TLG IMMOBILIEN

QUARTERLY FINANCIAL REPORT

AS AT 30 SEPTEMBER 2017

KEY GROUP FIGURES

ACCORDING TO IFRS

	Unit	01/01/2017–30/09/2017	01/01/2016–30/09/2016	Change in %
Earnings indicators				
Rental income	in EUR k	117,301	103,380	13.5
Net operating income from letting activities (NOI)	in EUR k	105,764	92,612	14.2
Disposal profits	in EUR k	349	617	–43.4
Net income for the period	in EUR k	128,497	53,022	142.3
Funds from operations (FFO)	in EUR k	70,076	58,612	19.6
FFO per share[1]	in EUR	0.95	0.87	9.2

	Unit	30/09/2017	31/12/2016	Change in %
Balance sheet metrics				
Investment property	in EUR k	2,385,420	2,215,228	7.7
Cash and cash equivalents	in EUR k	50,269	68,415	–26.5
Total assets	in EUR k	2,508,380	2,344,763	7.0
Equity	in EUR k	1,200,507	1,009,503	18.9
Equity ratio	in %	47.9	43.1	4.8 pp
Liabilities due to financial institutions	in EUR k	970,303	1,040,412	–6.7
Net debt	in EUR k	920,034	971,997	–5.3
Net LTV[2]	in %	37.9	43.4	–5.5 pp
EPRA NAV	in EUR k	1,483,200	1,248,259	18.8
EPRA NAV per share[1]	in EUR	20.00	18.51	8.0

	Unit	30/09/2017	31/12/2016	Change in %
Key portfolio performance indicators				
Property value[3]	in EUR k	2,423,481	2,241,615	8.1
Properties	number	364	404	–40 units
Annualised in-place rent[4]	in EUR k	160,745	155,276	3.5
In-place rental yield	in %	6.6	6.9	–0.3 pp
EPRA Vacancy Rate	in %	3.7	3.8	–0.1 pp
WALT	in years	6.0	6.1	–0.1 years
Average rent	in EUR/sqm	10.01	9.67	3.5

[1] Total number of shares as at 31 December 2016: 67.4 m; as at 30 September 2017: 74.2 m.
The weighted average number of shares in the first nine months of 2016 was 67.4 m and 73.4 m in the first nine months of 2017.
[2] Calculation: Net debt divided by real estate assets; for the composition see page 17
[3] In line with values disclosed according to IAS 40, IAS 2, IAS 16 and IFRS 5
[4] The annualised in-place rent is calculated using the annualised rents agreed as at the reporting date – not factoring in rent-free periods.

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Title illustration: Brühl arcade with Marriott hotel, Richard-Wagner-Strasse 9, Leipzig, Germany

TLG IMMOBILIEN SHARES

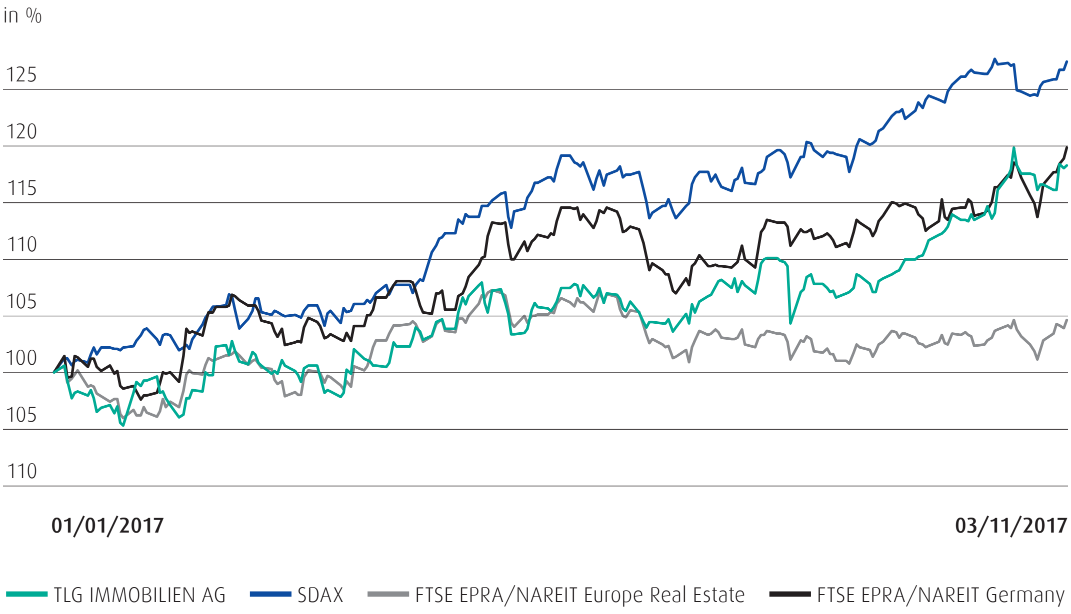
The stock market showed signs of positive development in the first few months. Essentially, this was because of the strong improvement in leading indicators throughout the world in the first quarter and the reduction of political risks. Strong economic indicators in the Eurozone and a strong Q1 reporting season were identified as the main positive trends in the second quarter, although the positive developments stood in contrast to the shifting of central banks towards less expansive monetary policies. In the third quarter, robust economic data in the Eurozone, an all-time high ifo index and a strong Q2 reporting season caused markets to continue growing.

The German stock index DAX therefore grew in the first nine months of the year and closed at 12,828.86 points on 29 September 2017. As a result, the DAX increased by a total of 12.3% in nine months compared to its opening price on 2 January 2017.

The SDAX fared much better in the first nine months, increasing by 25.1% between early January 2017 and the end of September 2017.

German real estate share prices also experienced positive growth. The FTSE EPRA/NAREIT Germany Index grew by 12.6% in the first nine months. The FTSE EPRA/NAREIT Europe Index grew by just 2.8% in the same period.

Performance of the shares by index



The shares of TLG IMMOBILIEN made an inconsistent start to 2017 and reached EUR 19.51 on 29 September 2017, their highest value on Xetra in the third quarter of 2017. The shares closed the reporting period at EUR 19.51, which represents an increase of 9.0% compared to the opening price at the start of the year.

Share data

ISIN/WKN	DE000A12B8Z4/A12B8Z
Ticker symbol	TLG
Share capital in EUR	74,175,558.00
Number of shares (no-par-value bearer shares)	74,175,558
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 29/09/2017 (Xetra) in EUR	19.51
Reporting period low on 20/01/2017 (Xetra) in EUR	17.03
Closing price on 29/09/2017 (Xetra) in EUR	19.51
Market capitalisation in EUR m	1,447.2

CAPITAL INCREASE

With a view to continuing its successful growth strategy and with the approval of the Supervisory Board, on 30 January 2017 the Management Board approved a capital increase in return for cash contributions and excluding subscription rights. The approx. 6.7 m new shares (approx. 10% of the share capital) were made available to institutional investors at a placement price of EUR 17.20 per share by means of accelerated book building. The private offering started on 30 January 2017 after the market closed and ended on 31 January 2017. The gross proceeds were around EUR 116.0 m.

TLG IMMOBILIEN intends to use the net proceeds from the private placement to finance its most recent and future acquisitions of German office and retail properties in line with its stated acquisition criteria, as well as for general business purposes.

The new shares are fully entitled to a share of profits in 2016 and were added to the current listing in the section of the regulated market with additional post-admission transparency requirements (Prime Standard) at the Frankfurt Stock Exchange on 7 February 2017. The transaction was closed on 7 February 2017.

TAKEOVER OFFER FOR WCM BETEILIGUNGS- UND GRUNDBESITZ-AKTIENGESELLSCHAFT

On 10 May 2017, the Management Board and Supervisory Board of TLG IMMOBILIEN AG resolved to offer to the shareholders of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft to acquire their no-par value bearer shares by way of a voluntary public takeover offer.

On 27 June, the offer document to the shareholders of WCM AG in which four new, no-par value bearer shares in TLG IMMOBILIEN AG with a notional value of EUR 1.00 were offered in exchange for every 23 shares in WCM AG was published.

By the end of the deadline for accepting the takeover offer on 5 September 2017, 77.75% of the shareholders in WCM AG had accepted it.

