

Condensed interim consolidated financial statements of TLG IMMOBILIEN AG, Berlin, as at 30 June 2021

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 June 2021

in Euro thousand	01/04/2021– 30/06/2021	01/04/2020– 30/06/2020	01/01/2021– 30/06/2021	01/01/2020– 30/06/2020
Rental income	42,757	56,299	88,885	112,627
Income from recharged operating costs	9,468	11,258	18,069	21,800
Income from other goods and services	582	883	1,526	2,107
Income from letting activities	52,807	68,440	108,479	136,534
Expenses from operating costs	-11,207	-13,316	-22,664	-28,554
Maintenance expenses	-1,836	-1,600	-2,725	-3,973
Other services	-2,098	-580	-2,487	-1,269
Expenses relating to letting activities	-15,141	-15,496	-27,877	-33,796
Net operating income from letting activities	37,666	52,944	80,602	102,738
Proceeds from the disposal of properties	195,191	27	473,885	3,027
Carrying amount of properties disposed of ¹	-197,419	48,896	-452,337	45,896
Expenses from the disposal of properties	-534	-9,761	-4,051	-9,769
Result from the disposal of properties	-2,762	39,162	17,497	39,154
Result from the remeasurement of investment property	26,421	86,658	82,725	182,635
Other operating income	6,143	4,689	7,370	5,714
Personnel expenses	-3,838	-3,481	-6,594	-8,727
Amortisation and depreciation	-484	-461	-922	-886
Other operating expenses	-3,748	-6,918	-13,084	-13,038
Earnings before interest and taxes (EBIT)	59,397	172,593	167,595	307,590
Net income from companies measured at equity	25,249	27,862	32,617	49,385
Financial income	307	298	577	421
Financial expenses	-10,204	-16,659	-22,403	-27,150
Result from the remeasurement of derivative financial instruments	3,151	-3,353	10,275	-7,180
Earnings before taxes	77,901	180,741	188,661	323,066
Income taxes	-9,778	-41,338	-43,543	-78,390
Net income for the period	68,122	139,403	145,117	244,676
Other comprehensive income (OCI):				
thereof to be classified to profit or loss				
Gain/loss from remeasurement of derivative financial instruments in hedging relationships, net of taxes	-323	43	-433	152
Share of other comprehensive income from companies measured at-equity	-1,003	-6,854	5,012	-3,369
Total comprehensive income for the period	66,796	132,592	149,697	241,459
Of the net income for the period, the following is attributable to:				
Non-controlling interests	44	1,374	325	1,729
The shareholders of the parent company	68,079	138,029	144,792	242,947
Earnings per share (undiluted) in EUR²	0.72	1.35	1.52	2.35
Earnings per share (diluted) in EUR²	0.72	1.35	1.52	2.35
Of the total comprehensive income for the period, the following is attributable to:				
Non-controlling interests	44	1,374	325	1,729
The shareholders of the parent company	66,752	131,218	149,372	239,730

¹ Disclosure adjusted: Carrying amount of properties disposed of includes change in value of properties held for sale.

² Taking into account the elimination of shares in connection with the cross-shareholding involving TLG IMMOBILIEN and Aroundtown; the weighted average numbers of shares issued as at 31 March 2020 and 30 June 2020 were adjusted.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

in Euro thousand	30/06/2021	31/12/2020
A) Non-current assets	5,598,510	5,585,024
Investment property	4,263,362	4,241,381
Property, plant and equipment	454	513
Intangible assets	2,183	2,576
Shares in companies measured at equity	1,295,984	1,303,838
Other non-current financial assets	13,819	14,995
Right-of-use assets	4,360	2,011
Other assets	18,348	19,712
B) Current assets	677,556	1,061,198
Inventories	734	734
Trade receivables	10,794	10,676
Receivables from majority shareholder	40,877	26,169
Receivables from income taxes	2,664	2,670
Other current financial assets	109,297	115,732
Other receivables and assets	7,245	3,013
Cash and cash equivalents	500,626	524,025
Assets classified as held for sale	5,320	378,178
Total assets	6,276,066	6,646,222

