Condensed interim consolidated financial statements of TLG IMMOBILIEN AG, Berlin, as at 30 June 2020

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 June 2020

in EUR k	01/04/2020-30/06/2020	01/04/2019-30/06/2019	01/01/2020-30/06/2020	01/01/2019-30/06/2019
Rental income	56,299	57,835	112,627	114,827
Income from recharged operating costs	11,258	10,791	21,800	22,866
Income from other goods and services	883	1,519	2,107	1,995
Income from letting activities	**68,440**	**70,145**	**136,534**	**139,688**
Expenses from operating costs	-13,316	-13,966	-28,554	-29,418
Maintenance expenses	-1,600	-2,145	-3,973	-4,217
Other services	-580	-379	-1,269	-1,614
Expenses relating to letting activities	**-15,496**	**-16,490**	**-33,796**	**-35,249**
Net operating income from letting activities	**52,944**	**53,655**	**102,738**	**104,439**
Proceeds from the disposal of properties	27	22	3,027	29,852
Carrying amount of properties disposed of	-18	-3	-3,018	-29,833
Change in value of properties held for sale	48,914	5,322	48,914	16,903
Expenses from the disposal of properties	-9,761	-380	-9,769	-380
Result from the disposal of properties	**39,162**	**4,961**	**39,154**	**16,542**
Result from the remeasurement of investment property	**86,658**	**400,831**	**182,635**	**400,831**
Other operating income	4,689	353	5,714	701
Personnel expenses	-3,481	-4,442	-8,727	-7,691
Amortisation, depreciation and write-downs	-461	-374	-886	-895
Other operating expenses	-6,918	-3,089	-13,038	-6,818
Earnings before interest and taxes (EBIT)	**172,593**	**451,895**	**307,590**	**507,109**
Net income from companies measured at equity	**27,862**	**0**	**49,385**	**0**
Financial income	298	133	421	164
Financial expenses	-16,659	-12,268	-27,150	-20,668
Result from the remeasurement of derivative financial instruments	-3,353	-9,607	-7,180	-22,432
Earnings before taxes	180,741	430,152	323,066	464,173
Income taxes	-41,338	-132,690	-78,390	-142,109
Net income for the period	**139,403**	**297,463**	**244,676**	**322,064**
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	43	860	152	1,017
Share of other comprehensive income from companies measured at equity	-6,854	0	-3,369	0
Total comprehensive income for the period	**132,592**	**298,323**	**241,459**	**323,081**
Of the net income for the period, the following is attributable to:				
Non-controlling interests	1,374	193	1,729	1,036
The shareholders of the parent company	138,029	297,269	242,947	321,028
Earnings per share (undiluted) in EUR	**1.20**	**2.87**	**2.39**	**3.10**
Earnings per share (diluted) in EUR	**1.20**	**2.87**	**2.39**	**3.10**
Of the total comprehensive income for the period, the following is attributable to:				
Non-controlling interests	1,374	193	1,729	1,036
The shareholders of the parent company	131,218	298,130	239,730	322,045

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

Assets in EUR k	30/06/2020	31/12/2019
A) Non-current assets	**6,147,460**	**6,343,234**
Investment property	4,466,230	4,707,397
Advance payments on investment property	342	2,218
Property, plant and equipment	9,828	8,794
Intangible assets	3,006	2,980
Shares in companies measured at equity	1,623,734	1,580,641
Other non-current financial assets	19,673	18,098
Right-of-use assets	2,200	2,020
Other assets	22,447	21,086
B) Current assets	**845,714**	**559,075**
Inventories	734	734
Trade receivables	13,253	10,979
Receivables from income taxes	570	477
Other current financial assets	693	16,959
Other receivables and assets	7,472	2,958
Cash and cash equivalents	242,617	523,950
Assets classified as held for sale	580,375	3,018
Total assets	**6,993,174**	**6,902,309**

Equity and liabilities in EUR k	30/06/2020	31/12/2019
A) Equity	**3,687,501**	**3,446,647**
Subscribed capital	112,228	112,074
Capital reserves	1,149,820	1,148,041
Retained earnings	1,819,135	1,577,372
Other reserves	-7,517	-3,700
Equity attributable to shareholders of the parent company	**3,073,666**	**2,833,787**
Equity of the hybrid capital providers	590,844	590,844
Equity attributable to shareholders of the parent company and equity of the hybrid capital providers	**3,664,510**	**3,424,631**
Non-controlling interests	22,991	22,016
B) Liabilities	**3,305,673**	**3,455,662**
I.) Non-current liabilities	**3,137,759**	**3,303,463**
Non-current liabilities due to financial institutions	964,121	960,812
Corporate bonds	1,323,935	1,578,201
Pension provisions	8,856	8,994
Other non-current provisions	1,511	3,315
Non-current derivative financial instruments	35,629	27,307
Other non-current liabilities	29,418	27,625
Deferred tax liabilities	774,289	697,209
II.) Current liabilities	**167,914**	**152,199**
Current liabilities due to financial institutions	90,068	76,075
Corporate bonds	3,720	6,486
Trade payables	39,441	38,560
Other current provisions	3,500	4,050
Tax liabilities	7,199	9,514
Other current liabilities	23,986	17,514
Total equity and liabilities	**6,993,174**	**6,902,309**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 30 June 2020

in EUR k	01/01/2020-30/06/2020	01/01/2019-30/06/2019
1. Cash flow from operating activities		
Net income for the period before taxes	323,066	464,173
Depreciation of property, plant and equipment and amortisation of intangible assets	886	895
Result from the remeasurement of investment property	-182,635	-400,831
Result from the remeasurement of derivative financial instruments	7,180	22,432
Decrease (-) in provisions	-2,492	-974
Change in value of properties held for sale	-48,914	-16,903
Other non-cash income/expenses	2,318	-806
Net income from companies measured at equity	-49,385	0
Gain (-)/loss from disposal of property, plant and equipment and intangible assets	0	-18
Increase (-)/decrease in inventories	0	3
Financial income	-421	-164
Financial expenses	27,150	20,668
Increase (-)/decrease in trade receivables and other assets	-8,627	-972
Increase/decrease (-) in trade payables and other liabilities	4,667	-9,601
Cash flow from operating activities	**72,793**	**77,902**
Interest received	421	164
Interest paid	-24,148	-18,035
Income tax paid/received	-1,859	-865
Net cash flow from operating activities	**47,208**	**59,166**
2. Cash flow from investing activities		
Cash received from disposals of investment property	4,254	55,318
Cash paid for acquisitions of investment property	-107,924	-104,408
Cash paid for acquisitions of property, plant and equipment	-151	-283
Cash received from the release of restricted cash and cash equivalents	16,009	-16,065
Cash paid for investments in intangible assets	-538	-879
Cash flow from investing activities	**-88,350**	**-66,318**
3. Cash flow from financing activities		
Cash received from issuing corporate bonds	0	590,274
Cash paid to settle liabilities for corporate bonds	-261,085	0
Dividend payment	0	-94,140
Cash paid to non-controlling interests	0	-1,223
Cash received from bank loans	24,978	67,796
Repayments of bank loans	-3,900	-158,114
Cash paid to settle liabilities for leases	-184	-251
Cash flow from financing activities	**-240,191**	**404,341**
4. Cash and cash equivalents at end of period		
Change in cash and cash equivalents (subtotal of 1–3)	-281,333	397,190
Cash and cash equivalents at beginning of period	523,950	153,893
Cash and cash equivalents at end of period	**242,617**	**551,083**
5. Composition of cash and cash equivalents		
Cash	242,617	551,083
Cash and cash equivalents at end of period	**242,617**	**551,083**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 30 June 2020

