401
Cash flow from financing activities	-34,839	-65,351
4. Cash and cash equivalents at end of period		
Net change in cash and cash equivalents (subtotal of 1-3)	-92,356	-37,415
Cash and cash equivalents at beginning of period	201,476	68,415
Cash and cash equivalents at end of period	109,120	31,000
5. Composition of cash and cash equivalents		
Cash	109,120	31,000
Cash and cash equivalents at end of period	109,120	31,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 30 June 2018

in EUR k	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income (OCI)		Non-controlling interest	Equity
				Reserve hedge accounting	Actuarial gains/losses		
01/01/2017	67,432	440,267	515,094	-11,128	-2,162	0	1,009,503
Net income for the period	0	0	76,532	0	0	0	76,532
Other comprehensive income (OCI)	0	0	0	7,771	0	0	7,771
Total comprehensive income for the period	0	0	76,532	7,771	0	0	84,303
Change in scope of consolidation	0	0	124	0	0	0	124
Dividend payment	0	0	-59,340	0	0	0	-59,340
Share capital increase	6,744	109,240	0	0	0	0	115,984
Transaction costs associated with the share capital increase, after taxes	0	-2,692	0	0	0	0	-2,692
Capital contribution in connection with share-based remuneration	0	380	0	0	0	0	380
Change during the period	6,744	106,928	17,316	7,771	0	0	138,760
30/06/2017	74,176	547,195	532,410	-3,356	-2,162	0	1,148,263
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	287
Total comprehensive income for the period	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	0	0	0	0	28,145
Changes in equity recognised directly in equity	0	0	-14,037	0	0	-14,108	-28,145
Capital contribution in connection with share-based remuneration	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

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT 30 JUNE 2018

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, 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 a 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.

As at 6 October 2017, the companies of the WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft Group (WCM) were consolidated into the consolidated financial statements of TLG IMMOBILIEN for the first time. Therefore, the statement of comprehensive income for the period from 1 January to 30 June 2018 is not comparable with the statement of comprehensive income for the same period in the previous year.

There have been no significant changes to the scope of consolidation since 31 December 2017.

In the reporting period, additional WCM shareholders have accepted the offer by TLG IMMOBILIEN to swap their shares. As at 30 June 2018, TLG IMMOBILIEN held 90.95% 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 2017, with the exception of the IFRS standards whose application became mandatory on 1 January 2018. The Group does not prematurely apply any other standards, interpretations or amendments that have been passed and published by the IASB yet whose application is not yet obligatory 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 2017.

The Group has been applying IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments) since 1 January 2018.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 defines a comprehensive framework for determining if, to what extent and at what point revenue must be recognised. It replaces existing guidelines on recognising revenue including IAS 18 (Revenue), IAS 11 (Construction Contracts), IFRIC 13 (Customer Loyalty Programmes) and IFRIC 15 (Agreements for the Construction of Real Estate).

The Group generates revenue in the following fields:

- ▼ Rental income
- ▼ Income from operating costs
- ▼ Proceeds from property disposals

Additionally, the company recognises a negligible amount of other income. Essentially, this income is attributable to recharging to third parties, insurance reimbursements and other reimbursements allocated to net operating income from letting activities.

The application of IFRS 15 for the first time has not affected rental income as it is subject to lease agreements in the sense of IAS 17 and (in the future) IFRS 16.

The income from operating costs must be divided into separate lease components and non-lease components. Lease components are elements of the consideration for the rental relationship and therefore increase rental income. This applies to land tax and building insurance as types of operating costs. In accordance with IFRS 15, all other operating costs must be recognised. In this regard, the company believes that, overall, it has taken on the role of principal for the other types of operating costs as the inventory risk is always borne by TLG IMMOBILIEN, especially in the event of vacancies. The services for the operating costs are performed on the basis of a period of time and, therefore, the income is realised over the corresponding time periods as it was done previously.

IFRS 9 – Financial Instruments

IFRS 9 merges the three project phases – classification and measurement, impairment and hedging – for recognising financial instruments. TLG IMMOBILIEN has been applying IFRS 9 since 1 January 2018, the date on which the new standard came into effect. The comparison periods have not been adjusted. The effects on the interim consolidated financial statements as at 30 June 2018 are as follows:

- ▼ **Classification and measurement:** The new classification and measurement regulations have not had a quantitative effect on TLG IMMOBILIEN as the instruments recognised at amortised cost in accordance with IAS 39 are also allocated to the “amortised cost” category under IFRS 9. Derivative financial instruments that are not used for hedge accounting do not undergo any changes from the transition from IAS 39 to IFRS 9.
- ▼ **Impairment:** The financial assets of TLG IMMOBILIEN that are measured at amortised cost fall under the new impairment regulations of IFRS 9; the expected credit loss model which replaces the incurred loss model of IAS 39. TLG IMMOBILIEN applies the simplified impairment approach to trade receivables, whereby a risk provision in the amount of the expected losses must be recognised over the remaining term for all instruments, regardless of their credit quality. The general impairment method of IFRS 9 is applied to the other financial instruments to which the expected credit loss model applies. The initial application of the expected credit loss model on 1 January 2018 did not result in any significant changes.
- ▼ **Recognition of hedges:** TLG IMMOBILIEN does not currently carry out hedge accounting, therefore the initial application of IFRS 9 has not had any effect in this context.