in Euro thousand	30/06/2021	31/12/2020
A) Equity	3,420,562	3,433,800
Subscribed capital	112,519	112,190
Capital reserves	1,132,120	1,124,078
Retained earnings	2,097,820	1,961,005
Other reserves	-8,030	-12,610
Treasury shares	-531,806	-371,862
Equity attributable to shareholders of the parent company	2,802,623	2,812,801
Equity of the hybrid capital providers	599,562	599,562
Equity attributable to shareholders of the parent company and equity of the hybrid capital providers	3,402,185	3,412,364
Non-controlling interests	18,376	21,437
B) Liabilities	2,855,505	3,212,422
I.) Non-current liabilities	2,774,167	2,922,499
Non-current liabilities due to financial institutions	641,373	826,390
Pension provisions	8,695	8,839
Other non-current provisions	80	176
Non-current derivative financial instruments	24,070	34,973
Non-current liabilities due to majority shareholder	1,200,000	1,200,000
Other non-current liabilities	35,096	22,743
Deferred tax liabilities	864,853	829,378
II.) Current liabilities	81,337	289,923
Current liabilities due to financial institutions	3,378	71,818
Trade payables	23,586	22,735
Current liabilities due to majority shareholder	6,915	150,089
Other current provisions	4,903	5,557
Tax liabilities	22,735	18,168
Other current liabilities	19,821	21,556
Total equity and liabilities	6,276,066	6,646,222

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 30 June 2021

in Euro thousand	01/01/2021 - 30/06/2021	01/01/2020 - 30/06/2020
1. Cash flow from operating activities		
Net income for the period before taxes	188,661	323,066
Depreciation of property, plant and equipment and amortisation of intangible assets	922	886
Result from the remeasurement of investment property	-82,725	-182,635
Result from the remeasurement of derivative financial instruments	-10,275	7,180
Decrease (-) in provisions	-894	-2,492
Change in value of properties held for sale	-852	-48,914
Other non-cash income/expenses	397	2,318
Net income from companies measured at equity	-32,617	-49,385
Gain (-)/loss from disposal of property, plant and equipment	-20,733	0
Financial income	-577	-421
Financial expenses	22,403	27,150
Increase (-)/decrease in trade receivables and other assets	-2,936	-8,627
Increase/decrease (-) in trade payables and other liabilities	4,639	4,667
Cash flow from operating activities	65,413	72,793
Dividends received	25,751	0
Interest received	577	421
Interest paid	-20,085	-24,148
Income tax paid/received	-6,835	-1,859
Net cash flow from operating activities	64,821	47,208
2. Cash flow from investing activities		
Cash received from disposals of investment property	444,032	4,254
Cash received from disposals of property, plant and equipment	41,514	0
Cash paid for investment in capex and acquisitions of investment property	-21,008	-107,924
Cash paid for acquisitions of property, plant and equipment	-2	-151
Cash received from the release of restricted cash and cash equivalents	6,031	16,009
Cash paid for investments in intangible assets	-186	-538
Cash paid for investments in financial assets	-2,992	0
Cash flow from investing activities	467,388	-88,350
3. Cash flow from financing activities		
Cash paid to settle liabilities for corporate bonds	0	-261,085
Cash paid for buy-back of own shares	-155,323	0
Cash paid to settle liabilities due to majority shareholder	-141,500	0
Cash received from bank loans	0	24,978
Repayments of bank loans	-258,220	-3,900
Cash paid to settle liabilities for leases	-566	-184
Cash flow from financing activities	-555,609	-240,191
4. Cash and cash equivalents at end of period		
Change in cash and cash equivalents (subtotal of 1–3)	-23,399	-281,333
Cash and cash equivalents at beginning of period	524,025	523,950
Cash and cash equivalents at end of period	500,626	242,617
5. Composition of cash and cash equivalents		
Cash	500,626	242,617
Cash and cash equivalents at end of period	500,626	242,617

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 31 December 2020 and 1 January to 30 June 2021

in Euro thousand	Subscribed capital	Capital reserves	Retained earnings	Reserve hedge accounting	Accumulated other reserves		Treasury shares	Hybrid capital providers	Non-controlling interests	Equity
					Actuarial gains/losses	Share of other comprehensive income from companies measured at equity				
01/01/2020	112,074	1,148,041	1,577,372	-1,301	-3,015	616	0	590,844	22,016	3,446,647
Net income	0	0	470,846	0	0	0	0	20,203	1,251	492,300
Other comprehensive income (OCI)	0	0	0	304	-85	-8,528	0	0	0	-8,310
Total comprehensive income for the year	0	0	470,846	304	-85	-8,528	0	20,203	1,251	483,991
Treasury shares from the reinvestment with Arountown	0	0	0	0	0	0	-371,862	0	0	-371,862
Share capital increase in exchange for contributions in kind	116	2,037	-1,379	0	0	0	0	0	-775	0
Dividend payment	0	0	-107,694	0	0	0	0	0	0	-107,694
Guaranteed dividend	0	0	0	0	0	0	0	0	-1,056	-1,056
Substitution of hybrid capital	0	0	-9,156	0	0	0	0	-590,844	0	-600,000
Issuance of hybrid capital	0	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	0	-438	0	-438
Distribution to hybrid capital providers	0	0	5,039	0	0	0	0	-20,203	0	-15,164
Withdrawal from capital reserves	0	-26,000	26,000	0	0	0	0	0	0	0
Other	0	0	-22	0	0	-600	0	0	0	-622
Change during the period	116	-23,963	383,634	304	-85	-9,128	-371,862	8,718	-580	-12,846
31/12/2020	112,190	1,124,078	1,961,005	-998	-3,100	-8,512	-371,862	599,562	21,437	3,433,800