The further deadline for accepting the takeover offer pursuant to Section 16 para. 2 sentence 1 of the German Securities Acquisition and Takeover Act (WpÜG) expired on 26 September. Overall, the takeover offer was accepted for a total of 117,505,327 shares in WCM. This corresponds to 85.89% of the share capital and voting rights of WCM AG.

The 20,435,708 new shares in TLG IMMOBILIEN AG are entitled to dividends from 1 January 2017, were created through a capital increase from the Authorised Capital 2014/II pursuant to Section 6.1 of the Articles of Association of TLG IMMOBILIEN AG and were entered into the commercial register on 6 October 2017.

In light of the high rate of acceptance of the takeover offer, on 29 September 2017 the Management Board of TLG IMMOBILIEN AG announced its intention to prepare and effect the conclusion of a control agreement in the sense of Section 291 of the German Stock Corporation Act (AktG) between TLG IMMOBILIEN AG as the controlling entity and WCM AG as the controlled entity. The control agreement will serve to integrate WCM into TLG IMMOBILIEN in the most profitable way possible.

With the consent of the Supervisory Boards of TLG IMMOBILIEN AG and WCM AG, the Management Boards of TLG IMMOBILIEN AG and WCM AG reached an agreement on the terms of the control agreement on 4 October. Additionally, the Management Board and Supervisory Board of TLG IMMOBILIEN AG decided to convene an extraordinary general meeting of TLG IMMOBILIEN AG in order to vote to approve the conclusion of this control agreement, amongst other items on the agenda. The extraordinary general meeting will take place at 10 a.m. on Wednesday 22 November 2017 in Cafe Moskau, Karl-Marx-Allee 34, 10178 Berlin, Germany.

The takeover of WCM will enable TLG IMMOBILIEN to greatly expand its presence in the economic growth centres in western Germany. This fits in with the growth strategy of the company that has gained momentum since the IPO in 2014.

Shareholder structure as at 30 September 2017 *

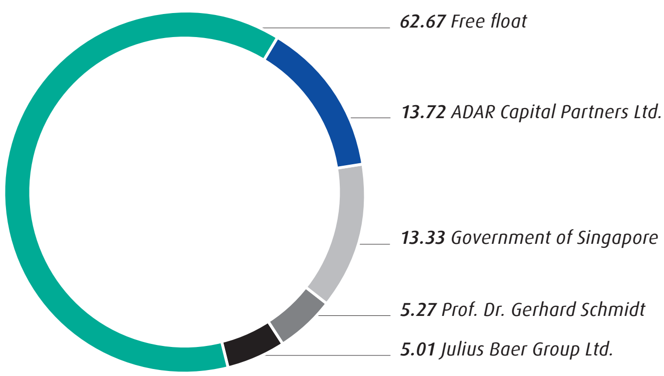
Free float: *As defined by Deutsche Börse.*

ADAR Capital Partners Ltd.: *Indirect shareholding of ADAR Capital Partners Ltd. as reported for 15 May 2017. The shares are held by ADAR Macro Fund Ltd. On that date, the total number of voting rights was 74,175,558.*

Government of Singapore: *Indirect shareholding as reported for 24 July 2015. 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 61,302,326.*

Shareholding attributed to Prof. Dr. Gerhard Schmidt: *As reported for 8 September 2017. The shares are held by DIC Real Estate Investments GmbH & Co. Kommanditgesellschaft auf Aktien. On that date, the total number of voting rights was 74,175,558.*

Shareholding attributed to Julius Baer Group Ltd.: *As reported for 30 August 2017. The shares are held by KAIROS INTERNATIONAL SICAV. On that date, the total number of voting rights was 74,175,558.*



* Data based on the latest voting rights notifications.

The diagram shows the voting rights last disclosed by shareholders according to Sec. 21 and Sec. 22 of the German Securities Trading Act (WpHG), based on the share capital of TLG IMMOBILIEN AG at the time. Please note that the last disclosed number of voting rights might since have changed within the thresholds without the shareholders being obliged to inform the company.

Coverage by analysts

Bank	Target price in EUR	Rating	Analyst	Date
Bankhaus Lampe	23.00	Buy	Georg Kanders	03/11/2017
Baader Bank	19.50	Hold	Andre Remke	22/09/2017
Nord/LB	18.50	Hold	Michael Seufert	23/08/2017
Kepler Cheuvreux	23.00	Buy	Thomas Neuhold	14/08/2017
Kempen & Co	18.50	Neutral	Robert Woerdeman	11/08/2017
J.P. Morgan	22.50	Overweight	Tim Leckie	11/08/2017
Jefferies	19.00	Hold	Thomas Rothäusler	11/08/2017
Berenberg	22.00	Buy	Kai Klose	11/08/2017
Deutsche Bank	20.00	Hold	Markus Scheufler	11/08/2017
HSBC	22.00	Buy	Thomas Martin	16/06/2017
M.M.Warburg	21.30	Buy	J. Moritz Rieser	16/05/2017
UBS	18.50	Neutral	Osmaan Malik	11/05/2017
VictoriaPartners	19.50–21.30*	n/a	Bernd Janssen	02/05/2017

Source: Bloomberg (as at 6 November 2017) and broker research

* Fair value range as at 2 May, currently restricted

M.M.Warburg, Jefferies International Limited and Baader Bank started to cover the shares of TLG IMMOBILIEN AG in the first, second and third quarters of 2017 respectively.

INVESTOR RELATIONS ACTIVITIES

TLG IMMOBILIEN AG attended the following national and international conferences in the first nine months of 2017:

- ODDO & Cie – ODDO FORUM, Lyon
- J.P. Morgan – European Real Estate CEO Conference, London
- UniCredit Kepler Cheuvreux – German Corporate Conference, Frankfurt/Main
- Bankhaus Lampe – German Equity Forum, London
- ODDO SEYDLER – Small and Mid Cap Conference 2017, Frankfurt/Main
- Kempen & Co – European Property Seminar, New York
- Commerzbank – German Real Estate Forum, London
- Kepler Cheuvreux – German Property Day, Paris
- Kempen & Co – European Property Seminar, Amsterdam
- Deutsche Bank – dbAccess, Berlin
- Berenberg and Goldman Sachs Sixth German Corporate Conference, Munich
- Baader Investment Conference, Munich
- Société Générale – Pan-European Real Estate Conference, London

Road shows were also held in Frankfurt/Main, London, New York and Amsterdam.

The figures for 2016 were published on 9 March 2017, the first quarterly report on 11 May 2017 and the half-year financial report on 11 August 2017 and discussed with investors and analysts in a teleconference. Recordings of the teleconferences and the report documents are available in the Investor Relations section of our website, *www.tlg.eu*.

EPRA KEY FIGURES

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

Overview of key EPRA figures

in EUR k	30/09/2017	31/12/2016	Change	Change in %
EPRA NAV	1,483,200	1,248,259	234,941	18.8
EPRA NNNAV	1,174,243	992,496	181,747	18.3
EPRA Net Initial Yield (NIY) in %	5.5	5.7	−0.2 pp	
EPRA "topped-up" Net Initial Yield in %	5.5	5.7	−0.2 pp	
EPRA Vacancy Rate in %	3.7	3.8	−0.1 pp	

in EUR k	01/01/2017–30/09/2017	01/01/2016–30/09/2016	Change	Change in %
EPRA Earnings	56,023	60,311	−4,288	−7.1
EPRA Cost Ratio (including direct vacancy costs) in %	29.2	23.0	6.2 pp	
EPRA Cost Ratio (excluding direct vacancy costs) in %	28.3	21.8	6.5 pp	

The increase in the EPRA NAV was essentially the result of the increase in equity which in turn was due primarily to the capital increase in return for cash contributions carried out on 31 January 2017 which generated gross proceeds of EUR k 115,984, as well as the net income for the period.

The reduction of the EPRA Vacancy Rate for the portfolio as a whole from 3.8% as at 31 December 2016 to 3.7% as at 30 September 2017 is due primarily to the reduction of vacancy rates in the office and retail asset classes.

The EPRA Cost Ratios are increasing significantly as expenditure on consulting services is extraordinarily high due to the planned takeover of WCM AG and other special projects.