Overall, the effects of the application of IFRS 9 for the first time have proved negligible for TLG IMMOBILIEN.

As at 31 December 2017, the investment property was subjected to an external appraisal by Savills Advisory Services Germany GmbH & Co. KG for the properties of TLG IMMOBILIEN (without WCM) and by Cushman & Wakefield LLP for the properties of WCM, and recognised at fair value.

An external expert carries out a valuation every six months and the most recently recognised fair values are valued internally on the other reporting dates. The last valuation by an external expert was carried out on 30 June 2018.

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	2018	2017
Carrying amount as at 01/01	3,383,259	2,215,228
Company acquisition	0	799,948
Acquisitions	83,026	204,931
Capitalisation of construction activities and modernisation expenses	10,265	16,018
Reclassification as assets held for sale	-7,812	-71,025
Reclassification as property, plant and equipment	-579	-451
Fair value adjustments	183,487	218,610
Carrying amount as at 30/06/2018 and 31/12/2017	3,651,646	3,383,259

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.

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 half of 2018, the changes in the fair value of the portfolio were due primarily to fair value adjustments (remeasurement) of EUR k 183,487 as well as EUR k 83,026 in acquisitions. The remeasurement which already made up 84% of the value from the previous year in the first half of the year reflects the extraordinary dynamism of the markets, especially in Berlin.

At EUR k 10,265 in the first half of the year, the capitalisation of construction activities corresponds to around 64% of the value of the previous year. In this regard, the capitalisations are almost entirely attributable to the office, retail and hotel asset classes.

The fair values of the investment properties are presented below by measurement method and asset class as at 30 June 2018. Prepayments made towards these properties are not included here, but rather are recognised separately in the statement of financial position.

Investment properties

As at 30/06/2018	Discounted cash flow method					Liquidation method	Total
	Office	Retail	Hotel	Other	Total	Total	
Investment properties in EUR k	1,808,851	1,432,969	305,663	36,886	3,584,370	67,276	3,651,646
Average discount rate in %	4.51	5.09	4.36	7.33	4.75	3.72	4.74
Average capitalisation rate in %	5.48	6.45	5.59	8.38	5.89		5.89
EPRA Vacancy Rate in %	4.2	2.5	1.9	7.9	3.3	15.3	3.4
Average actual rent in EUR/sqm/month	11.28	9.67	13.21	4.89	10.33	5.61	10.26
Proportion of temporary rental agreements in %	97.3	96.9	99.0	87.9	97.1	72.3	96.9
WALT of temporary rental agreements in years	5.0	5.9	11.7	7.2	6.0	2.1	6.0

As at 31/12/2017	Discounted cash flow method					Liquidation method	Total
	Office	Retail	Hotel	Other	Total	Total	
Investment properties in EUR k	1,598,400	1,406,426	285,899	39,095	3,329,820	53,439	3,383,259
Average discount rate in %	4.69	5.11	4.60	7.58	4.89	3.89	4.87
Average capitalisation rate in %	5.73	6.61	5.64	8.67	6.11		6.11
EPRA Vacancy Rate in %	5.0	1.9	2.3	8.3	3.5	25.8	3.6
Average actual rent in EUR/sqm/month	10.93	9.60	12.92	4.43	10.07	7.24	10.06
Proportion of temporary rental agreements in %	97.4	97.6	98.9	88.6	97.4	95.2	97.4
WALT of temporary rental agreements in years	5.2	6.3	12.2	7.6	6.3	3.3	6.3

C.2 EQUITY

As at the reporting date, the subscribed capital of the company was EUR k 103,231 (previous year EUR k 102,029). The share capital is fully paid-in. There are no other share types.

The capital reserves amount to EUR k 1,088,006 (previous year EUR k 1,061,087).

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

in EUR k	2018	2017
Opening balance as at 01/01	-4,285	-16,040
Recognition in equity in the reporting period	0	5,336
Reversal from equity into the statement of profit or loss	415	6,419
Closing balance as at 30/06/2018 and 31/12/2017	-3,870	-4,285

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

In the first six months of the 2018 financial year, a dividend totalling EUR 84.6 m was paid to the shareholders, which corresponds to EUR 0.82 per no-par value bearer share entitled to dividends.

D. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

D.1 NET INTEREST

Net interest is broken down as follows:

in EUR k	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017
Net interest from bank balances	-4	-10
Net interest from default interest and deferrals	-28	-4
Other financial income	-202	-76
Total financial income	-234	-90
Interest expenses for interest rate derivatives	3,223	7,732
Interest on loans	11,317	10,446
Interest expenses from pension provisions	62	55
Other interest expenses	-582	7,791
Total financial expenses	14,021	26,024
Financial result	13,787	25,934

Despite significantly higher interest-bearing liabilities compared to the same period in the previous year, the interest expenses decreased due to the refinancing measures and the issuance of a corporate bond in 2017. Last year, the net interest was influenced by special items resulting from the refinancing measures completed in the first half of the year.