in Euro thousand	Subscribed capital	Capital reserves	Retained earnings	Reserve hedge accounting	Actuarial gains/losses	Accumulated other reserves	Treasury shares	Hybrid capital providers	Non-controlling interests	Equity
						Share of other comprehensive income from companies measured at equity				
01/01/2021	112,190	1,124,078	1,961,005	-998	-3,100	-8,512	-371,862	599,562	21,437	3,433,800
Net income for the period	0	0	144,792	0	0	0	0	0	325	145,117
Other comprehensive income (OCI)	0	0	0	-433	0	5,012	0	0	0	4,580
Total comprehensive income for the year	0	0	144,792	-433	0	5,012	0	0	325	149,697
Treasury shares associated with reciprocal interest in Arountown SA	0	0	0	0	0	0	-4,621	0	0	-4,621
Treasury shares from share buy-back	0	0	0	0	0	0	-155,323	0	0	-155,323
Share capital increase in exchange for contributions in kind	328	8,042	-6,242	0	0	0	0	0	-2,128	0
Adjustment of non-controlling interests	0	0	-1,735	0	0	0	0	0	-1,258	-2,993
Change during the period	328	8,042	136,815	-433	0	5,012	-159,944	0	-3,060	-13,239
30/06/2021	112,519	1,132,120	2,097,820	-1,430	-3,100	-3,500	-531,806	599,562	18,376	3,420,562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

A.1 INFORMATION ON THE COMPANY

TLG IMMOBILIEN AG, Berlin, is a German stock corporation (“Aktiengesellschaft”) with its registered office at Hausvogteiplatz 12, 10117 Berlin, Germany. It is registered in the commercial register of Berlin under the number HRB 161314 B, and – together with its subsidiaries – forms TLG IMMOBILIEN Group (“TLG IMMOBILIEN” or “TLG”), one of the largest owners of commercial real estate in Germany. It is listed on the Frankfurt stock exchange.

The main activities of the Group consist of the operation of real estate business and all kinds of transactions in connection therewith, including the letting, management, acquisition, disposal and development of office, retail and hotel properties, either by the Company itself or via its subsidiaries.

TLG IMMOBILIEN AG is part of the Aroundtown Group (“Aroundtown”), with Aroundtown SA, Luxembourg, as its ultimate parent.

A.2 PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of TLG IMMOBILIEN were prepared in condensed form. The requirements of IAS 34 (Interim Financial Reporting) and the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) as adopted in the European Union were adhered to. 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 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 (Euro thousand) unless otherwise stated. Tables and references may contain rounding differences compared to the exact mathematical values.

TLG Zellesche GmbH & Co. KG, Berlin, a new subsidiary of TLG IMMOBILIEN AG, was established on 31 March 2021 and entered into the commercial register on 12 April 2021.

There have been no further changes to the scope of consolidation since 31 December 2020.

Further WCM shareholders have accepted TLG IMMOBILIEN's exchange offer in the reporting period. TLG IMMOBILIEN held 95.3% of the shares in WCM as at 30 June 2021.

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 2020, with the exception of the IFRS standards introduced as at 1 January 2021. The Group does not prematurely apply any standards, interpretations or amendments 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 2020.

The appraisers Savills Advisory Services Germany GmbH & Co. KG, Jones Lang LaSalle SE, apollo valuation & research GmbH and CBRE GmbH completed an external assessment of part of the investment properties as at 31 March 2021 and 30 June 2021. 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 Euro thousand	01/01/2021– 30/06/2021	01/01/2020– 31/12/2020
Carrying amount as at 01/01	4,241,381	4,707,397
Acquisitions	0	74,719
Capitalisation of construction activities and modernisation expenses	18,223	65,027
Reclassification as assets held for sale ¹	-79,459	-968,329
Fair value adjustments	82,725	361,837
Other ²	493	730
Carrying amount as at 30/06/2021 and 31/12/2020	4,263,362	4,241,381

¹ Disclosure adjusted: reclassification as assets held for sale includes change in value of properties held for sale.

