

# QUARTERLY FINANCIAL REPORT

AS AT 31 MARCH 2019

# KEY GROUP FIGURES

## ACCORDING TO IFRS

	Unit	01/01/2019– 31/03/2019	01/01/2018– 31/03/2018	Change in %
<b>Earnings indicators</b>				
Rental income	in EUR k	56,992	54,967	3.7
Net operating income from letting activities (NOI)	in EUR k	50,784	48,572	4.6
Disposal profits	in EUR k	11,581	255	4,441.6
Net income for the period	in EUR k	24,601	19,717	24.8
Funds from operations (FFO)	in EUR k	34,591	31,836	8.7
FFO per share <sup>1</sup>	in EUR	0.33	0.31	6.5

	Unit	31/03/2019	31/12/2018	Change
<b>Balance sheet metrics</b>				
Investment property	in EUR k	3,950,848	4,067,527	-2.9 %
Cash and cash equivalents	in EUR k	189,925	153,893	23.4 %
Total assets	in EUR k	4,353,338	4,320,847	0.8 %
Equity	in EUR k	2,181,485	2,157,239	1.1 %
Equity ratio	in %	50.1	49.9	0.2 pp
Interest-bearing liabilities	in EUR k	1,567,965	1,579,442	-0.7 %
Net debt	in EUR k	1,378,040	1,425,549	-3.3 %
Net LTV <sup>2</sup>	in %	33.6	34.7	-1.1 pp
Adjusted EPRA NAV	in EUR k	2,758,905	2,715,723	1.6 %
Adjusted EPRA NAV per share <sup>1</sup>	in EUR	26.67	26.27	1.5 %

	Unit	31/03/2019	31/12/2018	Change
<b>Key portfolio performance indicators</b>				
Property value <sup>3</sup>	in EUR k	4,098,555	4,109,449	-0.3 %
Lettable area	in sqm	1,887,333	1,912,793	-1.3 %
Property value per sqm	in EUR/sqm	2,172	2,148	1.1 %
Properties	number	391	409	-18 units
EPRA Vacancy Rate	in %	3.4	3.3	-0.1 pp
WALT	in years	6.1	6.1	0.0 years
Annualised in-place rent <sup>4</sup>	in EUR k	226,162	227,154	-0.4 %
Average rent	in EUR/sqm	10.57	10.44	1.2 %
In-place rental yield	in %	5.5	5.5	0.0 pp
Average market rent	in EUR/sqm	11.32	11.27	0.4 %
In-place rental yield on market rent	in %	6.2	6.2	0.0 pp

<sup>1</sup> Total number of shares as at 31 December 2018: 103.4 m; as at 31 March 2019: 103.4 m  
The weighted average number of shares was 102.1 m in the first quarter of 2018 and 103.4 m in the first quarter of 2019.

<sup>2</sup> Calculation: Net debt divided by real estate assets; for the composition *see page 16*

<sup>3</sup> In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5

<sup>4</sup> 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

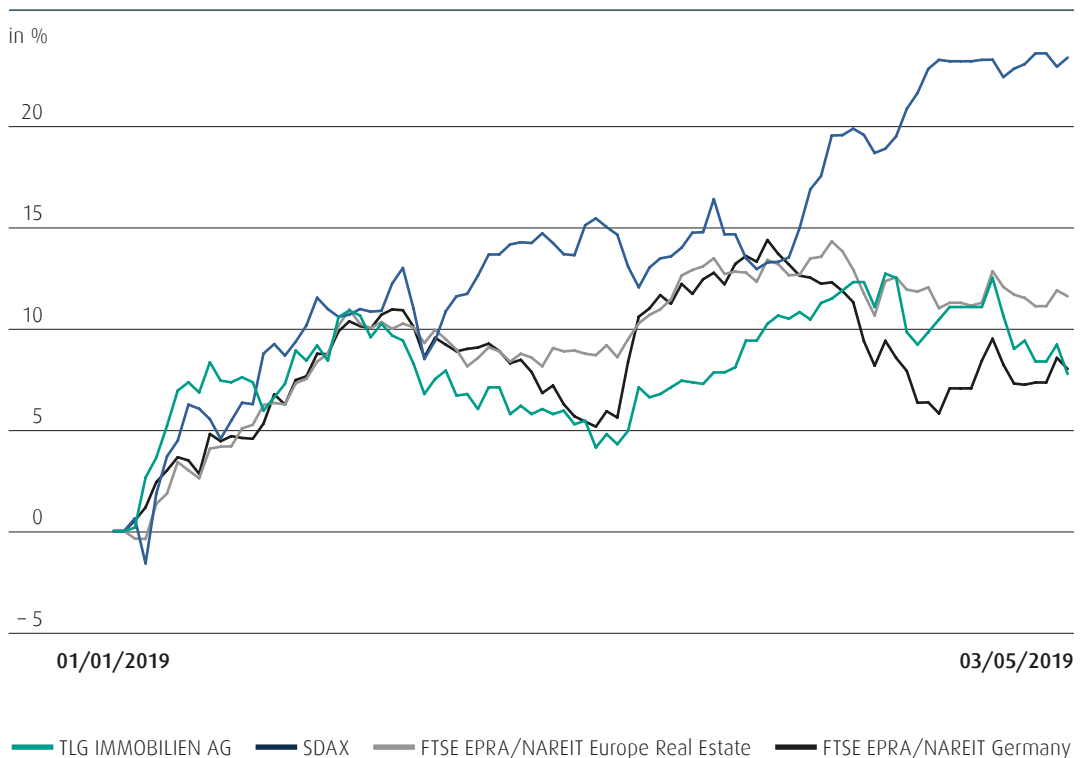
The stock markets performed positively in the first quarter of 2019. The performance was due essentially to progress in the trade dispute between the USA and China and more expansive central bank policies. On the other hand, the still uncertain outcome of Brexit and the weak ISM Manufacturing Index are temporarily putting the stock markets under pressure.

The German stock index DAX therefore grew in the first quarter of 2019 and closed at 11,526.04 points on 29 March 2019. As a result, the DAX increased by a total of 10.0% compared to its opening price on 2 January 2019.

The SDAX also fared well in the first quarter of 2019, increasing by 15.0% between early January and the end of March 2019.

German and European property shares also gained ground in the first quarter. The FTSE EPRA/NAREIT Germany Index grew by 12.6% over the first three months. The FTSE EPRA/NAREIT Europe Index grew by 13.3% in the same period.