D.2 RESULT FROM THE REMEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

Hedge accounting for derivatives 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.3 INCOME TAXES

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

in EUR k	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017
Current income tax	1,205	2,257
Deferred taxes	74,338	30,794
Tax expenses/income	75,543	33,051

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.

In the first quarter of 2018, the headquarters of three subsidiaries that were formerly based in Luxembourg were relocated to Germany. Therefore, from now on, trade tax will be taken into account when recognising the deferred taxes for these companies, which resulted in the recognition of deferred tax expenses of EUR k 4,177 in the first quarter of 2018.

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 outstanding.

in EUR k	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017
Net income for the period attributable to the shareholders of the parent company in EUR k	169,070	76,532
Weighted average number of shares outstanding in thousands	102,406	73,058
Basic earnings per share in EUR	1.65	1.05
Potential diluting effect of share-based payments in thousands	102	117
Number of shares with a potential diluting effect in thousands	102,508	73,175
Diluted earnings per share in EUR	1.65	1.05

The share-based payments to the Management Board and some employees have a diluting effect based on employee services already received. The number of shares on the reporting date would increase by around 102,000 shares (previous year 117,000 shares).

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 1,181,277 as at 30 June 2018 (31 December 2017: EUR k 1,174,706).

As at 30 June 2018, the fair value of the bond was EUR k 400,460 (31 December 2017: EUR k 399,188).

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 2017.

E.2 RELATED PARTIES

There were no significant transactions with related companies or parties in the first six months of the 2018 financial year.

Sascha Hettrich and Stefan E. Kowski were each elected as members of the Supervisory Board with majorities of 99.6% of the share capital with voting rights in attendance at the general meeting on 25 May 2018. They succeed Elisabeth Talma Stheeman and Frank D. Masuhr who stepped down from the Supervisory Board with effect from 29 January 2018 and 31 January 2018 respectively.

With effect from 1 October 2018, the Supervisory Board of TLG IMMOBILIEN AG has chosen to appoint two new members of the Management Board: Mr Jürgen Overath as Chief Operating Officer and Mr Gerald Klinck as Chief Financial Officer. Mr Overath is moving away from his position as Managing Director (Germany) of the Swiss SSN Group in order to join the company. Mr Klinck was a member of the Management Board of Vonovia SE until May 2018.

The current members of the Management Board Peter Finkbeiner and Niclas Karoff will step down from the Management Board of the company. The date of their withdrawal is yet to be determined.

Remuneration system for the Management Board in the 2018 financial year

The members of the Management Board are entitled to share-based payments from a long-term incentive (LTI) scheme. Virtual shares (performance shares) were issued under the new remuneration system for the first time in the 2018 financial year. Descriptions of the new and old LTI plans are available in the Remuneration Report for the 2017 financial year.

As share-based payments according to IFRS 2, the performance shares are recognised as a cash-settled plan. Therefore, the expenses for the new tranches are spread over the four-year term of the service contracts and gradually recognised as provisions.

The fair values of the performance shares are determined using a Monte Carlo simulation on each reporting date.

As at the reporting date, the provisions for the LTI tranches from 2018 to 2022 were EUR k 1,052. Due to the reclassification of the 2018 tranche from an equity-settled plan to a cash-settled plan, an amount of EUR k 473 was reclassified to provisions from the capital reserves.

E.3 SUBSEQUENT EVENTS

After the reporting date, no significant events took place between 30 June 2018 and the date of publication of the interim consolidated financial statements, with the exception of the changes in the composition of the Management Board (see section E.2).

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 2018 give a true and fair view of the net assets, financial position and cash flows of the Group, and the consolidated interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, 9 August 2018



Peter Finkbeiner
Member of the Management Board



Niclas Karoff
Member of the Management Board

F. AUDITOR'S REPORT

To the 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 2018 to 30 June 2018, which are part of the six-monthly financial report pursuant to Sec. 115 WpHG ["Wertpapierhandelsgesetz": 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, 9 August 2018

Ernst & Young GmbH
 Wirtschaftsprüfungsgesellschaft



Kreninger
 Wirtschaftsprüferin
 [German Public Auditor]



Pilawa
 Wirtschaftsprüfer
 [German Public Auditor]

FINANCIAL CALENDAR

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The greatest of care was taken during the preparation of this report. Nevertheless, rounding, transmission, typographical and printing errors cannot be ruled out.

This is a translation of the original German text. In cases of doubt, the German version takes precedence.

This publication contains forward looking statements based on current opinions and assumptions of the management of TLG IMMOBILIEN AG made to the best of their knowledge. Forward looking statements are subject to known and unknown risks, uncertainties and other factors that can lead to the turnover, profitability, target achievement and results of TLG IMMOBILIEN AG differing greatly from those named or described expressly or implicitly in this publication. Due to this, those who come into possession of this publication should not trust in such forward looking statements. TLG IMMOBILIEN AG accepts no liability and gives no guarantee for the correctness of such forward looking statements and will not adjust them to future results and developments.

TLG IMMOBILIEN AG

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