² Disclosure adjusted: prior year includes reclassification as property, plant and equipment (Euro -1,050 thousand).

Investment property increased by 1 % to Euro 4,263,362 thousand in the first half of 2021 (previous year: Euro 4,241,381 thousand), mostly driven by reclassifications to assets held for sale of Euro 80,311 thousand (previous year: Euro 1,043,373 thousand) and fair value adjustments of Euro 82,725 thousand (previous year: Euro 361,837 thousand). The largest share of properties held for sale, 92 % of the total value, is attributable to office properties, followed by retail (8 %). Benefits and burdens had already been transferred for 94 % of the total value of these assets as at the reporting date.

Additions from capitalised expenditure amounting to Euro 18,223 thousand (previous year: Euro 65,027 thousand) are attributable to current measures in the amount of Euro 745 thousand (previous year: Euro 11,143 thousand), to tenant improvements in the amount of Euro 3,177 thousand (previous year: Euro 4,845 thousand) and to developments in the amount of Euro 14,301 thousand (previous year: Euro 49,040 thousand).

The table below presents the fair values of the investment properties by asset class as at 30 June 2021.

As at 30/06/2021	Office	Retail	Hotel	Invest	Other	Total
Investment properties in Euro thousand	2,058,140	696,037	285,441	1,195,715	28,030	4,263,362
Discount rate, weighted average in %	4.48	5.24	5.49	3.35	7.72	4.42
Capitalisation rate, weighted average in % ¹	4.39	5.60	4.78	3.63	8.80	4.52
Average actual rent in Euro/sqm/month ²³	12.00	9.84	14.29	-	4.73	11.08
EPRA vacancy rate in %	6.6	7.4	3.0	6.9	2.5	6.5
WALT in years	4.4	4.7	8.6	2.6	3.7	4.6

¹ The capitalisation rate (weighted average) is only calculated for the properties measured using the discounted cash flow method.

² The average actual/market rent is calculated without taking into account parking spaces, other units and undeveloped areas.

³ This calculation is made without taking into account the Invest asset class.

A sensitivity analysis varying the discount and capitalisation rates on which the actual valuation is based demonstrates that a 0.5 percentage point increase or decrease would have had the following effects as at 30 June 2021:

Investment properties as at 30 June 2021 – sensitivity analysis

As at 30/06/2021	Investment properties	Discount rate		
Values in Euro thousand		-0.5%	0.0%	+0.5%
	-0.5%	4,807,377	4,622,643	4,344,415
Capitalisation rate	0.0%	4,417,128	4,263,362	4,095,110
	+0.5%	4,228,562	3,961,679	3,819,170

C.2 SHARES IN COMPANIES MEASURED AT EQUITY

As at 30 June 2021, TLG IMMOBILIEN AG held 11.97 % of Aroundtown's share capital (according to IFRS accounting principles it is 13.6 % as at 30 June 2021 and as at 31 December 2020: 13.5 %). In the first six months of 2021, Aroundtown executed various capital measures which led to increases and decreases in TLG's stake. The reduction in shareholding led to expenses from the deconsolidation of companies measured at equity amounting to Euro 6,056 thousand, which are reported under other operating expenses. These expenses are offset by income of Euro 5,659 thousand reported under other operating income.

The board of directors of Aroundtown announced that its shareholders had resolved at the annual general meeting on 30 June 2021 the distribution of a dividend of EUR 0.22 (gross) per share. The cash dividend (Euro 40,466 thousand) is accounted for under receivables from the majority shareholder and was received on 20 July 2021.

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

The following table shows the development of the carrying amount of the Group's shares in Aroundtown:

Euro thousand	30/06/2021	31/12/2020
Carrying amount as at 01/01	1,303,838	1,580,641
Proportionate consolidated net income	32,617	76,841
Proportionate other comprehensive income	5,012	-8,528
Income in connection with shares in Aroundtown measured at equity (in other operating income)	5,659	58,101
Expenses in connection with shares in Aroundtown measured at equity (in other operating expenses)	-6,056	-5,604
Change in treasury shares from reverse shareholding	-4,621	-371,862
Reclassification to receivables from majority shareholder (dividend)	-40,466	-25,751
Carrying amount as at 30/06/2021 and 31/12/2020	1,295,984	1,303,838

C.3 EQUITY

As at the reporting date, the subscribed capital of the Company was Euro 112,519 thousand (31 December 2020: Euro 112,190 thousand). The share capital is fully paid in. There are no other share types.

The capital reserves amount to Euro 1,132,120 thousand (31 December 2020: Euro 1,124,078 thousand).