## Performance of the shares by index

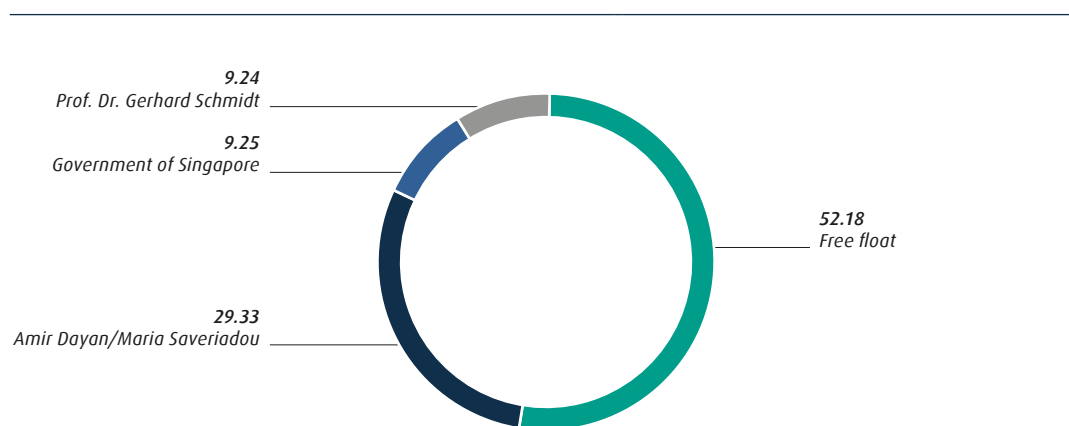


The shares of TLG IMMOBILIEN reached their highest value on Xetra in the first quarter at EUR 27.08 on 31 January 2019. The shares closed the reporting period at EUR 26.84, which represents an increase of 10.2% compared to the opening price at the start of the year.

## TLG IMMOBILIEN share data

ISIN/WKN	DE000A12B8Z4/A12B8Z
Ticker symbol	TLG
Share capital in EUR	103,444,935.00
Number of shares (no-par value bearer shares) as at 31 March 2019	103,444,935
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 31/01/2019 (Xetra) in EUR	27.08
Reporting period low on 04/01/2019 (Xetra) in EUR	24.86
Closing price on 31/03/2019 (Xetra) in EUR	26.84
Market capitalisation in EUR m	2,776.5

## Shareholder structure as at 31 March 2019\*



\* Data based on the latest voting rights notifications

**Prof. Dr. Gerhard Schmidt:** Attributed shareholding as reported for 27 March 2019. The shares are held by DIC Real Estate Investments GmbH & Co. Kommanditgesellschaft auf Aktien. On that date, the total number of voting rights was 103,444,574.

**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 Soveriadou:** 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
UBS	28.00	Neutral	Osmaan Malik	03/05/2019
Pareto Securities	24.00	Hold	Katharina Mayer	30/04/2019
Kepler Cheuvreux	27.50	Buy	Thomas Neuhold	25/04/2019
Commerzbank	30.50	Buy	Tom Carstairs	17/04/2019
Kempen & Co	27.00	Neutral	Mihail Tonchev	03/04/2019
Berenberg	28.50	Hold	Kai Klose	22/03/2019
J.P. Morgan	31.00	Buy	Tim Leckie	22/03/2019
Baader Bank	22.50	Hold	Andre Remke	21/03/2019
Bankhaus Lampe	27.00	Hold	Georg Kanders	21/03/2019
Deutsche Bank	31.00	Buy	Markus Scheufler	21/03/2019
Jefferies	28.00	Hold	Thomas Rothäusler	21/03/2019
HSBC	28.50	Buy	Thomas Martin	20/03/2019
VictoriaPartners	25.60–28.00	n/a	Bernd Janssen	25/01/2019

Source: Bloomberg (as at 6 May 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 quarter of 2019:

- ▼ ODDO & Cie – ODDO BHF FORUM, Lyon
- ▼ UniCredit Kepler Cheuvreux – German Corporate Conference, Frankfurt/Main
- ▼ Commerzbank – German Real Estate Forum, London

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

The figures for 2018 were published on 21 March 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](http://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	31/03/2019	31/12/2018	Change	Change in %
EPRA NAV	2,758,905	2,715,723	43,182	1.6
EPRA NNNNAV	2,125,641	2,121,149	4,492	0.2
EPRA Net Initial Yield (NIY) in %	4.5	4.5	0.0 pp	
EPRA "topped-up" Net Initial Yield in %	4.5	4.5	0.0 pp	
EPRA Vacancy Rate in %	3.4	3.3	0.1 pp	

in EUR k	01/01/2019– 31/03/2019	01/01/2018– 31/03/2018	Change	Change in %
EPRA Earnings	33,579	31,305	2,274	7.3
EPRA Cost Ratio (including direct vacancy costs) in %	24.2	29.5	-5.3 pp	
EPRA Cost Ratio (excluding direct vacancy costs) in %	23.1	28.1	-5.0 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.

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– 31/03/2019	01/01/2018– 31/03/2018	Change	Change in %
Net income for the period	24,601	19,717	4,884	24.8
Result from the disposal of properties <sup>1</sup>	-11,581	-255	-11,326	n/a
Result from the remeasurement of derivative financial instruments and refinancing costs	12,825	-2,008	14,833	n/a
Acquisition costs of share deals	0	1,253	-1,253	-100.0
Deferred and actual taxes in respect of EPRA adjustments	8,577	13,432	-4,855	-36.1
Non-controlling interests	-843	-834	-9	1.1
<b>EPRA Earnings<sup>1</sup></b>	<b>33,579</b>	<b>31,305</b>	<b>2,274</b>	<b>7.3</b>
Average number of shares outstanding in thousands <sup>2</sup>	103,424	102,099		
EPRA Earnings per share in EUR	0.32	0.31		

<sup>1</sup> 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).

<sup>2</sup> Total number of shares as at 31 December 2018: 103.4 m; as at 31 March 2019: 103.4 m

The weighted average number of shares was 102.1 m in the first quarter of 2018 and 103.4 m in the first quarter of 2019.