in EUR k	Subscribed capital	Capital reserves	Retained earnings	Accumulated other reserves			Hybrid capital providers	Non-controlling interests	Equity
				Reserves Hedge accounting	Actuarial gains / losses	Share of other comprehensive income from companies measured at equity			
01/01/2019	**103,385**	**1,011,381**	**1,023,751**	**-2,394**	**-2,199**	**0**	**0**	**23,315**	**2,157,239**
Net income for the period	0	0	571,728	0	0	0	5,049	1,542	578,319
Other comprehensive income (OCI)	0	0	0	1,093	-816	616	0	0	893
Total comprehensive income for the year	**0**	**0**	**571,728**	**1,093**	**-816**	**616**	**5,049**	**1,542**	**579,212**
Adjustment of non-controlling interests	0	0	-711	0	0	0	0	-226	-937
Share capital increase in exchange for contributions in kind	189	4,757	-3,617	0	0	0	0	-1,329	0
Dividend payment	0	0	-94,140	0	0	0	0	0	-94,140
Guaranteed dividend	0	0	0	0	0	0	0	-1,218	-1,218
Share capital increase in exchange for cash contributions	8,500	213,592	0	0	0	0	0	0	222,092
Transaction costs associated with the share capital increase, after taxes	0	-1,513	0	0	0	0	0	0	-1,513
Issuance of hybrid capital	0	0	0	0	0	0	600,000	0	600,000
Transaction costs associated with the hybrid capital, after taxes	0	0	0	0	0	0	-9,156	0	-9,156
Distribution to hybrid capital providers	0	0	1,259	0	0	0	-5,049	0	-3,790
Withdrawal from capital reserves	0	-79,703	79,703	0	0	0	0	0	0
Capital contributions / redemptions in connection with share-based payments	0	-533	0	0	0	0	0	0	-533
Other	0	60	-602	0	0	0	0	-67	-609
Change during the period	**8,689**	**136,660**	**553,621**	**1,093**	**-816**	**616**	**590,844**	**-1,299**	**1,289,408**
31/12/2019	**112,074**	**1,148,041**	**1,577,372**	**-1,301**	**-3,015**	**616**	**590,844**	**22,016**	**3,446,647**

in TEUR	Subscribed capital	Capital reserves	Retained earnings	Accumulated other reserves: Reserves Hedge accounting	Accumulated other reserves: Actuarial gains / losses	Accumulated other reserves: Share of other comprehensive income from companies measured at equity	Hybrid capital providers	Non-controlling interests	Equity
01/01/2020	**112,074**	**1,148,041**	**1,577,372**	**-1,301**	**-3,015**	**616**	**590,844**	**22,016**	**3,446,647**
Net income for the period	0	0	242,947	0	0	0	0	1,729	244,676
Other comprehensive income (OCI)	0	0	0	152	0	-3,369	0	0	-3,217
Total comprehensive income for the year	**0**	**0**	**242,947**	**152**	**0**	**-3,369**	**0**	**1,729**	**241,459**
Share capital increase in exchange for contributions in kind	106	1,827	-1,179	0	0	0	0	-754	0
Other	48	-48	-5	0	0	-600	0	0	-605
Change during the period	**154**	**1,779**	**241,763**	**152**	**0**	**-3,969**	**0**	**975**	**240,855**
30/06/2020	**112,228**	**1,149,820**	**1,819,135**	**-1,150**	**-3,015**	**-3,352**	**590,844**	**22,991**	**3,687,501**

A. GENERAL INFORMATION ON THE INTERIM CONSOLIDATED 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.

TLG IMMOBILIEN AG became part of the Aroundtown SA Group (short: Aroundtown) registered in Luxembourg effective as at 19 February 2020.

A.2 PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of TLG IMMOBILIEN were prepared in condensed form in accordance with IAS 34 (Interim financial reporting) and the International Financial Reporting Standards (IFRSs) adopted and published by the International Accounting Standards Board (IASB) as adopted in the European Union. The interim consolidated financial statements were prepared in application of the terms 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 to the interim consolidated financial statements are presented in condensed form in accordance with the option defined in IAS 34.10. These condensed consolidated financial statements have not been subject to an auditor's review.

The condensed 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 interim consolidated financial statements, the interim report also includes the interim group management report and the responsibility statement.

The interim consolidated financial statements were prepared in euro.

All values are rounded to thousands of euros (EUR k) unless otherwise stated. Tables and references may contain rounding differences compared to the precise mathematical figures.

TLG PB1 GmbH, Berlin, TLG PB2 GmbH, Berlin and TLG PB3 GmbH, Berlin, were established as subsidiaries of TLG IMMOBILIEN AG on 22 January 2020 and entered into the commercial register on 28 January 2020.

WCM Properties1 GmbH, Berlin, was established as a subsidiary of WCM Beteiligungs- und Grundbesitz AG on 8 April 2020 and entered into the commercial register on 17 April 2020.

There have been no further changes to the scope of consolidation since 31 December 2019.

Further WCM shareholders have accepted TLG IMMOBILIEN's exchange offer in the reporting period. TLG IMMOBILIEN held 92.98% of shares in WCM as at 30 June 2020.

B. EXPLANATION OF ACCOUNTING AND MEASUREMENT METHODS

The accounting and measurement methods applied to these interim consolidated financial statements are consistent with the methods presented in the IFRS consolidated financial statements as at 31 December 2019, with the exception of the IFRS standards introduced as at 1 January 2020. The Group does not apply any further standards, interpretations or amendments prematurely that have been adopted or published by the IASB that are not compulsory in the European Union.

These condensed interim consolidated financial statements are therefore to be read together with the consolidated financial statements of TLG IMMOBILIEN as at 31 December 2019.

Savills Advisory Services Germany GmbH & Co. KG completed an external assessment of part of the investment properties as at 31 March 2020 and 30 June 2020. The assessed properties were chosen on the basis of anticipated significant changes in market value.

C. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

C.1 INVESTMENT PROPERTY

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

in EUR k	2020	2019
Carrying amount as at 01/01	**4,707,397**	**4,067,527**
Acquisitions	74,694	88,419
Capitalisation of construction activities and modernisation expenses	34,015	52,284
Change in value of properties held for sale	48,914	21,548
Reclassification as assets held for sale	-580,375	-155,947
Reclassification as property, plant and equipment	-1,050	0
Fair value adjustments	182,635	638,366
Disposals	0	-4,800
Carrying amount as at 30/06/2020 and 31/12/2019	**4,466,230**	**4,707,397**

The portfolio strategy of TLG IMMOBILIEN stipulates the concentration on the asset class office, as well as retail and hotels to a selective extent. Plans are in place to reduce the share of retail properties. Real estate assets that represent key properties for future development measures are part of the separate invest asset class.

The office portfolio focuses on promising A and B-rated locations. Hotel properties are situated in select 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.

Portfolio changes in the first half of 2020 predominantly originated from sales of retail portfolios that took place in the second quarter. Following the disposal-related change in value of EUR k 48,914, the sold properties with a value of EUR k 580,375 (previous year EUR k

155,947) were reclassified as assets held for sale. The buyer of two large retail portfolios initially had a discretionary rescission right until 31 August 2020; as of the reporting date, a waiver has been received and the transaction is now subject to customary closing conditions.

The transfer of benefits and encumbrances for these disposals had not taken place as at the reporting date. Reclassifications as assets held for sale are offset by acquisitions of EUR k 74,694 (previous year EUR k 88,419). The acquisitions concerned office properties in Berlin.

Of the additions of EUR k 34,015 (previous year EUR k 52,284) through the capitalisation of construction activities, EUR k 6,717 (previous year EUR k 22,652) is attributable to current measures, EUR k 2,665 (previous year EUR k 9,570) is attributable to tenant improvements and EUR k 24,634 (previous year EUR k 20,062) is attributable to development projects. Around 92% of the capitalisations attributable to development measures took place for both office projects currently under construction: “NEO” and “Annenhöfe” in Dresden.

The carrying amounts of the investment property were calculated on the basis of the valuation performed by Savills Advisory Services Germany GmbH & Co. KG. As at 30 June 2020, several properties (EUR k 531,849) with development potential have been identified in which a higher use is possible in line with the IFRS 13 “concept of the highest and best use”. Two of these properties (EUR k 71,100) are under construction. The increase in the fair values is largely attributable to the development potential of value-add properties and market dynamics in Berlin.

All in all, the properties of TLG IMMOBILIEN displayed stable values throughout the first half of 2020 with positive effects seen particularly in Berlin and Dresden.

The table below presents the fair values of the investment property by asset class as at 30 June 2020.

Investment properties as at 30/06/2020

As at 30/06/2020	Office	Retail	Hotel	Invest	Other	Total
Investment properties in EUR k	2,188,917	757,971	335,948	1,155,795	27,599	4,466,230
Average discount rate in %	4.10	4.89	4.45	3.36	7.72	4,09
Average capitalisation rate in %[1]	4.94	5.85	5.41	3.63	9.02	4,93
In-place rental yield in %[2]	4.6	6.4	5.1	-	10.8	5,1
EPRA Vacancy Rate in %	4.4	5.9	1.2	1.3	2.5	4,0
WALT in years	5.4	4.8	9.9	3.0	4.4	5,4

[1] The capitalisation rate (weighted average) is only calculated for the properties measured using the discounted cash flow method.
[2] The calculation for the in-place rental yield does not include the invest asset class.

A sensitivity analysis varying the discount and capitalisation rates on which the actual valuation was based reveals that 0.5 percentage points increase or decrease would have had the following effects as at 30 June 2020:

Investment properties as at 30 June 2020

As at 30 June 2020	Investment properties	Discount rate		
Values in EUR k		**-0.5%**	**0.0%**	**+0.5%**
Capitalisation rate	**-0.5%**	5,058,021	4,868,271	4,688,281
	0.0%	4,678,901	**4,466,230**	4,343,231
	+0.5%	4,376,581	4,219,221	4,069,101

C.2 SHARES IN COMPANIES MEASURED AT EQUITY

As at 30 June 2020, TLG IMMOBILIEN AG held 11.98% of Aroundtown company capital (31 December 2019: 15.03%). In the first six months of 2020, Aroundtown implemented various capital measures which led to a 3.05 pp decrease in TLG IMMOBILIEN AG's stake. The reduction in shareholding led to expenses from the deconsolidation of companies measured at equity amounting to EUR k 5,480, which are reported under other operating expenses. These expenses are offset by income of EUR k 3,157 reported under other operating income.

In accordance with IAS 28, TLG IMMOBILIEN continues to exert a significant influence on Aroundtown and, as such, continues to measure the shares in Aroundtown at equity.

C.3 EQUITY

As at the reporting date, the subscribed capital of the company was EUR k 112,228 (previous year EUR k 112,074). The share capital is fully paid-in. There are no other share types.

The capital reserves amount to EUR k 1,149,820 (previous year EUR k 1,148,041).

The changes in other comprehensive income in the reserve hedge accounting before taxes are as follows:

in EUR k	**2020**	**2019**
Opening balance as at 01/01	-1,877	-3,454
Reversal from equity into the statement of profit or loss	219	1,577
Closing balance as at 30/06/2020 and 31/12/2019	-1,658	-1,877

The consolidated statement of changes in equity lists the changes in consolidated equity components.

C.4 CORPORATE BONDS

Aroundtown has been the majority shareholder of TLG IMMOBILIEN AG since 19 February 2020. As a result, change-of-control clauses in the bond conditions have come into effect which, under certain circumstances, grant bondholders extraordinary rights of termination in the event of a change of majority. On the basis of the conditions that were published in the Federal Gazette on 24 February 2020, TLG IMMOBILIEN's EUR 400 m bond which matures in 2024 (ISIN XS1713475215) was reduced by around EUR 260 m on 4 May 2020.

D. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

D.1 NET OPERATING INCOME FROM LETTING ACTIVITIES

Income from letting activities fell slightly in the first six months of 2020 compared to the first half of 2019. However, the expenses/income ratio from letting activities improved slightly in 2020.

D.2 NET INCOME FROM COMPANIES MEASURED AT EQUITY

In the first six months of 2020, the net income from companies measured at equity amounted to EUR k 49,385 (previous year EUR k 0) and was mainly due to the Aroundtown net income attributable to TLG IMMOBILIEN.

D.3 FINANCIAL RESULT

The financial result is broken down as follows:

in EUR k	01/01/2020-30/06/2020	01/01/2019-30/06/2019
Net interest from bank balances	1	1
Net interest from default interest and deferrals	110	81
Other financial income	310	82
Total financial income	**421**	**164**
Interest expenses for interest rate derivatives	3,096	3,733
Interest from loans and bonds	14,546	12,308
Interest expenses from pension provisions	29	63
Other financial expenses	9,480	4,564
Total financial expenses	**27,150**	**20,668**
Financial result	**26,729**	**20,504**

Other financial expenses primarily include the early repayment penalty for the premature bond settlement (ISIN XS1713475215), the amortisation of transaction costs and compensation of claims from non-controlling interests.