The effect of changes in other comprehensive income to the hedge accounting reserve before taxes is as follows:

in Euro thousand	2021	2020
Opening balance as at 01/01	-1,439	-1,877
Reversal from equity into the statement of profit or loss	-433	438
Closing balance as at 30/06/2021 and 31/12/2020	-1,872	-1,439

Treasury shares

Treasury shares (Euro 531,806 thousand) comprise indirectly held treasury shares from the reciprocal shareholding between TLG IMMOBILIEN and Aroundtown SA and from own shares bought during the first six months of 2021.

Indirectly held treasury shares

The share swap on 19 February 2020 created a reciprocal shareholding between Aroundtown and TLG IMMOBILIEN, which resulted in TLG IMMOBILIEN holding treasury shares indirectly via the at-equity investment in Aroundtown. As a consequence, the at-equity investment's carrying amount is reduced by the amount of the treasury shares of Euro 376,483 thousand, deducted from equity without affecting profit or loss.

Share buy-backs

In the first half of 2021, TLG IMMOBILIEN carried out two share buy-backs on the basis of the authorisation by the general meeting of 21 May 2019 to acquire a total of 10% of the then share capital of Euro 103 million. As a result, 4,486,963 TLG shares at a price of Euro 23.25 per share and 1,946,583 TLG shares at a price of Euro 26.00 per share were bought back.

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

C.4 LIABILITIES DUE TO THE MAJORITY SHAREHOLDER

Liabilities due to the majority shareholder mainly include loans from Aroundtown from the substitution of TLG's corporate bonds in July 2020, as well as accrued interest related to these loans. In the first quarter of 2021, TLG IMMOBILIEN repaid Euro 142 million of the shareholder loans.

D. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

D.1 NET OPERATING INCOME FROM LETTING ACTIVITIES

The decrease in income from letting activities in the first six months of 2021 compared to the first six months of 2020 is mainly due to the disposal of investment properties and subsidiaries sold in 2020 and 2021. However, the expenses/income ratio from letting activities remains stable at 91 % in 2021.

D.2 RESULT FROM THE DISPOSAL OF PROPERTIES

The result from the disposal of properties developed as follows in the first six months of 2021 and in the previous year:

in Euro thousand	01/01/2021– 30/06/2021	01/01/2020– 30/06/2020
Proceeds from the disposal of properties	473,885	3,027
Carrying amount of properties disposed of	-452,337	45,896
Costs of the disposal of properties	-4,051	-9,769
Result from the disposal of properties	17,497	39,154

During the first half of 2021, a partly owner-occupied office property in Berlin was sold for Euro 32,334 thousand over book value and was then partially leased back by TLG IMMOBILIEN for its own use, as well as for sublease. This sale-and-leaseback transaction generated an immediate disposal gain of Euro 20,713 thousand and led to the recognition of a right-of-use asset (Euro 2,686 thousand as at 30 June 2021) and investment property from a sublease (Euro 500 thousand as at 30 June 2021), as well as a lease liability (Euro 14,524 thousand as at 30 June 2021), according to IFRS 16. The remaining disposal gain resulting from the right of use retained by TLG (Euro 11,621 thousand) will be realised pro rata over the lease term.

D.3 NET INCOME FROM COMPANIES MEASURED AT EQUITY

In the first six months of 2021, the net income from investment in Arountown measured at equity amounted to Euro 32,617 thousand (previous year: Euro 49,385 thousand) and was mainly due to TLG's share in Arountown's net shareholder income.

D.4 FINANCIAL RESULT

The financial result is broken down as follows:

in Euro thousand	01/01/2021– 30/06/2021	01/01/2020– 30/06/2020
Net interest from bank balances	0	1
Net interest from default interest and deferrals	221	110
Other financial income	355	310
Total financial income	577	421
Interest expenses for interest rate derivatives	3,193	3,096
Interest from loans and bonds	9,659	14,546
Interest expenses from pension provisions	26	29
Expenses for the premature repayment of loans	7,446	2,590
Other financial expenses	2,079	6,890
Total financial expenses	22,403	27,150
Financial result	21,827	26,729

In the first six months of 2021, interest expenses decreased mainly due to repayments of bank loans and the partial repayment of a shareholder loan which was connected to the substituted bond which Aroundtown repaid.

Other financial expenses primarily relate to bank account management fees and compensation of claims from non-controlling interests.