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

EPRA Earnings

in EUR k	01/01/2017–30/09/2017	01/01/2016–30/09/2016	Change	Change in %
Net income for the period	128,497	53,022	75,475	142.3
Result from the remeasurement of investment property	–128,089	–8,803	–119,286	n/a
Result from the disposal of investment property	–180	–332	152	–45.8
Result from the disposal of real estate inventories	–169	–7	–162	n/a
Tax on profits or losses on disposals[1]	–473	0	–473	n/a
Result from the remeasurement of derivative financial instruments	–4,873	1,654	–6,527	n/a
Acquisition costs of share deals	6,991	957	6,034	n/a
Deferred and actual taxes in respect of EPRA adjustments	54,319	13,916	40,403	290.3
Non-controlling interests	0	–96	96	–100.0
EPRA Earnings	**56,023**	**60,311**	**–4,288**	**–7.1**
Average number of shares issued in thousands[2]	73,435	67,432		
EPRA Earnings per share in EUR	0.76	0.89		

[1] Ever since 31 December 2016, the EPRA Earnings have no longer been adjusted for prior-period tax effects; the disclosures as at 30 September 2016 have been adjusted accordingly.
[2] Total number of shares as at 31 December 2016: 67.4 m; as at 30 September 2017: 74.2 m.
The weighted average number of shares in the first nine months of 2016 was 67.4 m and 73.4 m in the first nine months of 2017.

EPRA Net Asset Value (EPRA NAV)

in EUR k	30/09/2017	31/12/2016	Change	Change in %
Equity	1,200,507	1,009,503	191,004	18.9
Fair value adjustment of fixed assets (IAS 16)	7,142	5,327	1,815	34.1
Fair value adjustment of real estate inventories (IAS 2)	1,422	1,443	–21	–1.5
Fair value of derivative financial instruments	2,373	18,089	–15,716	–86.9
Deferred tax assets	0	–2,652	2,652	–100.0
Deferred tax liabilities	272,920	217,713	55,207	25.4
Goodwill	–1,164	–1,164	0	0.0
EPRA Net Asset Value (EPRA NAV)	**1,483,200**	**1,248,259**	**234,941**	**18.8**
Number of shares in thousands	74,176	67,432		
EPRA NAV per share in EUR	20.00	18.51		

EPRA Triple Net Asset Value (NNNAV)

in EUR k	30/09/2017	31/12/2016	Change	Change in %
EPRA Net Asset Value (EPRA NAV)	**1,483,200**	**1,248,259**	**234,941**	**18.8**
Fair value of derivative financial instruments	−2,373	−18,089	15,716	−86.9
Fair value adjustment of liabilities due to financial institutions	−33,664	−22,613	−11,051	48.9
Deferred tax assets	0	2,652	−2,652	−100.0
Deferred tax liabilities	−272,920	−217,713	−55,207	25.4
EPRA Triple Net Asset Value (EPRA NNNAV)	**1,174,243**	**992,496**	**181,747**	**18.3**
Number of shares in thousands	74,176	67,432		
EPRA NNNAV per share in EUR	15.83	14.72		

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

in EUR k	30/09/2017	31/12/2016	Change	Change in %
Investment property	2,385,420	2,215,228	170,192	7.7
Inventories	1,053	1,103	−50	−4.5
Properties classified as held for sale	30,613	19,174	11,439	59.7
Property portfolio (net)	**2,417,086**	**2,235,505**	**181,581**	**8.1**
Estimated transaction costs	174,533	160,047	14,486	9.1
Property portfolio (gross)	**2,591,619**	**2,395,552**	**196,067**	**8.2**
Annualised cash passing rental income	159,457	154,511	4,946	3.2
Property outgoings	−18,180	−17,994	−186	1.0
Annualised net rents	**141,277**	**136,517**	**4,760**	**3.5**
Notional rent for ongoing rent-free periods	1,286	764	522	68.3
Annualised “topped-up” net rent	**142,563**	**137,281**	**5,282**	**3.8**
EPRA Net Initial Yield (EPRA NIY) in %	**5.5**	**5.7**	**−0.2 pp**	
EPRA “topped-up” Net Initial Yield in %	**5.5**	**5.7**	**−0.2 pp**	

EPRA Vacancy Rate

in EUR k	30/09/2017	31/12/2016	Change	Change in %
Market rent for vacant properties	6,188	6,052	136	2.2
Total market rent	167,839	159,728	8,111	5.1
EPRA Vacancy Rate in %	**3.7**	**3.8**	**−0.1 pp**	

EPRA Cost Ratio

in EUR k	01/01/2017–30/09/2017	01/01/2016–30/09/2016	Change	Change in %
Costs pursuant to the consolidated statement of comprehensive income under IFRS				
Expenses relating to letting activities	36,551	29,455	7,096	24.1
Personnel expenses	8,294	8,313	−19	−0.2
Depreciation and amortisation	357	426	−69	−16.2
Other operating expenses	13,564	4,200	9,364	223.0
Income from recharged operating costs	−23,312	−17,102	−6,210	36.3
Income from other goods and services	−1,173	−1,534	361	−23.5
Other operating income from reimbursements	−21	−23	2	−8.7
Ground rent	−6	−6	0	0.0
EPRA costs (including direct vacancy costs)	**34,254**	**23,729**	**10,525**	**44.4**
Direct vacancy costs	−1,114	−1,200	86	−7.2
EPRA costs (excluding direct vacancy costs)	**33,140**	**22,529**	**10,611**	**47.1**
Rental income	117,301	103,380	13,921	13.5
EPRA Cost Ratio (including direct vacancy costs) in %	**29.2**	**23.0**	**6.2 pp**	
EPRA Cost Ratio (excluding direct vacancy costs) in %	**28.3**	**21.8**	**6.5 pp**	

INTERIM GROUP MANAGEMENT REPORT

1. COMPANY FUNDAMENTALS

1.1 BUSINESS MODEL OF THE GROUP

1.1.1 Organisational structure

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

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

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

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

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

2. ECONOMIC REPORT

2.1 GENERAL ECONOMIC CONDITIONS AND REAL ESTATE MARKETS

2.1.1 General economic conditions

In the third quarter of 2017, the German Institute for Economic Research (DIW) expects Germany's GDP to grow strongly by 0.5% over the previous quarter. The DIW Economic Barometer declined somewhat in September, although it remains far above the 100-point threshold. Following the strong developments in the two previous quarters, the growth of the industry's value creation was less strong in the third quarter. The remarkable increase in the value of the euro will likely have resulted in less international demand, yet as the global economy is faring well and German exports can be expected to increase, especially in the Eurozone, the DIW expects German industry to continue on its upwards trend, albeit at a slightly slower rate. Despite higher inflation than in the previous year, consumption will remain the driver of the strong economic developments in Germany as the nominal incomes of private households are still on the rise.

2.1.2 Economic situation in the sectors

According to German Property Partners (GPP), the volume of transactions on the commercial real estate investment markets in the top seven German locations was around EUR 20.5 bn between January and September 2017. This represents an increase of 23% compared to the same period in the previous year. GPP forecasts a transaction volume of around EUR 30 bn for 2017 as a whole, and therefore a slight increase over the previous year. Even though, over the course of the year so far, some owners have seized the opportunity to realise increases in value through disposals of properties, demand remains far in excess of supply.

2.1.3 Development of the office property market

According to Savills, the volume of transactions in the German office property market totalled approx. EUR 16.7 bn in the first nine months of 2017, which represents an increase of around 25% compared to the same period in the previous year. Half of the volume of transactions was said to be attributable to mega-deals on a scale in excess of EUR 100 m. Whereas Berlin experienced remarkably strong growth in the volume of transactions to EUR 3.4 bn, the market in Hamburg shrunk by almost half. Overall, the volume of transactions in the top seven cities has increased by around 7%. The German market is driven by risk-averse investors who focus on long-term revenue. As the initial yields are low and might even be approaching their cyclical lows, Savills explains that investors are most interested in stable rental income and potential for rental growth.