D.4 RESULT FROM THE REMEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

Hedge accounting was discontinued at the start of the second quarter of 2017. All changes to market values have since been recognised in the item "Result from the remeasurement of derivative financial instruments".

Changes in market values presented in other comprehensive income and added to a reserve in equity in previous periods are reversed on a pro-rata basis over the remaining term of each underlying transaction.

D.5 INCOME TAXES

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

in EUR k	01/01/2020-30/06/2020	01/01/2019-30/06/2019
Current income taxes	1,377	1,679
Deferred taxes	77,013	140,430
Tax expenses/income	**78,390**	**142,109**

Income taxes are the sum total of current tax expenses and deferred taxes. Current tax expenses are determined on the basis of the share of taxable income and material tax adjustments for the period. As in the comparison period, deferred taxes were predominantly attributable to the higher market values of investment property which are not recognised in the tax accounts.

D.6 EARNINGS PER SHARE

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

	01/01/2020-30/06/2020	01/01/2019-30/06/2019
Net income for the period attributable to the shareholders of the parent company, in EUR k	242,947	321,028
Weighted average number of shares issued, in thousands[1]	101,798	103,576
Undiluted earnings per share in EUR	**2.39**	**3.10**
Potential dilution effect from share-based payments, in thousands of shares	0	0
Number of shares with a potential dilution effect, in thousands[1]	101,798	103,576
Diluted earnings per share in EUR	**2.39**	**3.10**

[1] Taking into account the elimination of shares in connection with the cross-shareholding involving TLG IMMOBILIEN and Aroundtown

E. OTHER INFORMATION

E.1 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

All financial assets and liabilities are measured at amortised cost, with the exception of derivatives measured at fair value. With the exception of liabilities due to financial institutions, the current carrying amounts represent an appropriate estimate of fair value.

The fair values of liabilities due to financial institutions are equivalent to the present values of the payments associated with the liabilities, in consideration of interest parameters applicable as at the reporting date (level 2 pursuant to IFRS 13). They amounted to EUR k 1,018,240 as at 30 June 2020 (31 December 2019: EUR k 1,034,793).

The fair values of corporate bonds (level 2 pursuant to IFRS 13) amounted to EUR k 1,343,959 as at 30 June 2020 (31 December 2019: EUR k 1,638,194).

The derivative financial instruments reported in the statement of financial position are measured at fair value. These derivatives exclusively comprise interest rate hedges.

The measurement procedure has not changed since 31 December 2019.

E.2 RELATED PARTIES

In the first half of 2020, WCM repaid EUR k 65,000 of the loan totalling EUR k 194,100, granted on 21 December 2017. This repayment was conducted in connection with the disposal of six companies in the previous year, to whom WCM provided shareholder loans.

Merger with Aroundtown

Following the acquisition of a 15% share package in Aroundtown SA, both parties signed a business combination agreement (BCA) in November 2019. At this point, on 18 December 2019, Aroundtown submitted a public takeover offer to the shareholders of TLG IMMOBILIEN in the form of a share-to-share exchange.

The deadline of the share-to-share exchange offer by the shareholders of TLG IMMOBILIEN ended on 7 February 2020. The number of shares including the shares already held directly or indirectly by the bidder on that date totalled 87,168,686 shares. This is equivalent to 77.76% of the share capital and voting rights.

On 19 February 2020, the shares offered by Aroundtown as part of the takeover offer were transferred to the shareholders of TLG IMMOBILIEN who had submitted their shares as part of the share-to-share exchange. Thus, Aroundtown gained control over TLG IMMOBILIEN and its subsidiaries.

As part of the share-to-share exchange, Aroundtown increased its share capital on 19 February 2020 by means of a capital increase in exchange for contributions in kind, issuing 312,688,188 shares to the exclusion of the subscription rights of the shareholders. Together with further capital measures in the first six months of 2020, TLG IMMOBILIEN's stake in the share capital and in the voting rights of Aroundtown has consequently diluted to around 12%.

Related parties

Management Board members Gerald Klinck (CFO) and Jürgen Overath (COO) resigned from their positions as at 31 March 2020 (Gerald Klinck) and 31 July 2020 (Jürgen Overath) respectively. In its meeting on 30 July 2020, the Supervisory Board appointed Ronny Schneider to the Management Board effective as at 1 August 2020.

With the approval of the Supervisory Board, the company concluded a consultancy agreement with Golden Route GmbH in the first half of 2020. The company's managing director is Klaus Krägel, who is also a member of the Supervisory Board and chairman of the development project committee of TLG IMMOBILIEN. The consultancy agreement, concluded at arm's length, mostly covers advice and support in respect of specific operating business matters which are provided in addition to the scope of mandatory Supervisory Board activities. It also covers support for the planned integration of the company with Aroundtown. In the first half of 2020, consulting services amounting to EUR k 136 (net) were rendered. As of 30 June 2020, this resulted in open items of EUR k 25 (net).

We also refer to the information on related companies and parties presented in the notes to the consolidated financial statements as at 31 December 2019.

E.3 SUBSEQUENT EVENTS

Corporate bonds

In July 2020, the TLG IMMOBILIEN agreed with Aroundtown on the substitution of TLG IMMOBILIEN as the issuer and obligor for all TLG IMMOBILIEN's outstanding senior bonds, to which TLG IMMOBILIEN shall remain a guarantor. The substitution of the senior bonds came into effect on August 1, 2020.

Furthermore, in August 2020, the holders of TLG IMMOBILIEN subsidiaries' (TLG Finance S.à r.l., Luxembourg) hybrid bonds voted in favour of replacing the original issuer of the hybrid bonds with Aroundtown. The company expects the substitution process for the TLG IMMOBILIEN hybrid bond to be formally completed by the end of September 2020, following the expiration of the mandatory period for contesting the contract.

As consideration for the substitution, Aroundtown and TLG IMMOBILIEN have agreed that the TLG IMMOBILIEN senior bonds and the TLG IMMOBILIEN hybrid bond will be replaced by intra-group equity and debt instruments that will not change the current capital structure of TLG IMMOBILIEN.

Changes in the Management Board

On 22 June 2020, Management Board member Jürgen Overath stepped down from his position effective as at 31 July 2020. In its meeting on 30 July 2020, the Supervisory Board appointed Ronny Schneider to the Management Board effective as at 1 August 2020.