#### EPRA Net Asset Value (EPRA NAV)

in EUR k	31/03/2019	31/12/2018	Change	Change in %
Equity of the shareholders of TLG IMMOBILIEN	2,157,810	2,133,924	23,886	1.1
Fair value adjustment of owner-occupied properties (IAS 16)	17,207	17,168	39	0.2
Fair value adjustment of real estate inventories (IAS 2)	1,182	1,182	0	0.0
Fair value of derivative financial instruments	21,136	8,604	12,532	145.7
Deferred taxes <sup>1</sup>	561,570	554,845	6,725	1.2
<b>EPRA Net Asset Value (EPRA NAV)</b>	<b>2,758,905</b>	<b>2,715,723</b>	<b>43,182</b>	<b>1.6</b>
Number of shares in thousands <sup>2</sup>	103,445	103,385		
<b>EPRA NAV per share in EUR</b>	<b>26.67</b>	<b>26.27</b>		

<sup>1</sup> 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	31/03/2019	31/12/2018	Change	Change in %
<b>EPRA Net Asset Value (EPRA NAV)</b>	<b>2,758,905</b>	<b>2,715,723</b>	<b>43,182</b>	<b>1.6</b>
Fair value of derivative financial instruments	-21,136	-8,604	-12,532	145.7
Fair value adjustment of liabilities due to financial institutions/bonds	-48,325	-28,892	-19,433	67.3
Deferred taxes <sup>1</sup>	-563,803	-557,078	-6,725	1.2
<b>EPRA Triple Net Asset Value (EPRA NNNAV)</b>	<b>2,125,641</b>	<b>2,121,149</b>	<b>4,492</b>	<b>0.2</b>
Number of shares in thousands <sup>2</sup>	103,445	103,385		
EPRA NNNAV per share in EUR	20.55	20.52		

<sup>1</sup> 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	31/03/2019	31/12/2018	Change	Change in %
Investment property	3,950,848	4,067,527	-116,679	-2.9
Inventories	737	737	0	0.0
Properties classified as held for sale	138,904	33,080	105,824	319.9
<b>Property portfolio (net)</b>	<b>4,090,489</b>	<b>4,101,344</b>	<b>-10,855</b>	<b>-0.3</b>
Estimated transaction costs	297,553	298,288	-735	-0.2
<b>Property portfolio (gross)</b>	<b>4,388,042</b>	<b>4,399,632</b>	<b>-11,590</b>	<b>-0.3</b>
Annualised cash passing rental income	224,682	226,456	-1,774	-0.8
Property outgoings	-28,423	-28,761	338	-1.2
<b>Annualised net rents</b>	<b>196,259</b>	<b>197,695</b>	<b>-1,436</b>	<b>-0.7</b>
Notional rent for ongoing rent-free periods	1,479	697	782	112.2
<b>Annualised "topped-up" net rent</b>	<b>197,738</b>	<b>198,392</b>	<b>-654</b>	<b>-0.3</b>
<b>EPRA Net Initial Yield (EPRA NIY) in %</b>	<b>4.5</b>	<b>4.5</b>	<b>0.0 pp</b>	
<b>EPRA "topped-up" Net Initial Yield in %</b>	<b>4.5</b>	<b>4.5</b>	<b>0.0 pp</b>	

### EPRA Vacancy Rate

in EUR k	31/03/2019	31/12/2018	Change	Change in %
Market rent for vacant properties	8,712	8,542	170	2.0
Total market rent	256,262	258,583	-2,321	-0.9
<b>EPRA Vacancy Rate in %</b>	<b>3.4</b>	<b>3.3</b>	<b>0.1 pp</b>	

## EPRA Cost Ratio

in EUR k	01/01/2019– 31/03/2019	01/01/2018– 31/03/2018	Change	Change in %
<b>Costs pursuant to the consolidated statement of comprehensive income under IFRS</b>				
Expenses relating to letting activities <sup>1</sup>	18,759	18,397	362	2.0
Personnel expenses	3,249	3,986	-737	-18.5
Depreciation and amortisation	521	216	305	141.2
Other operating expenses <sup>1</sup>	3,729	5,609	-1,880	-33.5
Income from recharged operating costs	-12,075	-11,644	-431	3.7
Income from other goods and services	-407	-358	-49	13.7
Other operating income from reimbursements	0	-16	16	-100.0
<b>EPRA Costs (including direct vacancy costs)<sup>1</sup></b>	<b>13,776</b>	<b>16,190</b>	<b>-2,414</b>	<b>-14.9</b>
Direct vacancy costs	-589	-726	137	-18.9
<b>EPRA Costs (excluding direct vacancy costs)<sup>1</sup></b>	<b>13,187</b>	<b>15,464</b>	<b>-2,277</b>	<b>-14.7</b>
Rental income	56,992	54,967	2,025	3.7
<b>EPRA Cost Ratio (including direct vacancy costs) in %</b>	<b>24.2</b>	<b>29.5</b>	<b>-5.3 pp</b>	
<b>EPRA Cost Ratio (excluding direct vacancy costs) in %</b>	<b>23.1</b>	<b>28.1</b>	<b>-5.0 pp</b>	

<sup>1</sup> 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.

## 2. ECONOMIC REPORT

### 2.1 GENERAL ECONOMIC CONDITIONS AND REAL ESTATE MARKETS

#### 2.1.1 General economic conditions

Following a general decrease in its economic forecast, the German Institute for Economic Research (DIW) expects growth of 0.3% in the first quarter of 2019 compared to the previous quarter. This means that the economic developments would continue at the same level as in the fourth quarter of 2018. The DIW believes that the economy is being stimulated by a dynamic domestic economy, especially in the service sector. According to the DIW, the healthy consumer climate which is profiting from high employment rates will also have a positive effect. Meanwhile, the export-oriented sectors continue to suffer from the general situation in the global economy which, characterised by international trade disputes, continues to perform weakly.

#### 2.1.2 Economic situation in the sectors

The less positive economic forecasts have not yet become fully observable in the German property markets. According to the calculations of BNP Paribas Real Estate (BNPPRE), the level of turnover involving commercial properties was EUR 11.1 bn in the first quarter of 2019. According to Colliers, the volume of transactions was therefore 46% higher than the ten-year average. According to BNPPRE, however, this falls short of the record in the previous quarter by around 10%. The analysts attribute this to the lower number of portfolio transactions which, at around 14%, have the lowest share in the market volume ever registered, with the exception of 2009, the year of the financial crisis. Additionally, the growing lack of supply at some A-rated locations has caused their share in the volume of transactions to decline by around one third. Additionally, the top yield for offices there decreased to just below 3%.

### 2.1.3 Development of the office property market

Office properties remain the most popular asset class by far. According to BNPPRE, at EUR 5.3 bn in the first quarter of 2019, turnover was the third-highest of all time, although earnings were 15% lower than in the same quarter in the previous year. The 48% share in the overall commercial property market was primarily attributable to individual deals which contributed EUR 5.2 bn. The share of package disposals, which only amounted to EUR 100 m, was therefore low, representing one of the weakest starts to the year in the past decade. The A-rated locations experienced significant declines in turnover even in the office segment. At EUR 2.6 bn, the quarterly result of the seven metropolises was around one third lower than in the record year 2018. Like BNPPRE, Colliers identifies a supply bottleneck that will be followed by high rents.