2.1.4 Development of the retail property market

According to Savills, in the first three quarters of 2017 the volume of transactions in the retail property market increased slightly by 2% over the same period in the previous year, reaching EUR 8.9 bn. The changes in the retail landscape caused demand for special retail centres to increase, whereas properties on high streets experienced declining turnover. Overall, the development of the retail property segment was more subdued than the office, logistical and industrial segments. However, making up 22% of the total volume of commercial real estate transactions, retail properties remain the second most significant usage type. According to Savills, investors are paying more attention to the effects of e-commerce on stationary retail, which is why buyers were increasingly selective when choosing a product. In this context, food retail is considered a relatively resistant sub-segment, resulting in a 27% increase in turnover in investments in special retail centres compared to the same period in the previous year. This stands in contrast to a 67% decline in turnover in store and warehouse investments.

2.1.5 Development of the hotel property market

According to the German Federal Statistical Office, a total of 313.4 m overnight stays were registered between January and August 2017, which represents an increase of 3% over the previous year. According to CBRE, a total of around EUR 2.9 bn was invested in German hotel properties in the first nine months of 2017, of which EUR 1.1 bn was attributable to the third quarter. This means that the volume of the first three quarters in the previous year has been slightly surpassed. These positive developments are due primarily to portfolio transactions.

2.2 POSITION OF THE COMPANY

2.2.1 Course of business

The properties were as follows in the reporting period:

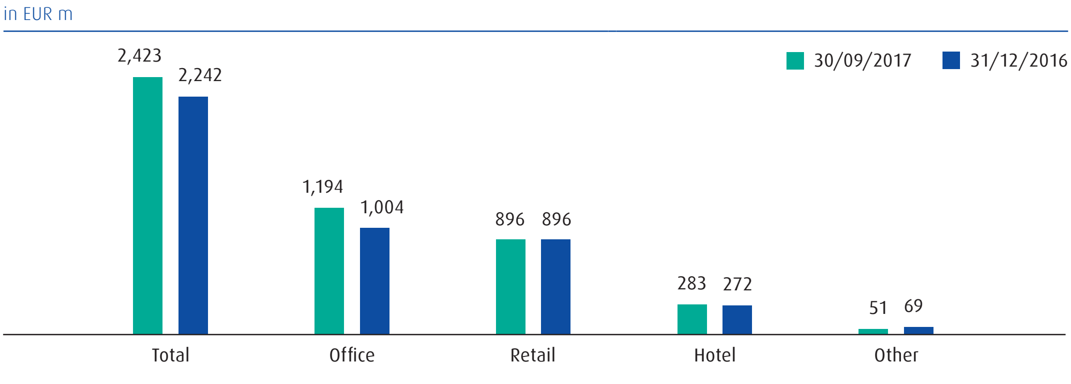
Key figures	Total	Office	Retail	Hotel	Others
Property value in EUR k[1]	2,423,481	1,193,942	895,648	283,093	50,798
Annualised in-place rent in EUR k[2]	160,745	72,632	66,970	16,378	4,765
In-place rental yield in %	6.6	6.1	7.5	5.7	9.3
EPRA Vacancy Rate in %	3.7	5.4	1.7	1.7	7.9
WALT in years	6.0	4.9	5.6	12.5	7.4
Properties (number)	364	61	246	7	50
Lettable area in sqm	1,412,594	642,072	561,417	109,488	99,617

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

The property portfolio of TLG IMMOBILIEN comprises the following asset classes: office, retail, hotel and other. As at 30 September 2017, the portfolio contained 364 properties (31/12/2016: 404) with a fair value (IFRS) of around EUR 2.423 bn (31/12/2016: approx. EUR 2.242 bn). The 8.1% increase in the value of the property portfolio is due primarily to the ongoing positive market developments (EUR 128.1 m), especially in Berlin, as well as the positive result from acquisitions and disposals (EUR 43.0 m). Whereas the acquisition of astropark in Frankfurt/Main (EUR 97.0 m) strengthened the office portfolio further, the disposals in the first nine months of 2017 (EUR 54.5 m) represent the ongoing adjustment of the portfolio with regard to the other asset class (44%) and portfolio restructuring in order to further optimise the property portfolio with regard to the retail asset class (56%).

The market developments are supported by the positive results of active asset management. On a like-for-like basis, the property portfolio experienced a EUR 4.3 m or 2.9% increase in annualised in-place rent in the first nine months of 2017 at the same time as a 0.9 percentage point reduction in the EPRA Vacancy Rate to just 2.9% and a steady weighted average lease term (WALT) of 6.1 years.

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



2.2.2 Financial performance

In the third quarter of 2017, TLG IMMOBILIEN generated net income for the period of EUR k 128,497. The EUR k 75,475 increase compared to the same period in the previous year is due primarily to the higher measurement gains from investment property.

The table below presents the cash flows:

in EUR k	01/01/2017–30/09/2017	01/01/2016–30/09/2016	Change	Change in %
Net operating income from letting activities	**105,764**	**92,612**	**13,152**	**14.2**
Result from the remeasurement of investment property	128,089	8,803	119,286	n/a
Result from the disposal of investment property	180	610	–430	–70.5
Result from the disposal of real estate inventories	169	7	162	n/a
Other operating income	1,021	770	251	32.6
Personnel expenses	–8,294	–8,313	19	–0.2
Depreciation and amortisation	–357	–426	69	–16.2
Other operating expenses	–13,564	–4,200	–9,364	223.0
Earnings before interest and taxes (EBIT)	**213,008**	**89,863**	**123,145**	**137.0**
Financial income	178	199	–21	–10.6
Financial expenses	–31,836	–18,887	–12,949	68.6
Result from the remeasurement of derivative financial instruments	4,873	–1,654	6,527	n/a
Earnings before taxes	**186,223**	**69,521**	**116,702**	**167.9**
Income taxes	–57,725	–16,500	–41,225	249.8
Net income for the period	**128,497**	**53,022**	**75,475**	**142.3**
Other comprehensive income (OCI)	7,992	–2,916	10,908	n/a
Total comprehensive income	**136,489**	**50,106**	**86,383**	**172.4**

Compared to the same period in the previous year, the net operating income from letting activities of EUR k 105,764 increased by EUR k 13,152, mainly as newly acquired properties were placed under management and new rental agreements were signed.

The result from the remeasurement of investment property was positive as at the reporting date, due primarily to the consistently favourable market conditions, especially in Berlin. Besides the favourable market conditions, the low EPRA Vacancy Rate of 3.7% and the weighted average lease term (WALT) of 6.0 years had a positive influence on property values.

Other operating income was EUR k 1,021 and was therefore higher than in the same period in the previous year, due in part to income of EUR k 163 from the liquidation of subsidiaries.

On 10 May 2017, the Management Board of TLG IMMOBILIEN AG submitted a public takeover offer to the shareholders of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft (WCM AG). In the reporting period, expenses of EUR k 7,835, essentially legal and consulting expenses, were incurred in connection with the takeover and the associated integration measures. Additionally, expenses in 2016 were lowered by effects resulting from EUR k 709 in reversed provisions. As a result, the other operating expenses increased by EUR k 9,364 over the previous period, reaching EUR k 13,564.

In the reporting period, financial expenses increased by EUR k 12,949 to EUR k 31,836 compared to the same period in the previous year. The main cause of this was expenses of around EUR k 12,400 for the premature repayment of loans and interest rate hedges with a residual debt of EUR k 264,362 in connection with debt structure optimisation measures. Additionally, interest expenses of EUR k 551 were incurred by the premature repayment of loans in the context of property disposals.

The tax expenses in the first nine months of the 2017 financial year comprise ongoing income taxes of EUR k 3,406 and deferred taxes of EUR k 54,319.

2.2.3 Cash flows

The following cash flow statement was generated using the indirect method under IAS 7. As at the end of the third quarter of 2017, the cash flows resulted in an increase in cash and cash equivalents, due primarily to the higher cash flow from investing activities of EUR k 174,212 compared to the previous period.

in EUR k	01/01/2017–30/09/2017	01/01/2016–30/09/2016	Change	Change in %
1. Net cash flow from operating activities	46,482	56,436	−9,954	−17.6
2. Cash flow from investing activities	−47,392	−227,603	180,211	−79.2
3. Cash flow from financing activities	−17,236	30,490	−47,726	n/a
Change in cash and cash equivalents	**−18,146**	**−140,677**	**122,531**	**−87.1**
Cash and cash equivalents at beginning of period	68,415	183,736	−115,321	−62.8
Cash and cash equivalents at end of period	**50,269**	**43,059**	**7,210**	**16.7**

In the reporting period, the cash flow from operating activities decreased by EUR k 9,954 compared to the same period in the previous year. Besides other effects, this was due primarily to the costs of refinancing loans of around EUR k 12,400.