Framework service agreement between TLG IMMOBILIEN and Aroundtown

TLG IMMOBILIEN and Aroundtown SA, as well as certain of its affiliates, have agreed on the main principles of a framework service agreement in order to benefit from each other's know-how and experience. Services to be provided comprise a broad range of offerings, including property-related services, Investor Relations, Communication, Finance and IT services, in the course of which the companies will continue to operate independently.

To our knowledge, there are no further indications in respect of subsequent events in the sense of IAS 10.

E.4 RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements of TLG IMMOBILIEN as at 30 June 2020 give a true and fair view of the net assets, financial position and cash flow of the Group and the interim group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, 26 August 2020

Barak Bar-Hen

Chief Executive Officer (CEO)

Ronny Schneider

Member of the Management Board

Interim group management report of TLG IMMOBILIEN AG, Berlin, as at 30 June 2020

INTERIM GROUP MANAGEMENT REPORT

1. GROUP FUNDAMENTALS AND GROUP BUSINESS MODEL

TLG IMMOBILIEN AG is the parent company of TLG IMMOBILIEN Group. It manages a number of own properties as well as those of its subsidiaries, including the listed company WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft ("WCM"), for which it performs all operational activities under service contracts.

TLG IMMOBILIEN's activities to implement the corporate strategy in terms of the real estate portfolio and the portfolio of its subsidiaries cover the entire value creation cycle, from portfolio management to asset and property management, including our tenants' perspective.

Through active asset management and targeted development measures, TLG IMMOBILIEN strives to further optimise its property portfolio and enhance potential for value creation. Development activities focus on repurposing properties with untapped potential through development and construction measures. A special development team is responsible for this transformation process, from preliminary planning to structural realisation.

The acquisition of properties with the potential to increase in value combined with the disposal of properties is a strategy designed to fine-tune the alignment of the overall portfolio. Transaction management implements this portfolio strategy and steers the entire acquisition and disposal process – from identifying potential transaction partners through to contractual negotiations and execution.

2. ECONOMIC REPORT

2.1 GENERAL ECONOMIC CONDITIONS AND PROPERTY MARKETS

2.1.1 GENERAL ECONOMIC CONDITIONS

Germany is facing its most severe economic crisis since the post-war years. The federal government expects GDP to decline by at least 6.3% in 2020, with export-oriented industries and service provision particularly affected.

That being said, the outlook is improving markedly. Major recovery effects are expected from 2021; the federal government forecasts a GDP increase of 5.2% with the ifo Institute even predicting GDP growth of 6.4%. At the same time, the ifo Business Climate Index has improved significantly since bottoming out in April. Companies are looking to the future with greater optimism, with business expectations returning to February's pre-coronavirus levels by the end of June. In addition, the direct consequences of the pandemic are being absorbed by economic and employment policies.

2.1.2 MARKET DEVELOPMENT

The market reached a new all-time high in the first half of the year due to unusually high investment turnover in the first quarter. Turnover of EUR 29.4 bn was up approximately 20% year on year, as figures from a BNP Paribas Real Estate analysis show. Some 52% of overall turnover was attributable to individual disposals, which contributed just under EUR 15.2 bn to the result.

Transaction volume was down by around a quarter year on year, partly as a result of a number of deals being spontaneously placed on hold during the lockdown to see how the situation develops. Many of these transactions are now back on and should be concluded in the second half of the year.

Turnover from portfolio transactions totalled just under EUR 14.2 bn (48%), which saw the result more than triple. The many M&A transactions and share purchases in existing portfolios, as well as a whole host of larger package disposals, which had been almost fully negotiated before coronavirus, resulted in the second-highest result since 2007. Retail portfolios, often with a high food share, accounted for the largest share of investment, followed by office and logistics packages.

2.1.3 DEVELOPMENT OF THE OFFICE PROPERTY MARKET

According to BNP Paribas Real Estate, transaction volume involving office properties in Germany stood at just under EUR 10.4 bn in the first half of the year. This marks a decline of 10% year on year but a slight rise on the ten-year average. Approximately 1.28 m square metres of office space was rented or sold to owner-occupiers in A-rated locations in the first six months of the year, JLL reports. This equates to a year-on-year decline of approximately 36%. The effects of the pandemic were not reflected fully in first-quarter statistics, whereas April, May and June were significantly impacted by the coronavirus crisis. This had the effect that second quarter of 2020 was the second quarter with the lowest turnover since mid-2009. Looking into the individual locations, it becomes clear that none of the major cities in the property market were able to escape the downward trend. Munich and Berlin are almost on equal footing, with 332,000 square metres and 329,000 square metres of office space rented or sold respectively. The declines in both cities were also significantly below average at 19% and 22% respectively. These two cities account for over half of accumulated turnover of all A-rated locations in the first half of the year. Turnover in other locations fell accordingly. Frankfurt bore the brunt of the trend, seeing its volume of rented or sold office space fall to just 112,000 square metres, the lowest half-year figure recorded since 1993. Frankfurt is suffering from a lack of traditional large-scale lettings from the bank and financial industries.

2.1.4 DEVELOPMENT OF THE RETAIL PROPERTY MARKET

According to Colliers International, transactions involving retail properties totalled EUR 6.5 bn in the first half of 2020, the second-highest figure recorded in the past decade after 2015. Transaction volume exceeded the previous year’s figure by 35%. At 23%, the retail segment’s market share has risen by three basis points compared to the end of June 2019, cementing its position as the second-best-performing asset class among the established usage types; behind the office segment with a 42% market share and logistics properties with 11%. According to the CBRE, the proportion of German market stakeholders to international participants is roughly even, both on the buyers’ and the sellers’ sides. Special retail properties set the tempo on the market in the first half of the year, accounting for 57% (EUR 4 bn) of transaction volume. Shopping centres only made up 8% (EUR 585 m) of transaction volume.

2.1.5 DEVELOPMENT OF THE HOTEL PROPERTY MARKET

According to the CBRE, investment in the German hotel property market totalled EUR 1.2 bn in the first half of 2020. This marks a decline of 27% compared to the previous-year period. At 77%, the majority of allocated capital came in the first quarter, which was not as strongly affected by the impacts of the pandemic. Three- or four-star hotels were the focal points of market activity in the first half of the year, making up over 90% of transactions. Berlin was the most active single market in the first half of the year, with EUR 296 m of hotel investment volume. The top 7 locations accounted for around half of all investment volume in German hotels, or EUR 622 m, marking a decrease of 30% compared to the first half of 2019.