### 2.1.4 Development of the retail property market

Retail properties had a significantly larger share in the market than in the first quarter of 2018. According to BNPPRE, they contributed EUR 2.5 bn to the volume of transactions (first quarter of 2018: EUR 1.7 bn), which is equivalent to 23% of the total investments in commercial properties. According to Colliers, shopping centres (39%) and specialist retailers and special retail centres (36%) changed hands most frequently. In contrast, very few commercial buildings in 1A-rated locations were traded, largely due to the lack of supply. As such, the share of the A-rated locations decreased. In the first quarter of 2019, around two thirds of the volume of transactions were generated in B and C-rated locations. Following the general trend, says Colliers, the share of portfolio deals has decreased to 23% even for retail properties (2018 as a whole: 55%).

### 2.1.5 Development of the hotel property market

According to the German Federal Statistical Office, the number of overnight stays in Germany increased to 54 million in the first two months of 2019. According to the published information, hotels and guest houses therefore experienced growth of 2% in January and February compared to the same period in the previous year. This shows that the long-established trend of increasing overnight stays is continuing, in which regard with growth of 3%, the number of foreign guests increased more strongly than that of domestic customers (growth of 1%). According to BNPPRE, at EUR 617 m, the volume of turnover in the hotel properties market was almost exactly the same as in the same quarter in the previous year (EUR 620 m). Consequently, the share in the volume of transactions increased slightly year-on-year from around 5% to around 6%.

## 2.2 POSITION OF THE COMPANY

### 2.2.1 Course of business

The portfolio was as follows as at the reporting date:

Key figures	Total	Strategic portfolio				Non-strategic portfolio
		Strategic portfolio	Office	Retail	Hotel	
Property value (EUR k) <sup>1</sup>	4,098,555	3,721,251	2,189,577	1,204,554	327,119	377,304
Annualised in-place rent (EUR k) <sup>2</sup>	226,162	197,943	100,872	79,864	17,207	28,219
In-place rental yield on actual rent (%)	5.5	5.3	4.6	6.6	5.2	7.5
In-place rental yield on market rent (%)	6.2	6.1	5.7	6.7	6.4	7.2
EPRA Vacancy Rate (%)	3.4	3.4	4.4	2.2	1.4	3.8
WALT (years)	6.1	6.0	5.6	5.4	11.1	6.7
Average actual rent (EUR/sqm/month)	10.57	11.18	11.84	10.09	13.56	7.65
Average market rent (EUR/sqm/month)	11.32	12.21	13.80	9.82	16.13	7.02
Properties (number)	391	286	62	217	7	105
Lettable area (sqm)	1,887,333	1,562,968	763,168	690,089	109,712	324,364

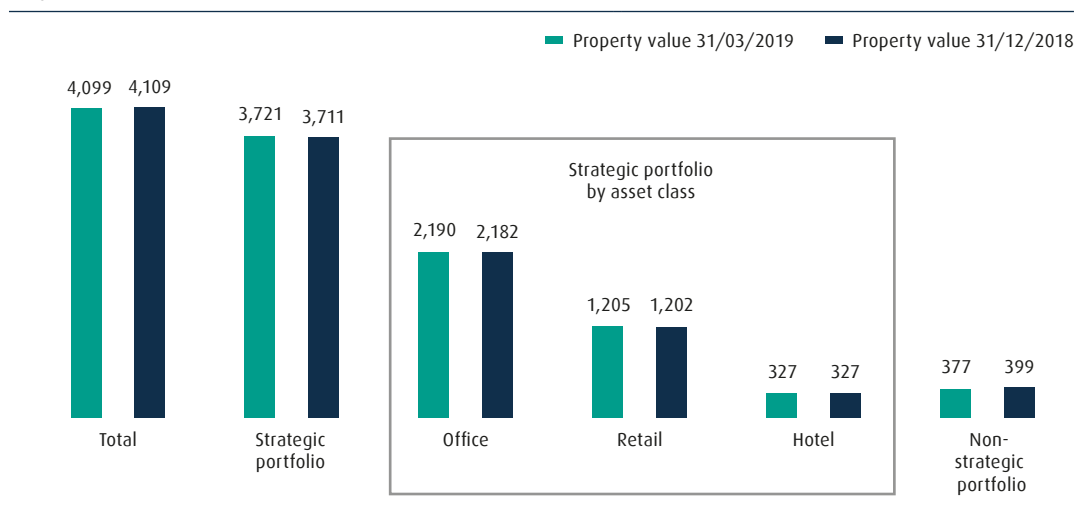
<sup>1</sup> In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5

<sup>2</sup> The annualised in-place rent is calculated using the annualised rents agreed as at the reporting date - not factoring in rent-free periods.

As at 31 March 2019, the property portfolio of TLG IMMOBILIEN comprised 391 properties (31/12/2018: 409) with a fair value (IFRS) of around EUR 4.099 bn (31/12/2018: around EUR 4.109 bn). The EUR 10.9 m or 0.3% decrease in property value in the first quarter was due primarily to disposals.

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

in EUR m



## 2.2.2 Financial performance

By 31 March 2019, TLG IMMOBILIEN has generated net income for the period of EUR k 24,601. The EUR k 4,884 increase compared to the same period in the previous year is due to the higher result from the disposal of properties of EUR k 11,326 and to the EUR k 2,212 higher net operating income from letting activities. The negative result from the remeasurement of derivative financial instruments of EUR k -12,825 had the opposite effect.