The negative cash flow from investing activities of EUR k 47,392 improved by EUR k 180,210 compared to the previous year's period, due mainly to the higher payments received from disposals of EUR k 40,685 and lower payments made towards property investments of EUR k 141,172. In the third quarter of 2017, the office property astropark in Frankfurt/Main was acquired with a value of EUR k 96,951.

The negative cash flow from financing activities is due to loan repayments of EUR k 264,362 as part of the refinancing of loans which currently stand in contrast to loans of EUR k 220,098. By refinancing its loans, TLG IMMOBILIEN will be able to secure lower interest rates in the long term.

Additionally, a capital increase in return for cash contributions was carried out on 31 January 2017, generating gross proceeds of EUR k 115,984. The dividend distribution of EUR k 59,340 to the shareholders had the opposite effect.

The cash and cash equivalents consist entirely of liquid funds.

2.2.4 Net assets

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

in EUR k	30/09/2017	31/12/2016	Change	Change in %
Advance payments on investment property	2,386,386	2,215,321	171,065	7.7
Deferred tax assets	0	2,652	−2,652	−100.0
Other non-current assets	18,433	18,067	366	2.0
Financial assets	5,845	4,800	1,045	21.8
Cash and cash equivalents	50,269	68,415	−18,146	−26.5
Other current assets	47,447	35,508	11,939	33.6
Total assets	**2,508,380**	**2,344,763**	**163,617**	**7.0**
Equity	1,200,507	1,009,503	191,004	18.9
Non-current liabilities	930,945	1,009,406	−78,461	−7.8
Deferred tax liabilities	272,920	217,713	55,207	25.4
Current liabilities	104,008	108,141	−4,133	−3.8
Total equity and liabilities	**2,508,380**	**2,344,763**	**163,617**	**7.0**

The assets side is dominated by investment property including advance payments. Compared to 31 December 2016, the proportion of investment property in the total assets increased from 94% to 95%, due in particular to adjustments of the fair value of the real estate assets totalling EUR k 128,089 (see the disclosures in the notes).

The equity of the Group was EUR k 1,200,507 and increased by EUR k 191,004, due primarily to the capital increase in return for cash contributions carried out on 31 January 2017 which generated gross proceeds of EUR k 115,984, as well as the total comprehensive income generated for the period. The distribution of a dividend of EUR k 59,340 to the shareholders had the opposite effect.

Compared to 31 December 2016, the equity ratio increased by 4.8 percentage points to 47.9%.

2.2.5 Financial performance indicators

FFO development

in EUR k	01/01/2017–30/09/2017	01/01/2016–30/09/2016	Change	Change in %
Net income for the period	**128,497**	**53,022**	**75,475**	**142.3**
Income taxes	57,725	16,500	41,225	249.8
EBT	**186,223**	**69,521**	**116,702**	**167.9**
Result from the disposal of investment property	−180	−332	152	−45.8
Result from the disposal of real estate inventories	−169	−7	−162	n/a
Result from the remeasurement of investment property	−128,089	−8,803	−119,286	n/a
Result from the remeasurement of derivative financial instruments	−4,873	1,654	−6,527	n/a
Other effects[1]	21,043	747	20,296	n/a
FFO before taxes	**73,955**	**62,780**	**11,175**	**17.8**
Income taxes	−57,725	−16,500	−41,225	249.8
Deferred taxes	54,319	13,916	40,403	290.3
Correction of tax effects from transaction costs and prior-period effects	−473	−1,584	1,111	−70.1
FFO after taxes	**70,076**	**58,612**	**11,464**	**19.6**
Weighted average number of shares issued in thousands[2]	73,435	67,432		
FFO per share in EUR	**0.95**	**0.87**	**0.08**	**9.2**

[1] The other effects include
(a) the depreciation of IAS 16 property (owner-occupied property) (EUR k 80; previous year EUR k 113).
(b) personnel restructuring expenses (EUR k 245; previous year EUR k 364).
(c) transaction costs (EUR k 7,835; previous year EUR k 957).
(d) refinancing costs/repayment of loans (EUR k 12,964; previous year EUR k 0).
(e) income from the liquidation of Wirkbau (EUR k 82; previous year EUR k 0).
(f) the reversal of provisions for reclaimed subsidies (EUR k 0; previous year EUR k 404).
(g) the reversal of the provision for liabilities arising from purchase agreements (EUR k 0; previous year EUR k 283).

[2] Total number of shares as at 31 December 2016: 67.4 m; as at 30 September 2017: 74.2 m.
The weighted average number of shares in the first nine months of 2016 was 67.4 m and 73.4 m in the first nine months of 2017.

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 70,076 in the reporting period. The considerable increase in FFO by 19.6% or EUR k 11,464 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 0.95 and therefore significantly higher than in the same period in the previous year despite the increased number of shares resulting from the capital increase in January 2017.

Net Loan to Value (Net LTV)

in EUR k	30/09/2017	31/12/2016	Change	Change in %
Investment property (IAS 40)	2,385,420	2,215,228	170,192	7.7
Advance payments on investment property (IAS 40)	966	93	873	n/a
Owner-occupied property (IAS 16)	6,395	6,109	286	4.7
Non-current assets classified as held for sale (IFRS 5)	30,613	19,174	11,439	59.7
Inventories (IAS 2)	1,053	1,103	−50	−4.5
Real estate assets	**2,424,447**	**2,241,708**	**182,739**	**8.2**
Liabilities due to financial institutions	970,303	1,040,412	−70,109	−6.7
Cash and cash equivalents	50,269	68,415	−18,146	−26.5
Net debt	**920,034**	**971,997**	**−51,963**	**−5.3**
Net Loan to Value (Net LTV) in %	**37.9**	**43.4**	**−5.5 pp**	

As a ratio between net debt and real estate assets, the Net LTV is a key performance indicator for the company. It was 37.9% in the Group as at the reporting date. It therefore decreased by 5.5 percentage points compared to 31 December 2016, due primarily to the appreciation of the real estate assets by EUR k 128,089.

EPRA Net Asset Value (EPRA NAV)

in EUR k	30/09/2017	31/12/2016	Change	Change in %
Equity	1,200,507	1,009,503	191,004	18.9
Fair value adjustment of fixed assets (IAS 16)	7,142	5,327	1,815	34.1
Fair value adjustment of real estate inventories (IAS 2)	1,422	1,443	−21	−1.5
Fair value of derivative financial instruments	2,373	18,089	−15,716	−86.9
Deferred tax assets	0	−2,652	2,652	−100.0
Deferred tax liabilities	272,920	217,713	55,207	25.4
Goodwill	−1,164	−1,164	0	0.0
EPRA Net Asset Value (EPRA NAV)	**1,483,200**	**1,248,259**	**234,941**	**18.8**
Number of shares in thousands	74,176	67,432		
EPRA NAV per share in EUR	20.00	18.51		

The EPRA Net Asset Value (EPRA NAV) is another key performance indicator of TLG IMMOBILIEN and was EUR k 1,483,200 as at 30 September 2017. Compared to 31 December 2016, the EPRA NAV increased by EUR k 234,941, due primarily to the capital increase in return for cash contributions and the total comprehensive income generated for the period.

The EPRA NAV per share was EUR 20.00, compared to EUR 18.51 as at 31 December 2016.

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, the implementation of its long-term strategies or its net assets, financial position and cash flows. These risks are described in detail in the 2016 annual report.

On 27 June 2017, TLG IMMOBILIEN published the offer document for its voluntary public takeover offer to the shareholders of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft to acquire all of the shares in WCM AG.