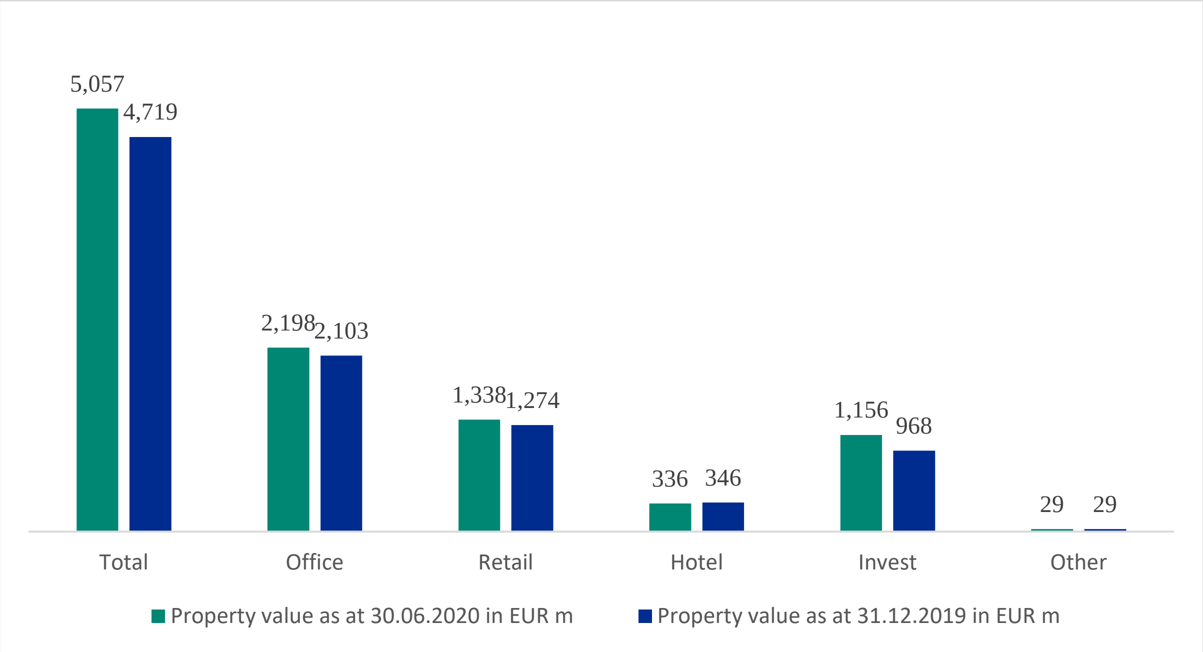
2.2 POSITION OF THE COMPANY

2.2.1 COURSE OF BUSINESS

The TLG IMMOBILIEN real estate portfolio comprises the asset classes office, retail, hotel, invest and other. The invest asset class contains properties whose strategies involve future development project measures or those already in various stages of ongoing implementation. The primary purpose of the properties in the office, retail and hotel asset classes is to generate sustainable earnings. These properties also have the potential to generate additional income and value through active asset management and strategic investments. The other asset class includes properties not attributed to any of the aforementioned asset classes.

As at 30 June 2020, the property portfolio contained a total of 359 properties (31 December 2019: 357) with a property value (IFRS) of around EUR 5.057 bn (31 December 2019: around EUR 4.719 bn). Besides acquisitions, the effects of disposals and investments in the portfolio, the increase of around EUR 337 m is due to revaluations.

The property values have developed as follows:



On a like-for-like basis, i.e. without factoring in the acquisitions and disposals in the first half of 2020, the value increased by 5.6%.

Acquisitions and letting activities resulted in an increase of annualised in-place rent of a total of 1.8% in the first half of 2020 to EUR k 230,074 (31 December 2019: EUR k 225,939).

The EPRA Vacancy Rate rose slightly to 3.8% (31 December 2019: 3.1%) The weighted average lease term (WALT) declined marginally from 5.6 years to 5.3 years.

2.2.2 EARNINGS POSITION

TLG IMMOBILIEN generated a positive net income for the period of EUR k 244,676 in the first half of the 2020 financial year.

The coronavirus crisis has mostly been reflected in delayed payments and deferrals in the first half of 2020 and has not significantly affected the earnings position.

The year-on-year decline in net income by EUR k 77,388 was predominantly due to the lower result from the remeasurement of investment property by EUR k 218,196. This is mainly attributed to a slowdown of market dynamics, mostly as a result of the coronavirus crisis. Negative market value adjustments in the Hotel segment, which was particularly affected, were more than compensated, in particular by further progress in development projects.

The table below presents the financial performance:

in EUR k	01/01/2020-30/06/2020	01/01/2019-30/06/2019	Change	Change in %
Net operating income from letting activities	**102,738**	**104,439**	**-1,701**	**-1.6**
Result from the remeasurement of investment property	182,635	400,831	-218,196	-54.4
Result from the disposal of properties	39,154	16,542	22,612	136,7
Other operating income	5,714	701	5,013	n/a
Personnel expenses	-8,727	-7,691	-1,036	13.5
Amortisation, depreciation and write-downs	-886	-895	9	-1.0
Other operating expenses	-13,038	-6,818	-6,220	91.2
Earnings before interest and taxes (EBIT)	**307,590**	**507,109**	**-199,519**	**-39.3**
Net income from companies measured at equity	49,385	0	49,385	0
Financial income	421	164	257	156.7
Financial expenses	-27,150	-20,668	-6,482	31.4
Result from the remeasurement of derivative financial instruments	-7,180	-22,432	15,252	-68.0
Earnings before taxes	**323,066**	**464,173**	**-141,107**	**-30.4**
Income taxes	-78,390	-142,109	63,719	-44.8
Net income for the period	**244,676**	**322,064**	**-77,388**	**-24.0**
Other comprehensive income (OCI)	-3,217	1,017	-4,234	n/a
Total comprehensive income	**241,459**	**323,081**	**-81,622**	**-25.3**

Net operating income from letting activities of EUR k 102,738 marked a slight decline of EUR k 1,701 compared to the previous period primarily due to the disposal of a retail property portfolio in the fourth quarter of 2019 with annualised in-place rent of EUR k 13,139.

The result from the disposal of properties includes market value adjustments for properties held for sale of EUR k 48,914, which mainly resulted from the disposal of two further retail portfolios that was notarised in June 2020.

Personnel expenses were EUR k 1,036 higher than in the previous year’s period. Expenses relating to the departure of two Management Board members were the main reasons for the increase, together with the appointment of a third Management Board member in June 2019.

Other operating expenses rose by EUR k 6,220 year on year to EUR k 13,038. In the first six months of 2020, Aroundtown implemented various capital measures which led to a 3.05 pp decrease in TLG IMMOBILIEN AG’s stake. The reduction in shareholding led to expenses from the deconsolidation of companies measured at equity amounting to EUR k 5,480, which are reported under other operating expenses. These expenses are offset by income of EUR k 3,157 reported under other operating income.

Net income from companies measured at equity is fully attributable to the investment in Aroundtown of approx. 12% still held by TLG IMMOBILIEN as at 30 June 2020.

Financial expenses rose by EUR k 6,482 year on year, reaching EUR k 27,150 in the reporting period, mainly as a result of additional interest expenses for the corporate bonds placed in May and September 2019. In addition, expenses of EUR k 4,434 were incurred in relation to the partial repayment of a bond in May 2020.