The table below presents the financial performance:

in EUR k	01/01/2019- 31/03/2019	01/01/2018- 31/03/2018	Change	Change in %
<b>Net operating income from letting activities<sup>1</sup></b>	<b>50,784</b>	<b>48,572</b>	<b>2,212</b>	<b>4.6</b>
Result from the disposal of properties <sup>1</sup>	11,581	255	11,326	n/a
Other operating income	348	393	-45	-11.5
Personnel expenses	-3,249	-3,986	737	-18.5
Depreciation and amortisation	-521	-216	-305	141.2
Other operating expenses <sup>1</sup>	-3,729	-5,609	1,880	-33.5
<b>Earnings before interest and taxes (EBIT)</b>	<b>55,214</b>	<b>39,409</b>	<b>15,805</b>	<b>40.1</b>
Financial income	31	132	-101	-76.5
Financial expenses	-8,400	-7,689	-711	9.2
Result from the remeasurement of derivative financial instruments	-12,825	2,008	-14,833	n/a
<b>Earnings before taxes</b>	<b>34,020</b>	<b>33,860</b>	<b>160</b>	<b>0.5</b>
Income taxes	-9,419	-14,143	4,724	-33.4
<b>Net income for the period</b>	<b>24,601</b>	<b>19,717</b>	<b>4,884</b>	<b>24.8</b>
Other comprehensive income (OCI)	157	147	10	6.8
<b>Total comprehensive income</b>	<b>24,758</b>	<b>19,864</b>	<b>4,894</b>	<b>24.6</b>

<sup>1</sup> 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 same period in the previous year, the net operating income from letting activities of EUR k 50,784 increased by EUR k 2,212, due primarily to properties that were acquired in 2018 being placed under management and the successful conclusion of rental agreements within the portfolio.

Essentially, the result from the disposal of properties totalling EUR k 11,581 encompasses fair value adjustments of owner-occupied properties resulting from the disposal of the Greenman portfolio that was notarised in March 2019.

Personnel expenses are EUR k 737 lower than in the same period in the previous year. This was due to a special item not affecting liquidity of EUR k 574 in the previous year, resulting from the transition of the long-term incentive scheme.

At EUR k 3,729, the other operating expenses were EUR k 1,880 lower than in the previous year's period. In the same period in the previous year, expenses of EUR k 1,253 were incurred for transactions, especially in connection with the takeover of WCM and the related integration measures.

In the reporting period, financial expenses increased by EUR k 711 to EUR k 8,400 compared to the previous year. This is due primarily to interest provisions not affecting liquidity resulting from open real estate transfer tax proceedings in connection with property acquisitions by WCM in previous years.

By 31 March 2019, there were expenses of EUR k 12,825 from the remeasurement of derivative financial instruments. The negative result 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 9,419 in the first three months of the 2019 financial year, EUR k 842 is attributable to ongoing income taxes and EUR k 8,577 is attributable to deferred taxes.

in EUR k	01/01/2019– 31/03/2019	01/01/2018– 31/03/2018	Change	Change in %
<b>Net income for the period</b>	<b>24,601</b>	<b>19,717</b>	<b>4,884</b>	<b>24.8</b>
Income taxes	9,419	14,143	-4,724	-33.4
<b>EBT</b>	<b>34,020</b>	<b>33,860</b>	<b>160</b>	<b>0.5</b>
Net interest	8,369	7,557	812	10.7
Result from the remeasurement of derivative financial instruments	12,825	-2,008	14,833	n/a
<b>EBIT</b>	<b>55,214</b>	<b>39,409</b>	<b>15,805</b>	<b>40.1</b>
Depreciation and amortisation	521	216	305	141.2
<b>EBITDA<sup>1</sup></b>	<b>55,735</b>	<b>39,625</b>	<b>16,110</b>	<b>40.7</b>
Result from the disposal of properties <sup>1</sup>	-11,581	-255	-11,326	n/a
Other effects from FFO calculation	0	1,868	-1,868	-100.0
<b>Adjusted EBITDA<sup>1</sup></b>	<b>44,154</b>	<b>41,238</b>	<b>2,916</b>	<b>7.1</b>
Rental income	56,992	54,967	2,025	3.7
<b>Adjusted EBITDA margin in %</b>	<b>77.5</b>	<b>75.0</b>	<b>2.0 pp</b>	

<sup>1</sup> 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 31 March 2019, TLG IMMOBILIEN has generated an adjusted EBITDA of EUR k 44,154. This represents an increase of EUR k 2,916 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 31 March 2019, the proceeds and cash paid in the reporting period have resulted in an increase in cash and cash equivalents, due primarily to the cash flows from operating and investing activities.

in EUR k	01/01/2019– 31/03/2019	01/01/2018– 31/03/2018	Change	Change in %
1. Net cash flow from operating activities	24,373	22,571	1,802	8.0
2. Cash flow from investing activities	22,434	-57,190	79,624	n/a
3. Cash flow from financing activities	-10,776	-2,474	-8,302	335.6
<b>Net change in cash and cash equivalents</b>	<b>36,031</b>	<b>-37,093</b>	<b>73,124</b>	<b>n/a</b>
Cash and cash equivalents at beginning of period	153,893	201,476	-47,583	-23.6
<b>Cash and cash equivalents at end of period</b>	<b>189,924</b>	<b>164,383</b>	<b>25,541</b>	<b>15.5</b>

In the reporting period, the cash flow from operating activities increased by EUR k 1,802 compared to the previous year. It was affected by the current surpluses from the acquisitions in 2018 as well as the successful conclusion of rental agreements.

The positive cash flow from investing activities of EUR k 22,434 is largely characterised by the cash received from property disposals totalling EUR k 29,830, especially the Aronia retail portfolio, the residential and commercial building Bergstrasse in Rostock and the office and medical centre Kopernikusstrasse in Zwickau. The cash paid for investments in the portfolio had the opposite effect.

The negative cash flow from financing activities of EUR k 10,776 is primarily in connection with the ongoing repayment of bank loans.

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	31/03/2019	31/12/2018	Change	Change in %
Investment property/prepayments	3,950,997	4,067,550	-116,553	-2.9
Other non-current assets	31,843	31,688	155	0.5
Financial assets	13,263	13,517	-254	-1.9
Cash and cash equivalents	189,925	153,893	36,032	23.4
Other current assets	163,649	54,199	109,450	201.9
<b>Total assets</b>	<b>4,353,338</b>	<b>4,320,847</b>	<b>32,491</b>	<b>0.8</b>
Equity	2,181,485	2,157,239	24,246	1.1
Non-current liabilities	1,449,790	1,489,610	-39,820	-2.7
Deferred tax liabilities	489,131	480,489	8,642	1.8
Current liabilities	232,932	193,509	39,423	20.4
<b>Total equity and liabilities</b>	<b>4,353,338</b>	<b>4,320,847</b>	<b>32,491</b>	<b>0.8</b>

The assets side is dominated by investment property including advance payments. Compared to 31 December 2018, the proportion of investment property in the total assets has decreased from 94% to 91%. In particular, this is due to the reclassification of EUR k 118,054 from the Greenman portfolio as non-current assets classified as held for sale after the notarisation of the disposal of the portfolio.



The equity of the Group was EUR k 2,181,485 and increased by EUR k 24,246, due primarily to the total comprehensive income generated for the period.