D.5 RESULT FROM THE REMEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

Hedge accounting was discontinued in 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.6 INCOME TAXES

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

in Euro thousand	01/01/2021– 30/06/2021	01/01/2020– 30/06/2020
Current income taxes	8,097	1,874
Aperiodic current income taxes	-29	-497
Deferred taxes	35,475	77,013
Tax expenses	43,543	78,390

Income taxes consist of current tax expenses and deferred taxes. Current tax expenses are determined on the basis of taxable income and material tax adjustments for the period. Deferred taxes are predominantly attributable to higher market values of investment property according to IAS 40 which are not recognised in the tax accounts, where investment properties are measured at cost.

D.7 EARNINGS PER SHARE

Earnings per share are calculated by dividing net income for the period attributable to the shareholders of the parent company by the weighted average number of shares (adjusted for the reciprocal shareholding in Arountown) outstanding within the reporting period.

in Euro thousand	01/01/2021– 30/06/2021	01/01/2020– 30/06/2020
Consolidated net income for the period attributable to shareholders in Euro thousand	144,792	242,947
Weighted average number of shares issued, in thousands ¹	95,113	103,567
Undiluted earnings per share in Euro	1.52	2.35
Number of shares with a potential dilution effect, in thousands ¹	95,113	103,567
Diluted earnings per share in Euro	1.52	2.35

¹ Taking into account the elimination of shares in connection with the cross-holding involving TLG IMMOBILIEN and Arountown; the weighted average number of shares issued as at 30 June 2020 was adjusted.

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 Euro 653,751 thousand as at 30 June 2021 (31 December 2020: Euro 903,197 thousand).

The fair values of liabilities due to the majority shareholder (level 2 pursuant to IFRS 13) amounted to Euro 1,230,064 thousand as at 30 June 2021 (31 December 2020: Euro 1,435,199 thousand).

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 2020.

E.2 RELATED PARTIES

In November 2019, TLG IMMOBILIEN AG and Arountown SA concluded a Business Combination Agreement (“BCA”) governing the merger process and providing a framework for the cooperation between both companies. In October 2020, a Framework Service Contract was concluded which covers

the mutual provision of services between both companies. It covers, among others, operating business support services, as well as administrative support. In the first six months of 2021 the parties agreed on additional supplemental services.

As at 30 June 2021, there were current liabilities to majority shareholder for services rendered by Aroundtown in the amount of Euro 4,124 thousand (previous year: Euro 2,228). For its part, TLG IMMOBILIEN reports current receivables from majority shareholder for services rendered to Aroundtown in the amount of Euro 206 thousand (previous year: Euro 357 thousand). Income of Euro 160 thousand from the service agreement described above is offset by expenses of Euro 1,942 thousand.

In the course of the substitution of TLG IMMOBILIEN by Aroundtown as issuer and debtor of all publicly listed corporate bonds and hybrid instruments, Aroundtown and TLG IMMOBILIEN agreed that bonds issued by TLG IMMOBILIEN and TLG Finance S.à r.l were to be replaced by intra-group equity and debt instruments. As at 30 June 2021, non-current liabilities for Aroundtown shareholder loans amounted to Euro 1,200,000 thousand (previous year: Euro 1,200,000 thousand). In March 2021, a shareholder loan in the amount of Euro 141,500 thousand was repaid by TLG, which was presented as current liability due to majority shareholder as at 31 December 2020.

During the first half of 2021, interest expenses for these shareholder loans were accrued in the amount of Euro 6,203 thousand (previous year: Euro 5,768 thousand), while interest was paid in the amount of Euro 9,772 thousand. Remaining obligations from shareholder loan interest of Euro 2,791 thousand (previous year: Euro 6,361 thousand) are reported under current liabilities to the majority shareholder. In accordance with the agreement, transaction costs incurred as part of the substitution will be passed on by TLG IMMOBILIEN to Aroundtown in the amount of Euro 42 thousand; these claims are reported under current receivables from majority shareholder.

As TLG IMMOBILIEN continues to remain the guarantor for the bonds it initially issued, it is entitled to an adequate compensation. In the first half of 2021, TLG IMMOBILIEN received compensation for guarantees assumed in the amount of Euro 137 thousand. These claims are reported under current receivables from the majority shareholder together with remaining claims concerning guarantee fees for 2020 in an amount of EUR 27 thousand. The arm's length principle was adequately taken into consideration.

Related parties

Management Board member Ronny Schneider resigned from his position on 9 February 2021. By resolution of the Supervisory Board on 4 February 2021, Roy Vishnovizki was appointed as Management Board member and Chief Executive Officer (CEO) with effect from 10 February 2021.

David Maimon was appointed as a new member of the Supervisory Board by the local court of Berlin Charlottenburg in January 2021 until the end of the annual general meeting 2021.