The result from the remeasurement of derivative financial instruments was negative as at 30 June 2020 at EUR k -7,180. These expenses result from market valuation of interest rate hedges on the loans.

Tax expenses in the first half of the 2020 financial year came to EUR k 78,390, EUR k 77,031 of which as deferred taxes attributable primarily to investment property.

in EUR k	01/01/2020-30/06/2020	01/01/2019-30/06/2019	Change	Change in %
Net income for the period	**244,676**	**322,064**	**-77,388**	**-24.0**
Income taxes	78,390	142,109	-63,719	-44.8
EBT	323,066	464,173	-141,107	-30.4
Net interest	26,729	20,504	6,225	30.4
Net income from companies measured at equity	49,385	0	49,385	0
Result from the remeasurement of derivative financial instruments	7,180	22,432	-15,252	-68.0
EBIT	**307,590**	**507,109**	**-199,519**	**-39.3**
Amortisation, depreciation and write-downs	886	895	-9	-1.0
Result from the remeasurement of investment property	-182,635	-400,831	218,196	-54.4
EBITDA	**125,841**	**107,173**	**18,668**	**17.4**
Result from the disposal of properties	-39,154	-16,542	-22,612	136,7
Other effects from FFO calculation	8,331	3,859	4,472	115.9
Adjusted EBITDA	**95,018**	**94,490**	**528**	**0.6**
Rental income	112,627	114,827	-2,200	-1.9
Adjusted EBITDA margin in %	**84.4**	**82.3**	**2.1 pp**	

By 30 June 2020, TLG IMMOBILIEN generated an adjusted EBITDA of EUR k 95,018. The year-on-year increase stood at EUR k 528 and is mostly due to the increase in other operating income. The EBITDA margin rose from 82.3% to 84.4%.

2.2.3 CASH FLOWS

The following cash flow statement was generated using the indirect method under IAS 7. As at 30 June 2020, cash paid and received resulted in a decrease in cash and cash equivalents in the reporting period primarily due to the partial repayment of a bond in the amount of EUR k 262,629 due to change of control clauses in May 2020.

in EUR k	01/01/2020-30/06/2020	01/01/2019-30/06/2019	Change	Change in %
1. Net cash flow from operating activities	47,208	59,166	-11,958	-20.2
2. Cash flow from investing activities	-88,350	-66,318	-22,032	33.2
3. Cash flow from financing activities	-240,191	404,341	-644,532	n/a
Change in cash and cash equivalents	**-281,333**	**397,189**	**-678,522**	**n/a**
Cash and cash equivalents at beginning of period	523,950	153,893	370,057	240.5
Cash and cash equivalents at end of period	**242,616**	**551,082**	**-308,466**	**-56.0**

Cash inflow from operating activities decreased by EUR k 11,958 compared to the previous year, constituting a 20.2% decline. This was due to an approx. 50% increase in financial expenses, an approx. 20% decrease in net operating income from letting activities as well as higher administrative expenses. The payment ratio for net basic rents (excluding ancillary costs) in the second quarter averaged approx. 93%, as compared to an average of 99.3% in the first quarter of 2020. Due to the current statutory deferral option for tenants, payments for outstanding receivables from the second quarter are still ongoing.

Cash outflow from investing activities of EUR k 88,350 was primarily due to cash paid for acquisitions of investment property and cash received from disposals of properties.

Cash outflow from financing activities of EUR k 240,191 was mainly related to the partial repayment of a bond amounting to EUR k 262,629 in May 2020, while the increased drawdown on a loan in the amount of EUR k 25,000 had the opposite effect.

The cash and cash equivalents consist entirely of liquid funds.

2.2.4 FINANCIAL POSITION

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	30/06/2020	31/12/2019	Change	Change in %
Investment property / advance payments	4,466,572	4,709,615	-243,043	-5.2
Shares in companies measured at equity	1,623,734	1,580,641	43,093	2.7
Other non-current assets	37,481	34,880	2,601	7.5
Financial assets	19,673	18,098	1,575	8.7
Cash and cash equivalents	242,617	523,950	-281,333	-53.7
Other current assets	603,097	35,125	567,972	n/a
Total assets	**6,993,174**	**6,902,309**	**90,865**	**1.3**
Equity	3,687,501	3,446,647	240,854	7.0
Non-current liabilities	2,363,470	2,606,254	-242,784	-9.3
Deferred tax liabilities	774,289	697,209	77,080	11.1
Current liabilities	167,914	152,199	15,715	10,3
Total equity and liabilities	**6,993,174**	**6,902,309**	**90,865**	**1.3**

Investment property, including advance payments, dominates the assets side. In spite of the positive valuation result from the properties and the acquisition of office properties in Berlin, this item saw a year-on-year decline of EUR k 243,043, mainly as a result of the reclassification of disposal portfolios as assets held for sale.

The share of total assets attributable to investment property fell from 68% to 64% compared to 31 December 2019 due to the reclassification of properties in the amount of EUR k 580,375 as assets held for sale. These properties mostly concern the retail portfolio notarised in June 2020.

Shares in companies measured at equity concern the roughly 12% investment in Aroundtown as at 30 June 2020.

Consolidated equity amounted to EUR k 3,687,501 and has increased by EUR k 240,854 since the beginning of the financial year, primarily as a result of the total comprehensive income for the period.

Non-current liabilities declined by EUR k 242,784 compared to 31 December 2019, owing to the partial repayment of a bond from 2017 in the amount of EUR k 262,629 due to change of control clauses.

The equity ratio decreased by 2.8 percentage points to 52.7% compared to the previous year.

2.2.5 FINANCIAL PERFORMANCE INDICATORS

FFO development

Funds from operations (FFO) is a key performance indicator for the TLG IMMOBILIEN Group:

in EUR k	01/01/2020-30/06/2020	01/01/2019-30/06/2019	Change	Change in %
Net income for the period	**244,676**	**322,064**	**-77,388**	**-24.0**
Income taxes	78,390	142,109	-63,719	-44.8
EBT	**323,066**	**464,173**	**-141,107**	**-30.4**
Result from the disposal of properties	-39,154	-16,542	-22,612	136.7
Result from the remeasurement of investment property	-182,635	-400,831	218,196	-54.4
Result from the remeasurement of derivative financial instruments	7,180	22,432	-15,252	-68.0
Amortisation, depreciation and write-downs	886	895	-9	-1.0
Net income from companies measured at equity	-49,385	0	-49,385	0
Dividends from equity investments	22,992	0	22,992	0
Attributable to non-controlling interests	-528	-611	83	-13.6
Net income attributable to hybrid capital providers	-10,070	0	-10,070	0
Other effects	8,331	3,859	4,472	115.9
Income taxes relevant to FFO	-2,421	-1,834	-587	32.0
FFO	**78,262**	**71,541**	**6,721**	**9.4**
Average number of shares issued (in thousands)[1]	112,150	103,576		
FFO per share in EUR	**0.70**	**0.69**	**0.01**	**1.4**

[1] Total number of shares as at 31 December 2019: 112.1 m, as at 30 June 2020: 112.2 m. The weighted average number of shares was 103.6 m in the first half of 2019 and 112.2 m in the first half of 2020.