Pursuant to Section 16 para. 2 sentence 1 of the German Securities Acquisition and Takeover Act (WpÜG), the further deadline for accepting the takeover offer expired on 26 September 2017 with an acceptance rate of around 85.9% of the share capital and voting rights of WCM AG.

In light of the high rate of acceptance of the takeover offer and as described in section 8.5.1 of the offer document, on 29 September 2017 the Management Board of TLG IMMOBILIEN AG announced its intention to prepare and effect the conclusion of a control agreement in the sense of Section 291 of the German Stock Corporation Act (AktG) between TLG IMMOBILIEN AG as the controlling entity and WCM AG as the controlled entity. The control agreement will serve to integrate WCM into TLG IMMOBILIEN in the most profitable way possible.

The takeover of WCM will give rise to both risks and opportunities.

The opportunities are described in section 3.2. Risks can arise if the takeover and integration process does not proceed according to plan or incurs higher transaction costs than originally expected. The expectations and plans regarding the long and short-term effects of the transaction on TLG IMMOBILIEN might prove inaccurate or incomplete.

In the reporting period, there were no further changes in the risk situation since 31 December 2016.

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

3.2 OPPORTUNITY REPORT

The takeover of WCM by TLG IMMOBILIEN will present opportunities in the accelerated expansion of the established business model of TLG IMMOBILIEN, the strengthening of its existing portfolio and the expansion of its regional coverage in western Germany. Essentially, opportunities might continue to arise from the expected synergies as well as the size-related increases in the efficiency of a combined company. The proven purchasing power of both companies and the excellent access of TLG IMMOBILIEN to growth capital can enable the combined entity to continuously increase the size of its portfolio throughout Germany.

Otherwise, please see the disclosures in the opportunity report in the consolidated financial statements of 31 December 2016.

3.3 FORECAST REPORT

The expected development of TLG IMMOBILIEN in 2017 was described in detail in the group management report of 31 December 2016.

In its annual report for the 2016 financial year, TLG IMMOBILIEN expected its funds from operations (FFO) for the 2017 financial year to increase to between EUR 84 m and EUR 86 m (2016: EUR 76.9 m). Due to the positive course of business, the acquisitions of properties and expected savings, TLG IMMOBILIEN expects its funds from operations for the 2017 financial year to be between EUR 90 m and EUR 92 m.

The takeover of WCM AG was completed in early October. According to the budget of WCM AG, FFO of EUR 6 m can be expected for the fourth quarter of 2017. On the basis of the approximately 86% interest in WCM AG obtained through the completion of the takeover, TLG IMMOBILIEN will generate additional FFO of around EUR 5 m.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 September 2017

in EUR k	01/07/2017–30/09/2017	01/07/2016–30/09/2016	01/01/2017–30/09/2017	01/01/2016–30/09/2016
Net operating income from letting activities	**34,617**	**31,372**	**105,764**	**92,612**
Income from letting activities	48,461	43,351	142,315	122,067
a) Rental income	38,820	35,795	117,301	103,380
b) Income from recharged operating costs	9,063	6,699	23,312	17,102
c) Income from other goods and services	578	857	1,702	1,585
Expenses relating to letting activities	–13,844	–11,979	–36,551	–29,455
d) Expenses from operating costs	–10,419	–8,837	–28,470	–22,216
e) Maintenance expenses	–2,039	–1,591	–4,759	–3,977
f) Other services	–1,386	–1,551	–3,322	–3,262
Result from the remeasurement of investment property	**58,004**	**926**	**128,089**	**8,803**
Result from the disposal of investment property	**180**	**0**	**180**	**610**
Result from the disposal of real estate inventories	**0**	**0**	**169**	**7**
a) Proceeds from the disposal of real estate inventories	0	0	95	8
b) Carrying amount of real estate inventory disposed	0	0	74	–1
Other operating income	206	327	1,021	770
Personnel expenses	–2,583	–2,664	–8,294	–8,313
Depreciation and amortisation	–94	–140	–357	–426
Other operating expenses	–6,724	–1,129	–13,564	–4,200
Earnings before interest and taxes (EBIT)	**83,606**	**28,692**	**213,008**	**89,863**
Financial income	88	74	178	199
Financial expenses	–5,812	–6,918	–31,836	–18,887
Result from the remeasurement of derivative financial instruments	–1,242	–16	4,873	–1,654
Earnings before taxes	76,640	21,832	186,223	69,521
Income taxes	–24,674	–2,322	–57,725	–16,500
Net income for the period	**51,965**	**19,512**	**128,497**	**53,022**
Other comprehensive income (OCI):				
Thereof will be reclassified to profit or loss				
Gain/loss from remeasurement of derivative financial instruments in hedging relationship, net of taxes	221	406	7,992	–2,916
Total comprehensive income for the period	**52,186**	**19,918**	**136,489**	**50,106**
Of the net income for the period, the following is attributable to:				
Non-controlling interests	0	32	0	96
The shareholders of the parent company	51,965	19,480	128,497	52,926
Earnings per share (undiluted) in EUR	**1,54**	**0,29**	**1,75**	**0,78**
Earnings per share (diluted) in EUR	**1,54**	**0,29**	**1,75**	**0,78**
Of the total comprehensive income for the period, the following is attributable to:				
Non-controlling interests	0	32	0	96
The shareholders of the parent company	52,186	19,886	136,489	50,010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2017

Assets

in EUR k	30/09/2017	31/12/2016
A) Non-current assets	**2,410,664**	**2,240,840**
Investment property	2,385,420	2,215,228
Advance payments on investment property	966	93
Property, plant and equipment	6,659	6,672
Intangible assets	1,834	1,413
Other non-current financial assets	5,845	4,800
Other assets	9,940	9,982
Deferred tax assets	0	2,652
B) Current assets	**97,716**	**103,923**
Inventories	1,053	1,103
Trade receivables	6,165	5,997
Receivables from income taxes	6	1,239
Other current financial assets	1,904	864
Other receivables and assets	7,706	7,131
Cash and cash equivalents	50,269	68,415
Assets classified as held for sale	30,613	19,174
Total assets	**2,508,380**	**2,344,763**

Equity and liabilities

in EUR k	30/09/2017	31/12/2016
A) Equity	**1,200,507**	**1,009,503**
Subscribed capital	74,176	67,432
Capital reserves	547,388	440,267
Retained earnings	584,241	515,094
Other reserves	−5,298	−13,290
B) Liabilities	**1,307,873**	**1,335,260**
I.) Non-current liabilities	**1,203,865**	**1,227,119**
Non-current liabilities due to financial institutions	911,288	975,164
Pension provisions	8,213	8,347
Non-current derivative financial instruments	5,715	20,370
Other non-current liabilities	5,729	5,525
Deferred tax liabilities	272,920	217,713
II.) Current liabilities	**104,008**	**108,141**
Current liabilities due to financial institutions	59,015	65,248
Trade payables	24,695	21,178
Other current provisions	1,448	1,828
Tax liabilities	2,961	4,512
Other current liabilities	15,889	15,375
Total equity and liabilities	**2,508,380**	**2,344,763**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 30 September 2017

in EUR k	01/01/2017–30/09/2017	01/01/2016–30/09/2016
1. Cash flow from operating activities		
Net income for the period before taxes	186,223	69,521
Depreciation of property, plant and equipment and amortisation of intangible assets	357	426
Result from the remeasurement of investment property	–128,089	–8,803
Result from the remeasurement of derivative financial instruments	–4,873	1,654
Increase/decrease (–) in provisions	–632	–1,032
Other non-cash income/expenses	1,396	604
Gain (–)/loss from disposal of property, plant and equipment and intangible assets	–601	–611
Increase (–)/decrease in inventories	50	1
Financial income	–178	–199
Financial expenses	31,836	18,887
Increase (–)/decrease in trade receivables and other assets	–1,233	9,246
Increase/decrease (–) in trade payables and other liabilities	–2,602	–4,406
Cash flow from operating activities	**81,653**	**85,288**
Interest received	178	141
Interest paid	–32,352	–21,592
Income tax paid/received	–2,997	–7,401
Net cash flow from operating activities	**46,482**	**56,437**
2. Cash flow from investing activities		
Cash received from disposals of investment property	60,740	**20,055**
Cash received from disposals of property, plant and equipment	0	202
Cash paid for acquisitions of investment property	–106,481	–247,652
Cash paid for acquisitions of property, plant and equipment	–1,081	–150
Cash paid for investments in intangible assets	–561	–58
Change in scope of consolidation	–10	0
Cash flow from investing activities	**–47,392**	**–227,603**
3. Cash flow from financing activities		
Cash received from equity contributions	113,292	0
Dividend payment	–59,340	–48,551
Cash paid to non-controlling interests	0	–119
Cash received from bank loans	220,098	94,500
Repayments of bank loans	–291,286	–15,340
Cash flow from financing activities	**–17,236**	**30,490**
4. Cash and cash equivalents at end of period		
Change in cash and cash equivalents (subtotal of 1–3)	–18,146	–140,677
Cash and cash equivalents at beginning of period	68,415	183,736
Cash and cash equivalents at end of period	**50,269**	**43,059**
5. Composition of cash and cash equivalents		
Cash	50,269	43,059
Cash and cash equivalents at end of period	**50,269**	**43,059**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 30 September 2017