Compared to 31 December 2018, the equity ratio increased slightly by 0.2 percentage points to 50.1%.

## 2.2.5 Financial performance indicators

### FFO development

in EUR k	01/01/2019– 31/03/2019	01/01/2018– 31/03/2018	Change	Change in %
<b>Net income for the period</b>	<b>24,601</b>	<b>19,717</b>	<b>4,884</b>	<b>24.8</b>
Income taxes	9,419	14,143	-4,724	-33.4
<b>EBT</b>	<b>34,020</b>	<b>33,860</b>	<b>160</b>	<b>0.5</b>
Result from the disposal of properties <sup>3</sup>	-11,581	-255	-11,326	n/a
Result from the remeasurement of derivative financial instruments	12,825	-2,008	14,833	n/a
Depreciation and amortisation	521	216	305	141.2
Attributable to non-controlling interests	-307	-1,029	722	-70.2
Other effects <sup>1</sup>	0	1,868	-1,868	-100.0
Income taxes relevant to FFO	-887	-816	-71	8.7
<b>FFO<sup>2</sup></b>	<b>34,591</b>	<b>31,836</b>	<b>2,755</b>	<b>8.7</b>
Average number of shares outstanding in thousands <sup>2</sup>	103,424	102,099		
<b>FFO per share in EUR</b>	<b>0.33</b>	<b>0.31</b>	<b>0.02</b>	<b>6.5</b>

<sup>1</sup> The other effects include

<sup>(a)</sup> transaction costs (EUR k 0; previous year EUR k 1,805),

<sup>(b)</sup> refinancing costs/repayment of loans (EUR k 0; previous year EUR k 25),

<sup>(c)</sup> income from operating costs (statement surplus) in the previous year (EUR k 0; previous year EUR k -536),

<sup>(d)</sup> one-off effect from the transition of the LTI scheme (EUR k 0; previous year EUR k 574).

<sup>2</sup> Total number of shares as at 31 December 2018: 103.4 m; as at 31 March 2019: 103.4 m

The weighted average number of shares was 102.1 m in the first quarter of 2018 and 103.4 m in the first quarter of 2019.

<sup>3</sup> 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).

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 34,591 in the reporting period. The considerable increase in FFO by 8.7% or EUR k 2,755 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 0.33 and was therefore higher than in the previous year.

#### Net Loan to Value (Net LTV)

in EUR k	31/03/2019	31/12/2018	Change	Change in %
Investment property (IAS 40)	3,950,848	4,067,527	-116,679	-2.9
Advance payments on investment property (IAS 40)	149	23	126	n/a
Owner-occupied property (IAS 16)	8,065	8,104	-39	-0.5
Non-current assets classified as held for sale (IFRS 5)	138,904	33,080	105,824	319.9
Inventories (IAS 2)	737	737	0	0.0
<b>Real estate assets</b>	<b>4,098,704</b>	<b>4,109,471</b>	<b>-10,767</b>	<b>-0.3</b>
Interest-bearing liabilities	1,567,965	1,579,442	-11,477	-0.7
Cash and cash equivalents	189,925	153,893	36,032	23.4
<b>Net debt</b>	<b>1,378,040</b>	<b>1,425,549</b>	<b>-47,509</b>	<b>-3.3</b>
<b>Net Loan to Value (Net LTV) in %</b>	<b>33.6</b>	<b>34.7</b>	<b>-1.1 pp</b>	

As a ratio between net debt and real estate assets, the Net LTV is a key performance indicator for the company. It was 33.6% in the Group as at the reporting date. This represents a decrease of 1.1 percentage points compared to 31 December 2018, due primarily to the decrease in net debt.

#### EPRA Net Asset Value (EPRA NAV)

in EUR k	31/03/2019	31/12/2018	Change	Change in %
Equity of the shareholders of TLG IMMOBILIEN	2,157,810	2,133,924	23,886	1.1
Fair value adjustment of owner-occupied properties (IAS 16)	17,207	17,168	39	0.2
Fair value adjustment of real estate inventories (IAS 2)	1,182	1,182	0	0.0
Fair value of derivative financial instruments	21,136	8,604	12,532	145.7
Deferred taxes	561,570	554,845	6,725	1.2
<b>EPRA Net Asset Value (EPRA NAV)</b>	<b>2,758,905</b>	<b>2,715,723</b>	<b>43,182</b>	<b>1.6</b>
Number of shares in thousands	103,445	103,385		
<b>EPRA NAV per share in EUR</b>	<b>26.67</b>	<b>26.27</b>		

The EPRA Net Asset Value (EPRA NAV) is another key performance indicator of TLG IMMOBILIEN and was EUR k 2,758,905 as at 31 March 2019. Compared to 31 December 2018, the EPRA NAV increased by EUR k 43,182, due primarily to the change in equity resulting from the net income generated for the period.

The EPRA NAV per share was EUR 26.67, 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 quarter 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 quarter 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.

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the period from 1 January to 31 March 2019

in EUR k	01/01/2019– 31/03/2019	01/01/2018– 31/03/2018
Rental income	56,992	54,967
Income from recharged operating costs	12,075	11,644
Income from other goods and services	476	358
<b>Income from letting activities</b>	<b>69,543</b>	<b>66,969</b>
Expenses from operating costs <sup>1</sup>	-15,452	-16,327
Maintenance expenses <sup>1</sup>	-2,072	-978
Other services <sup>1</sup>	-1,235	-1,092
<b>Expenses relating to letting activities</b>	<b>-18,759</b>	<b>-18,397</b>
<b>Net operating income from letting activities</b>	<b>50,784</b>	<b>48,572</b>
Proceeds from the disposal of properties	29,830	8,473
Carrying amount of properties disposed of	-29,830	-8,473
Change in value of properties held for sale	11,581	450
Expenses from the disposal of properties <sup>1</sup>	0	-195
<b>Result from the disposal of properties<sup>2</sup></b>	<b>11,581</b>	<b>255</b>
Other operating income	348	393
Personnel expenses	-3,249	-3,986
Depreciation and amortisation	-521	-216
Other operating expenses <sup>1</sup>	-3,729	-5,609
<b>Earnings before interest and taxes (EBIT)</b>	<b>55,214</b>	<b>39,409</b>
Financial income	31	132
Financial expenses	-8,400	-7,689
Result from the remeasurement of derivative financial instruments	-12,825	2,008
Earnings before taxes	34,020	33,860
Income taxes	-9,419	-14,143
<b>Net income for the period</b>	<b>24,601</b>	<b>19,717</b>
<b>Other comprehensive income (OCI):</b>		
Thereof will be classified to profit or loss		
Gain/loss from remeasurement of derivative financial instruments in hedging relationships, net of taxes	157	147
<b>Total comprehensive income for the year</b>	<b>24,758</b>	<b>19,864</b>
<b>Of the net income for the period, the following is attributable to:</b>		
Non-controlling interests	843	834
The shareholders of the parent company	23,759	18,883
<b>Earnings per share (basic) in EUR</b>	<b>0.23</b>	<b>0.18</b>
<b>Earnings per share (diluted) in EUR</b>	<b>0.23</b>	<b>0.18</b>
<b>Of the total comprehensive income for the year, the following is attributable to:</b>		
Non-controlling interests	843	834
The shareholders of the parent company	23,915	19,030

<sup>1</sup> Comparative figures from the previous year have been adjusted. We refer to the explanations in section D.1.