Key performance indicator funds from operations (FFO) adjusted for material non-sustainable and non-cash effects totalled EUR k 78,262 in the reporting period. The considerable increase in FFO by 9.4% or EUR k 6,721 compared to the same period in the previous year is predominantly due to the dividend from investments. This concerns the shares of Aroundtown acquired in the third quarter of 2019 and corresponds to the proportional value of the dividend expected for the 2020 financial year. In particular, the attribution of net income to the hybrid capital providers had the opposite effect, as did the higher interest expenses due to the bonds issued in May and September 2019. The FFO reported for the 2019 financial year included dividends on the shares in Aroundtown amounting to EUR k 17,167 which have not yet been paid.

Other effects include personnel restructuring expenses, purchase price adjustments and transaction costs totalling EUR k 1,573, as well as expenses from refinancing costs of EUR k 4,434 (previous year EUR k 3,859) and expenses from the deconsolidation of companies measured at equity amounting to EUR k 2,323.

The FFO per share rose year on year to EUR 0.70.

Net Loan to Value (Net LTV)

in EUR k	30/06/2020	31/12/2019	Change	Change in %
Investment property (IAS 40)	4,466,230	4,707,397	-241,167	-5.1
Advance payments on investment property (IAS 40)	342	2,218	-1,876	-84.6
Owner-occupied property (IAS 16)	9,212	8,119	1,093	13.5
Assets classified as held for sale (IFRS 5)	580,375	3,018	577,357	n/a
Inventories (IAS 2)	734	734	0	0.0
Shares in companies measured at equity	1,623,734	1,580,641	43,093	2.7
Real estate assets and investment assets	**6,680,627**	**6,302,127**	**378,500**	**6.0**
Interest-bearing liabilities	2,381,844	2,621,574	-239,730	-9.1
Cash and cash equivalents	242,617	523,950	-281,333	-53.7
Net debt	**2,139,227**	**2,097,624**	**41,603**	**2.0**
Net Loan to Value (Net LTV) in %	**32.0**	**33.3**	**-1.3 pp**	

Net LTV is the ratio of net debt to real estate assets and is a further key performance indicator used for managing the company. It amounted to 32.0% as at the reporting date. This marks a reduction of 1.3 percentage points compared to 31 December 2019, which was primarily due to the higher property value from the positive valuation of properties.

EPRA Net Asset Value (EPRA NAV)

in EUR k	30/06/2020	31/12/2019	Change	Change in %
Equity attributable to the shareholders of TLG IMMOBILIEN	3,073,666	2,833,787	239,879	8.5
Remeasurement of owner-occupied property (IAS 16)	33,519	26,658	6,861	25.7
Remeasurement of real estate inventories (IAS 2)	1,182	1,182	0	0.0
Market values of derivative financial instruments	32,529	25,700	6,829	26.6
Deferred taxes	841,982	775,808	66,174	8.5
EPRA Net Asset Value (EPRA NAV)	**3,982,878**	**3,663,135**	**319,743**	**8.7**
Number of shares in thousands	112,180	112,073		
EPRA NAV per share in EUR	**35.50**	**32.69**		

EPRA Net Asset Value (EPRA NAV) is another key performance indicator of TLG IMMO-BILIEN. It stood at EUR k 3,982,878 as at 30 June 2020. Compared to 31 December 2019, the EPRA NAV increased by EUR k 319,743, due primarily to the change in equity resulting from the net income for the period.

EPRA NAV per share came to EUR 35.50, up from EUR 32.69 as at 31 December 2019.

3. REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

3.1 RISK REPORT

TLG IMMOBILIEN is exposed to constantly changing conditions that could impede achieving its targets and implementation of its long-term strategies. However, business opportunities can also arise. We refer to the detailed description of risks and opportunities within the Group's management report as at 31 December 2019.

The general risk situation remains affected by the coronavirus pandemic, as was the case as at 31 March 2020, and is reflected in a higher value-at-risk for various risk types.

The risk of default, in particular, is still significantly heightened due to the coronavirus pandemic. According to the information currently available, however, there have not yet been any significant negative effects on business activities. The loss of receivables feared at the start of the pandemic has so far not materialised on a large-scale basis. Rent payment ratios since April 2020 have stood at over 90%, with tenants taking advantage of legal mechanisms and individual deferral agreements.

Measured by outstanding incoming payments on net basic rents (excluding ancillary costs), the overall situation shows a moderate decline. The payment ratio for the whole portfolio stood at 99.3% in the first quarter, decreased to 93.3% in the second quarter and recovered to 97% in July. TLG IMMOBILIEN has continued to record regular payments on outstanding receivables after the end of the second quarter. It has concluded deferral or instalment payment agreements with individual tenants.

Property measurement risk has also increased due to potential market corrections, as has the investment risk in view of the investment in Aroundtown recognised at equity. Other negative consequences of the pandemic, such as long-term personnel shortages and delays in development projects and letting measures, have also increased risk.

The solvency of TLG IMMOBILIEN remains secure thanks to its strong liquidity reserves and already notarised disposals. Based on their assumed losses, the identified risks do not pose any threat to the continuation of the company's business.

3.2 OPPORTUNITY REPORT

No significant changes to TLG IMMOBILIEN's opportunities were determined in the first half of 2020. We therefore refer to the information in the opportunity report in the consolidated financial statements as at 31 December 2019.

3.3 FORECAST REPORT

The anticipated development of TLG IMMOBILIEN in the 2020 financial year was presented in detail in the Annual Report 2019. The FFO generated in the first half of the year of EUR 78.3 m accounted for approximately 50% of the FFO forecast for the 2020 financial year of EUR 153-157 m. In spite of the completed property disposals, current expectations for FFO development in the 2020 financial year continue to correspond with the assessment given in the Annual Report 2019, provided that future market development is not affected by a renewed worsening of the coronavirus pandemic.

Taking the current overall situation into account, TLG IMMOBILIEN assumes that it will be able to compensate both the effects from properties sold and those from the coronavirus pandemic through previously initiated savings in real estate and administrative expenses. However, renewed pandemic-related restriction measures affecting public life, such as another lockdown, could have a negative impact on the forecast development of TLG IMMOBILIEN's business. In addition, TLG IMMOBILIEN's FFO are subject to Aroundtown's ability to distribute a dividend.

FINANCIAL CALENDAR

SECOND HALF OF 2020

Annual general meeting

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