				Accumulated other reserves			
in EUR k	Subscribed capital	Capital reserves	Retained earnings	Reserve hedge accounting	Actuarial gains/ losses	Non-controlling interests	Equity
01/01/2016	**67,432**	**439,510**	**469,369**	**−9,347**	**−1,899**	**2,809**	**967,874**
Net income for the period	0	0	52,926	0	0	96	53,022
Other comprehensive income (OCI)	0	0	0	−2,916	0	0	−2,916
Total comprehensive income for the period	**0**	**0**	**52,926**	**−2,916**	**0**	**96**	**50,105**
Adjustment for non-controlling interests	0	0	0	0	0	−120	−120
Dividend payment	0	0	−48,551	0	0	0	−48,551
Capital contribution in connection with share-based remuneration	0	604	0	0	0	0	604
Change during the period	**0**	**604**	**4,375**	**−2,916**	**0**	**−24**	**2,038**
30/09/2016	**67,432**	**440,114**	**473,743**	**−12,263**	**−1,899**	**2,785**	**969,912**
01/01/2017	**67,432**	**440,267**	**515,094**	**−11,128**	**−2,162**	**0**	**1,009,503**
Net income for the period	0	0	128,497	0	0	0	128,497
Other comprehensive income (OCI)	0	0	0	7,992	0	0	7,992
Total comprehensive income for the period	**0**	**0**	**128,497**	**7,992**	**0**	**0**	**136,489**
Change in scope of consolidation	0	0	−10	0	0	0	−10
Dividend payment	0	0	−59,340	0	0	0	−59,340
Share capital increase	6,744	109,240	0	0	0	0	115,984
Transaction costs associated with the share capital increase, after taxes	0	−2,692	0	0	0	0	−2,692
Capital contribution in connection with share-based remuneration	0	573	0	0	0	0	573
Change during the period	**6,744**	**107,121**	**69,147**	**7,992**	**0**	**0**	**191,004**
30/09/2017	**74,176**	**547,388**	**584,241**	**−3,136**	**−2,162**	**0**	**1,200,507**

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2017

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, 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim 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 (IFRS) adopted and published by the International Accounting Standards Board (IASB), as adopted by the European Union. The interim consolidated financial statements were prepared in accordance with the 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 interim consolidated financial statements have not been audited or subjected to a review.

The interim consolidated financial statements comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements. Besides the interim consolidated financial statements, the interim report contains the interim group management report and the responsibility statement.

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

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

Since 31 December 2016, one company has been deconsolidated from the scope of consolidation.

There have been no other changes to the scope of consolidation since 31 December 2016.

B. EXPLANATION OF ACCOUNTING AND MEASUREMENT METHODS

The accounting and measurement methods applied in these interim consolidated financial statements are identical to the methods presented in the IFRS consolidated financial statements as at 31 December 2016. These interim consolidated financial statements should therefore be read in conjunction with the consolidated financial statements of TLG IMMOBILIEN of 31 December 2016.

As at 31 December 2016, the investment property had been subjected to a detailed external evaluation by Savills Advisory Services Germany GmbH & Co. KG and recognised at fair value.

An external expert carries out a valuation no less than every six months while the most recently recognised fair values are at least valued internally on the other reporting dates. The last valuation by an external expert was carried out on 30 September 2017.

The TLG IMMOBILIEN Group has fully applied all new mandatory standards and interpretations as at 1 January 2017. There were no major effects on the consolidated financial statements as a result.

C. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

C.1 INVESTMENT PROPERTY

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

in EUR k	2017	2016
Carrying amount as at 01/01	**2,215,228**	**1,739,474**
Acquisitions	97,461	442,998
Capitalisation of construction activities and modernisation expenses	10,168	18,543
Reclassification as assets held for sale	−65,579	−28,857
Reclassification from property, plant and equipment	53	3,211
Fair value adjustments	128,089	39,860
Carrying amount as at 30/09/2017 and 31/12/2016	**2,385,420**	**2,215,228**

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 local amenity 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.

Besides the acquisition of the office property astropark in Frankfurt/Main (EUR k 96,951) and EUR k −65,579 in reclassifications as assets held for sale (previous year EUR −28,857), the changes in the fair value of the portfolio were due primarily to fair value adjustments (remeasurement) totalling EUR k 128,089 (previous year EUR k 39,860) in the first nine months of 2017.

Of the reclassifications as assets held for sale, 78% were strategic disposals of retail properties, especially three retail packages with 49 properties – mostly discounters – in total. The reclassifications also contain all disposals throughout the year that will first be reclassified and then disposed of from assets classified as held for sale.

Essentially, the value adjustment in the first nine months of 2017 is due to the consistently dynamic market developments, especially in Berlin (81%). The market developments are supported by the positive results of active asset management. On a like-for-like basis, the dormant portfolio of investment property experienced a EUR 4.4 m or 3.0% increase in annualised in-place rent in the first nine months of 2017 at the same time as a 0.9 percentage points reduction in the EPRA Vacancy Rate to just 2.9% and a steady weighted average lease term (WALT) of 6.1 years. The dormant portfolio contains the properties that were in the portfolio on both 1 January and 30 September 2017, i.e. not the acquisitions and reclassifications as assets held for sale carried out in the first nine months of 2017. Of the remeasurement, 93% is attributable to the dormant portfolio.

The capitalisation of construction activities totalling EUR k 10,168 (previous year EUR k 18,543) is almost entirely attributable to the office, retail and hotel asset classes. With regard to renovations for tenants, at around 57% the focus in 2016 was on the renovation of newly let office space in the office property at Alexanderstrasse 1, 3, 5 in Berlin.

The fair values of the investment property are presented below by measurement method and asset class as at 30 September 2017. Advance payments made towards these properties are not included here, but rather are recognised separately in the statement of financial position.

Investment property

	Discounted cash flow method					Liquidation method	
As at 30/09/2017	**Office**	**Retail**	**Hotel**	**Other**	**Total**	**Total**	**Total**
Investment property in EUR k	1,177,307	840,948	283,093	39,062	**2,340,411**	45,009	2,385,420
Average discount rate in %	4.96	5.37	4.60	7.65	**5.10**	3.79	5.08
Average capitalisation rate in %	5.88	7.19	5.73	8.68	**6.33**		6.33
EPRA Vacancy Rate in %	5.5	1.4	1.7	8.3	**3.6**	24.7	3.7
Average actual rent in EUR/sqm/month	10.12	10.36	12.75	4.43	**10.06**	7.27	10.04
Proportion of temporary rental agreements in %	96.4	97.2	97.6	88.4	**96.6**	94.0	96.6
WALT of temporary rental agreements in years	4.9	5.6	12.5	7.8	**6.1**	3.5	6.1

	Discounted cash flow method					Liquidation method	
As at 31/12/2016	**Office**	**Retail**	**Hotel**	**Other**	**Total**	**Total**	**Total**
Investment property in EUR k	997,771	882,399	272,029	41,126	**2,193,325**	21,904	2,215,228
Average discount rate in %	4.86	5.51	4.73	6.95	**5.14**	4.81	5.14
Average capitalisation rate in %	6.14	7.51	5.91	8.76	**6.67**		6.67
EPRA Vacancy Rate in %	5.3	2.0	2.4	8.2	**3.7**	57.3	3.8
Average actual rent in EUR/sqm/month	9.64	9.97	12.67	4.34	**9.67**	12.69	9.67
Proportion of temporary rental agreements in %	95.9	97.4	99.0	90.0	**96.7**	89.9	96.7
WALT of temporary rental agreements in years	5.0	5.4	13.1	8.2	**6.1**	3.2	6.1

C.2 EQUITY

As at the reporting date, the subscribed capital of the company was EUR k 74,176 (previous year EUR k 67,432). The share capital is fully paid-in. There are no other share types.