<sup>2</sup> 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 31 March 2019

### Assets

in EUR k

	31/03/2019	31/12/2018
<b>A) Non-current assets</b>	<b>3,999,764</b>	<b>4,112,755</b>
Investment property	3,950,848	4,067,527
Advance payments on investment property	149	23
Property, plant and equipment	8,845	8,933
Intangible assets	3,232	2,590
Other non-current financial assets	13,263	13,517
Licences	3,661	0
Other assets	19,766	20,165
<b>B) Current assets</b>	<b>353,574</b>	<b>208,092</b>
Inventories	737	737
Trade receivables	9,938	14,864
Receivables from income taxes	1,805	1,827
Other current financial assets	6,626	1,129
Other receivables and assets	5,639	2,562
Cash and cash equivalents	189,925	153,893
Assets classified as held for sale	138,904	33,080
<b>Total assets</b>	<b>4,353,338</b>	<b>4,320,847</b>

### Equity and liabilities

in EUR k

	31/03/2019	31/12/2018
<b>A) Equity</b>	<b>2,181,485</b>	<b>2,157,239</b>
Subscribed capital	103,445	103,385
Capital reserves	1,012,869	1,011,381
Retained earnings	1,045,932	1,023,751
Other reserves	-4,436	-4,593
<b>Equity attributable to shareholders of the parent company</b>	<b>2,157,810</b>	<b>2,133,924</b>
Non-controlling interests	23,675	23,315
<b>B) Liabilities</b>	<b>2,171,853</b>	<b>2,163,608</b>
<b>I.) Non-current liabilities</b>	<b>1,938,921</b>	<b>1,970,099</b>
Non-current liabilities due to financial institutions	988,978	1,046,342
Corporate bonds	398,586	396,487
Pension provisions	7,971	8,019
Non-current derivative financial instruments	22,512	10,254
Other non-current liabilities	31,743	28,508
Deferred tax liabilities	489,131	480,489
<b>II.) Current liabilities</b>	<b>232,932</b>	<b>193,509</b>
Current liabilities due to financial institutions	180,401	136,613
Trade payables	31,572	35,389
Other current provisions	4,309	4,451
Tax liabilities	3,093	2,743
Other current liabilities	13,557	14,313
<b>Total equity and liabilities</b>	<b>4,353,338</b>	<b>4,320,847</b>

**CONSOLIDATED CASH FLOW STATEMENT**

for the period from 1 January to 31 March 2019

in EUR k	01/01/2019– 31/03/2019	01/01/2018– 31/03/2018
<b>1. Cash flow from operating activities</b>		
Net income for the period before taxes	34,020	33,860
Depreciation of property, plant and equipment and amortisation of intangible assets	521	216
Result from the remeasurement of derivative financial instruments	12,825	-2,007
Increase/decrease (-) in provisions	-190	-1,294
Change in value of properties held for sale	-11,581	-450
Other non-cash income/expenses	3,129	-630
Increase (-)/decrease in inventories	0	5
Financial income	-31	-132
Financial expenses	8,400	9,360
Increase (-)/decrease in trade receivables and other assets	-6,636	-1,516
Increase (-)/decrease in trade payables and other liabilities	-8,876	-7,933
<b>Cash flow from operating activities</b>	<b>31,581</b>	<b>29,480</b>
Interest received	31	132
Interest paid	-7,239	-7,041
<b>Net cash flow from operating activities</b>	<b>24,373</b>	<b>22,571</b>
<b>2. Cash flow from investing activities</b>		
Cash received from disposals of investment property	29,830	8,043
Cash received from disposals of property, plant and equipment	0	242
Cash paid for acquisitions of investment property	-6,321	-64,066
Cash paid for acquisitions of property, plant and equipment	-201	-83
Cash paid for investments in intangible assets	-874	-1,326
<b>Cash flow from investing activities</b>	<b>22,434</b>	<b>-57,190</b>
<b>3. Cash flow from financing activities</b>		
Repayments of bank loans	-10,579	-2,474
Lease payments	-197	0
<b>Cash flow from financing activities</b>	<b>-10,776</b>	<b>-2,474</b>
<b>4. Cash and cash equivalents at end of period</b>		
Net change in cash and cash equivalents (subtotal of 1-3)	36,032	-37,093
Cash and cash equivalents at beginning of period	153,893	201,476
<b>Cash and cash equivalents at end of period</b>	<b>189,925</b>	<b>164,384</b>
<b>5. Composition of cash and cash equivalents</b>		
Cash	189,925	164,384
<b>Cash and cash equivalents at end of period</b>	<b>189,925</b>	<b>164,384</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 31 March 2019