With the approval of the Supervisory Board at the end of 2020, the Company concluded consultancy agreements with former Supervisory board members Helmut Ullrich and Jonathan Lurie. The consultancy agreements with terms until May 2021, concluded at arm's length, mostly cover advice and support in respect of selected business matters. In the first half of 2021, consulting services amounting to

Euro 30 thousand (net) and Euro 32 thousand (net) were rendered by Helmut Ullrich and Jonathan Lurie respectively. As at 30 June 2021, this resulted in open items of Euro 5 thousand (net) and Euro 32 thousand (net) respectively.

We also refer to the information on related companies and parties presented in the notes to the consolidated financial statements as at 31 December 2020.

E.3 SUBSEQUENT EVENTS

To our knowledge, there are no 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 2021 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, 27 August 2021



Roy Vishnovizki
Chief Executive Officer (CEO)



Eran Amir
Member of the Management Board

INTERIM GROUP MANAGEMENT REPORT

1. GROUP FUNDAMENTALS AND GROUP BUSINESS MODEL

TLG IMMOBILIEN AG (“the Company”) manages several own properties, as well as those of its direct and indirect subsidiaries, including the listed company WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft (“WCM”) (together “TLG” or “the Group”). The Group’s portfolio comprises commercial properties throughout Germany, with a focus on office properties, particularly in Berlin and other major German cities. TLG actively generates value through operational achievements, strategic investments and transactions. Aroundtown SA (“Aroundtown”) has been the parent company of TLG since February 2020.

TLG’s corporate activities to implement its strategy cover the entire value creation cycle, including portfolio management, asset and property management, development and transaction management. The quality of TLG’s properties, its tenants and the services provided to the tenants are key factors in the success of its business activities. Furthermore, TLG strives to continuously optimise its property portfolio with a view to current market developments. Active asset management and selective strategic development measures are designed to realise potential for value enhancement. This, combined with the disposal of non-strategic properties, is a strategy designed to align the overall portfolio and focus on core assets of mainly offices in top-tier German cities and on pursuing disposals of non-core properties, mainly retail.

2. ECONOMIC REPORT

2.1 GENERAL ECONOMIC CONDITIONS AND PROPERTY MARKETS

2.1.1 GENERAL ECONOMIC CONDITIONS

In the first half of 2021, Germany’s GDP recorded overall growth of 2.7% compared to the first half of 2020. Higher household and government consumption expenditure was the main cause of the increase, corresponding to the easing of the lockdown and related restrictions that burdened the economy last year. However, due to the measures taken to contain the pandemic, GDP in the first half of 2021 was still lower by 4.1% in comparison to the first half of 2019, before the onset of the Covid-19 pandemic and its economic impact.

Germany’s debt-to-GDP ratio was 71.1% in the first quarter of 2021, 21.8% below the average of the 27 states within the EU (“EU 27”). However, the Covid-19 pandemic has burdened the German deficit. As at December 2020, Germany reported a budget deficit of 4.19%, which is expected to further decline down to 5.46% by the end of 2021, compared to a budget surplus of 1.52% in December 2019. This is mainly a result of the stimulus packages provided by the German government, amounting to approximately 10% of GDP through 2020 and 2021.

2.1.2 DEVELOPMENT OF THE OFFICE PROPERTY MARKET

The outlook for demand in the German office letting market for the rest of 2021 is positive, even though the Covid-19 pandemic has caused less dynamic activity on the German office lettings market in the first half of 2021.

Office space take-up in the “Big 7” cities in Germany (“Big 7”: Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart) amounted to 1.31 million sqm, which was nearly unchanged with a slight decrease of 1% in comparison to the first half of 2020. Four out of the seven cities of the “Big 7” recorded office letting growth compared to the start of 2021.

As at 30 June 2021, the average vacancy rate across the “Big 7” remains low, standing at 4.3%. However, all of the major cities of the “Big 7”, except for Stuttgart, had an increase in vacancy rates in comparison to the previous year. Despite the increase in vacancies, the demand for office space is stable, and the average prime rents have proven to be consistent. In comparison to the first half of 2020, the average prime rent in the “Big 7” increased by 0.9%, mainly driven by Hamburg (3.3%) and Berlin (2.7%).

2.1.3 DEVELOPMENT OF THE RETAIL PROPERTY MARKET

In the first half of 2021, the German retail leasing market improved despite the Covid-19 pandemic, resulting in an increase of 11% in the first six months of 2021 compared to the same period of 2020. Despite the Covid-19 lockdown, there was an increase of 17% in the number of deals in comparison to the same period last year.