Following the capital increase in return for cash contributions passed by the Management Board on 30 January 2017, with the approval of the Supervisory Board and making partial use of the Authorised Capital 2016, the company's share capital of EUR k 67,432, divided into 67,432,326 ordinary bearer shares with a notional value of EUR 1.00, was increased by EUR k 6,743 to EUR k 74,176 by the issue of 6,743,232 no-par value bearer shares. The shares issued in January 2017 have a notional value of EUR 1.00 and entitlement to dividends from 1 January 2016. The gross proceeds were approximately EUR k 115,984.

The capital reserves amount to EUR k 547,388 (previous year EUR k 440,267). The changes (EUR k 107,121) are due essentially to a contribution of EUR k 106,548 to the capital reserves as part of the capital increase in return for cash contributions and a contribution of EUR k 573 to the capital reserves from share-based remuneration.

In the first nine months of the 2017 financial year, a dividend totalling EUR 59.3 m was paid to the shareholders, which corresponds to EUR 0.80 per no-par value bearer share entitled to dividends.

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

in EUR k	2017	2016
Opening balance as at 01/01	**−16,040**	**−13,472**
Recognition in equity in the reporting period	6,911	−7,368
Reversal from equity into the statement of profit or loss	4,621	4,800
Closing balance as at 30/09/2017 and 31/12/2016	**−4,508**	**−16,040**

The other 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 RESULT FROM THE REMEASUREMENT OF INVESTMENT PROPERTY

The result from the remeasurement of investment property was positive in the first nine months of 2017, due primarily to the dynamic development of the markets, especially in Berlin. Besides the positive market conditions, property values in the dormant portfolio were stabilised by the 3.0% higher annualised in-place rent, the 0.9 percentage points lower EPRA Vacancy Rate of 2.9% and a weighted average lease term (WALT) of 6.1 years that has remained almost constant since 31 December 2016.

D.2 NET INTEREST

The net interest is characterised by special items totalling around EUR k 12,400 resulting from the refinancing in the first half of the year.

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 fair values recognised in other comprehensive income and allocated to an equity reserve in previous 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	01/01/2017–30/09/2017	01/01/2016–30/09/2016
Current income tax	3,406	4,167
Prior-period income taxes	0	−1,584
Deferred taxes	54,319	13,916
Tax expenses/income	**57,725**	**16,499**

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/interest carryforwards, 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 issued.

	01/01/2017–30/09/2017	01/01/2016–30/09/2016
Net income for the period attributable to the shareholders of the parent company in EUR k	128,497	52,926
Weighted average number of shares issued in thousands	73,435	67,432
Undiluted earnings per share in EUR	**1.75**	**0.78**
Potential diluting effect of share-based remuneration in thousands	124	80
Number of shares with a potential diluting effect in thousands	73,559	67,512
Diluted earnings per share in EUR	**1.75**	**0.78**

The share-based payments to the Management Board and some employees have a diluting effect based on employee services already received. The number of shares on the reporting date would increase by around 124,000 shares (74,000 in the previous year).

E. OTHER INFORMATION

E.1 DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

With the exception of derivative financial instruments recognised at fair value, all assets and liabilities have been measured at amortised cost. With regard to the assets and liabilities measured at amortised cost, the carrying amounts of the financial assets and liabilities on the statement of financial position are good approximations of fair value, with the exception of 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 1,003,967 as at 30 September 2017 (31 December 2016: EUR k 1,063,025).

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 2016.

E.2 RELATED PARTIES

There were no significant transactions with related companies or parties in the first nine months of the 2017 financial year.

Effective as of 10 February 2017, Frank D. Masuhr has been appointed to the Supervisory Board of TLG IMMOBILIEN AG, initially until the end of the 2017 annual general meeting. Thereafter, Mr Masuhr was appointed as a member of the Supervisory Board for another four years by the 2017 general meeting of TLG IMMOBILIEN AG. Mr Masuhr succeeded Alexander Heße who stepped down from his position on the Board in 2016.

E.3 SUBSEQUENT EVENTS

On 27 June 2017, TLG IMMOBILIEN AG published the offer document for its voluntary public takeover offer to the shareholders of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft to acquire all of the shares in WCM AG. The takeover offer was accepted for a total of 117,505,327 shares in WCM. This corresponds to around 85.89% of the share capital and voting rights of WCM AG.

In light of the high rate of acceptance of the takeover offer, on 29 September 2017 the Management Board of TLG IMMOBILIEN AG announced its intention to prepare and effect the conclusion of a control agreement in the sense of Section 291 of the German Stock Corporation Act (AktG) between TLG IMMOBILIEN AG as the controlling entity and WCM AG as the controlled entity.

Additionally, the Management Board and Supervisory Board of TLG IMMOBILIEN AG decided to convene an extraordinary general meeting of TLG IMMOBILIEN AG in order to vote to approve the conclusion of this control agreement, amongst other items on the agenda. Under the control agreement, the remaining shareholders of WCM AG are to receive an annual compensation payment in the form of a guaranteed gross dividend of EUR 0.13 per WCM share for the term of the control agreement. Furthermore, the remaining shareholders of WCM AG are to be offered new no-par value bearer shares in TLG IMMOBILIEN AG with a notional value of EUR 1.00 each in exchange for their shares in WCM at a ratio of four new no-par value bearer shares in TLG IMMOBILIEN AG for 23 shares in WCM. The guaranteed dividend and the swap ratio for the offered exit compensation have been defined in accordance with the legal requirements and on the basis of a valuation of the values of TLG IMMOBILIEN AG and WCM AG. The swap ratio corresponds to the consideration as part of the takeover offer.

As at 6 October 2017, TLG IMMOBILIEN will treat the acquisition of WCM as a business combination in the sense of IFRS 3 as key business processes have been acquired. The consideration for the acquisition of the company amounts to EUR 397.1 m.

So far, the execution of the takeover has accrued legal, consulting and other costs totalling EUR 8.1 m. At the moment, a portion of these costs amounting to EUR 1.1 m is attributable to the capital increase for the creation of the new shares required by the swap offer. These costs have been excluded from the transferred consideration, apportioned directly to equity and will be deducted from the capital reserves in the future. The remaining share of the costs is attributable to the secondary acquisition costs of EUR 7.0 m incurred through the transaction. This share of the costs has also been excluded from the transferred consideration, disclosed as expenditure in the financial year and recognised as other operating expenses in the statement of profit or loss.

Assets and liabilities will be transferred as part of the business combination. The fair value of the transferred investment property is EUR 805.4 m.

On the basis of this information, there will be goodwill.

Due to the short period of time between the acquisition date and the publication of the interim consolidated financial statements, the necessary information was not available during the preparation of the financial statements for the company to fully allocate the purchase price to the fair values of the purchased assets and liabilities in line with the specifications of IFRS.

Otherwise, there have been no key transactions of major significance between the interim reporting date on 30 September 2017 and the date of publication.

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 of 30 September 2017 give a true and fair view of the financial performance, financial position and cash flows 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, 9 November 2017

Peter Finkbeiner
Member of the Management Board

Niclas Karoff
Member of the Management Board

FINANCIAL CALENDAR

22 NOVEMBER 2017
Extraordinary general meeting

23 MARCH 2018
Annual financial statements 2017

15 MAY 2018
Publication of the quarterly financial report Q1/2018

25 MAY 2018
General meeting

10 AUGUST 2018
Publication of the quarterly financial report Q2/2018

9 NOVEMBER 2018
Publication of the quarterly financial report Q3/2018

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