in EUR k	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income (OCI)		Non-controlling interests	Equity
				Reserve hedge accounting	Actuarial gains/losses		
<b>01/01/2018</b>	<b>102,029</b>	<b>1,061,087</b>	<b>739,603</b>	<b>-3,135</b>	<b>-1,948</b>	<b>38,924</b>	<b>1,936,560</b>
Net income for the period	0	0	18,883	0	0	834	19,717
Other comprehensive income (OCI)	0	0	0	147	0	0	147
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>18,883</b>	<b>147</b>	<b>0</b>	<b>834</b>	<b>19,864</b>
Compensation payments	0	0	-199	0	0	0	-199
Change in scope of consolidation	0	0	-375	0	0	0	-375
Share capital increase in exchange for contributions in kind	319	6,750	-3,290	0	0	-3,779	0
Capital contributions/redemptions in connection with share-based payments	0	118	0	0	0	0	118
<b>Change during the period</b>	<b>319</b>	<b>6,868</b>	<b>15,020</b>	<b>147</b>	<b>0</b>	<b>-2,945</b>	<b>19,409</b>
<b>31/03/2018</b>	<b>102,348</b>	<b>1,067,955</b>	<b>754,623</b>	<b>-2,988</b>	<b>-1,948</b>	<b>35,979</b>	<b>1,955,969</b>
<b>01/01/2019</b>	<b>103,385</b>	<b>1,011,381</b>	<b>1,023,751</b>	<b>-2,394</b>	<b>-2,199</b>	<b>23,315</b>	<b>2,157,239</b>
Net income for the period	0	0	23,759	0	0	843	24,601
Other comprehensive income (OCI)	0	0	0	157	0	0	157
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>23,759</b>	<b>157</b>	<b>0</b>	<b>843</b>	<b>24,758</b>
Share capital increase in exchange for contributions in kind	60	1,488	-1,115	0	0	-433	0
Other	0	0	-462	0	0	-50	-512
<b>Change during the period</b>	<b>60</b>	<b>1,488</b>	<b>22,182</b>	<b>157</b>	<b>0</b>	<b>360</b>	<b>24,246</b>
<b>31/03/2019</b>	<b>103,445</b>	<b>1,012,869</b>	<b>1,045,933</b>	<b>-2,237</b>	<b>-2,199</b>	<b>23,675</b>	<b>2,181,485</b>



# CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## AS AT 31 MARCH 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 not been audited or 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 consolidated interim 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 31 March 2019, TLG IMMOBILIEN holds 91.85% 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 31 March 2019, the initial application resulted in the recognition of assets and liabilities in the amount of EUR k 3,661. Additionally, EUR k 197 has been recognised under depreciation and amortisation. Until now, these costs have been recognised in various items of expenditure. The average discount rate was 2.96%.

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 connection with successfully concluded rental agreements (especially commission for brokers). As before, these costs are spread over the term of the rental agreement.

As at 31 December 2018, 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.

## 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
<b>Carrying amount as at 01/01</b>	<b>4,067,527</b>	<b>3,383,259</b>
Acquisitions	0	140,176
Capitalisation of construction activities and modernisation expenses	7,395	33,070
Reclassification as assets held for sale	-135,654	-48,408
Change in value of properties held for sale	11,581	7,921
Reclassification as property, plant and equipment	0	-1,375
Fair value adjustments	0	552,884
<b>Carrying amount as at 31/03/2019 and 31/12/2018</b>	<b>3,950,848</b>	<b>4,067,527</b>

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 quarter of 2019, the changes in the value of the portfolio were due essentially to the reclassification of EUR k -135,654 as assets held for sale (31/12/2018: EUR k -48,408). Essentially, the 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 EUR k 11,581 change in the value of properties held for sale reflects the ongoing dynamism of the market.

At EUR k 7,395, the capitalisation of construction activities was almost twice as high as the capitalisations in the first quarter of the previous year which amounted to EUR k 3,672. In this regard, the capitalisation measures all concern the office, retail and hotel asset classes, with 43% attributable to ongoing capital expenditure, 46% to tenant fit-outs and 11% to development measures.

The parameters on which the measurement was based and the asset classes have not undergone any significant changes since 31 December 2018.

### C.2 EQUITY

As at the reporting date, the subscribed capital of the company was EUR k 103,445 (previous year EUR k 103,385). The share capital is fully paid-in. There are no other share types.

The capital reserves amount to EUR k 1,012,869 (previous year EUR k 1,011,381).

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

EUR k	2019	2018
<b>Opening balance as at 01/01</b>	<b>-3,454</b>	<b>-4,285</b>
Reversal from equity into the statement of profit or loss	227	831
<b>Closing balance by 31/03/2019 and 31/12/2018</b>	<b>-3,227</b>	<b>-3,454</b>

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

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

### D.1 NET OPERATING INCOME FROM LETTING ACTIVITIES

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

For the purposes of adjusting to the prevailing practice in the industry, the comparative values for the first three months of 2018 for expenses for other services have been adjusted within the expenses relating to letting activities. Overall, EUR k 795 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 94 have been reclassified from expenses from other services relating to letting activities to maintenance expenses, and EUR k 195 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– 31/03/2019	01/01/2018– 31/03/2018
Net interest from bank balances	0	-3
Net interest from default interest and deferrals	-16	0
Other financial income	-15	-128
<b>Total financial income</b>	<b>-31</b>	<b>-132</b>
Interest expenses for interest rate derivatives	1,456	1,629
Interest on loans	5,773	5,970
Interest expenses from pension provisions	31	0
Other interest expenses	1,139	90
<b>Total financial expenses</b>	<b>8,400</b>	<b>7,689</b>
<b>Financial result</b>	<b>8,368</b>	<b>7,558</b>

Essentially, the other financial expenses comprise 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– 31/03/2019	01/01/2018– 31/03/2018
Current income tax	842	711
Deferred taxes	8,577	13,432
<b>Tax expenses/income</b>	<b>9,419</b>	<b>14,143</b>

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.

#### 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– 31/03/2019	01/01/2018– 31/03/2018
Net income for the period attributable to the shareholders of the parent company in EUR k	23,759	18,883
Weighted average number of shares outstanding in thousands	103,424	102,099
<b>Basic earnings per share in EUR</b>	<b>0.23</b>	<b>0.18</b>
Potential diluting effect of share-based payments in thousands	0	115
Number of shares with a potential diluting effect in thousands	103,424	102,214
<b>Diluted earnings per share in EUR</b>	<b>0.23</b>	<b>0.18</b>

## 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 1,213,558 as at 31 March 2019 (31 December 2018: EUR k 1,217,078).

As at 31 March 2019, the fair value of the bond was EUR k 402,732 (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

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

## E.3 SUBSEQUENT EVENTS

After the reporting date, no significant events took place between 31 March 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 31 March 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, 29 April 2019



Gerald Klinck  
Member of the Management Board



Jürgen Overath  
Member of the Management Board

## FINANCIAL CALENDAR

21 MAY 2019	General meeting
12 AUGUST 2019	Publication of the quarterly financial report Q2/2019
6 NOVEMBER 2019	Publication of the quarterly financial report Q3/2019

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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 views and assumptions of TLG IMMOBILIEN's management and made to the best of their knowledge. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause TLG IMMOBILIEN's revenues, profitability or the degree to which it performs or achieves its targets, to materially deviate from what is explicitly or implicitly stated or described in this publication. Therefore, persons who obtain possession of this publication should not rely on such forward-looking statements. TLG IMMOBILIEN accepts no guarantee or responsibility regarding such forward-looking statements and will not adjust them to future results or developments.

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