There was total take-up of around 211,000 sqm in retail space throughout the German market during the first half of 2021. The “Big 7” cities accounted for around 28% of the total letting volume, with 59,900 sqm in the first half of 2021, proving to be stable for the past three years. Four out of the seven cities of the “Big 7” were able to improve their letting, with Frankfurt am Main (7,800 sqm) having a 140% increase compared to the same period in 2020, followed by Stuttgart (5,500 sqm), Munich (7,200 sqm) and Berlin (17,100 sqm).

The availability rate for space in major cities was stable in comparison to the same period last year, at a high level of 15% in the first half of 2021. The measures taken against the Covid-19 pandemic caused a decrease of 4.7% in prime rents across Germany in the first half of 2021 in comparison to the same period of the previous year. However, high street retail and commercial properties are still in high demand.

2.2 POSITION OF THE COMPANY

2.2.1 COURSE OF BUSINESS

General statement

TLG finished the first half of 2021 with net income of Euro 145 million and FFO of Euro 63 million. Despite facing several challenges due to the pandemic, operations have remained undeterred as a result of TLG taking appropriate measures, maintaining intensive interaction with tenants and closely monitoring rent collection. TLG is also continuously seeking to utilise possible synergies and business integration with its parent company, Aroundtown.

During this period, TLG signed property sales with a volume of Euro 178 million (of which Euro 173 million were closed, with the remaining classified as assets held for sale). Including the disposals that were signed during 2020, TLG closed Euro 486 million of disposals in the first half of 2021. The majority of the disposal proceeds were utilised in debt repayment, thus further optimising the debt profile of TLG.

In the first half of 2021, TLG concluded two share buy-backs of approximately 5.7% of its shares. The shares have been bought back at a price significantly below the underlying net asset value.

Portfolio overview

TLG's portfolio is mainly comprised of office properties and properties classified as investments, as well as a smaller amount of retail and hotel properties. The Invest asset class contains properties which have been identified for future and ongoing development project measures, and as such are expected to undergo a significant transformation. TLG's strategy for its portfolio is to lift the potential of generating additional income and value through active asset management and strategic investments. TLG disposes of non-core properties which do not fit its long-term strategic portfolio composition and mature properties where most of the potential has been extracted.

As at 30 June 2021, TLG's portfolio (excluding held for sale) had a fair value of Euro 4.3 billion (Euro 4.2 billion as at December 2020). The portfolio's value increased as a result of positive remeasurements and capital expenditures, partially offset by disposals and reclassification of properties held for sale. The table below presents some more information concerning the portfolio:

Investment property KPIs	Office	Retail	Hotel	Invest	Other	Total
Fair value (Euro thousand) ¹	2,058,140	696,037	285,441	1,195,715	28,030	4,263,362
Fair value (Euro thousand/sqm) ²	3,320	1,684	3,226	–	522	2,610
Annualised in-place rent (Euro thousand) ³	87,035	44,761	14,578	19,912	2,983	169,269
In-place rental yield on actual rent (%) ²	4.2	6.4	5.0	–	10.8	4.9
EPRA vacancy rate (%)	6.6	7.4	3.0	6.9	2.5	6.5
WALT (years)	4.4	4.7	8.6	2.6	3.7	4.6

¹ According to values recognised in the balance sheet in accordance with IAS 40

² The calculation is made without taking into account the asset class Invest.

³ The annualised in-place rent is calculated on the basis of the annualised rent agreed on the reference date, without taking into account rent-free periods.

As at 30 June 2021, the annualised rent for the portfolio (excluding held for sale) was Euro 169,269 thousand, and the EPRA vacancy rate was 6.5% (Euro 172,526 thousand and 5.5% as at December 2020, respectively). The weighted average lease term (WALT) stood at 4.6 years (4.7 as at December 2020).

2.2.2 FINANCIAL PERFORMANCE

TLG closed the first half of 2021 with net income of Euro 145,117 thousand, compared to Euro 244,676 thousand in the first half of 2020. The table below presents the financial performance:

in Euro thousand	01/01/2021– 30/06/2021	01/01/2020– 30/06/2020	Change	Change in %
Net operating income from letting activities	80,602	102,738	-22,135	-21.6
Result from the remeasurement of investment property	82,725	182,635	-99,910	-54.7
Result from the disposal of properties	17,497	39,154	-21,657	-55.3
Other operating income	7,370	5,714	1,656	29.0
Personnel expenses	-6,594	-8,727	2,133	24.4
Amortisation and depreciation	-922	-886	-36	-4.0
Other operating expenses	-13,084	-13,038	-46	-0.4
Earnings before interest and taxes (EBIT)	167,595	307,590	-139,995	-45.5
Net income from companies measured at equity	32,617	49,385	-16,768	-34.0
Financial income	577	421	156	37.0
Financial expenses	-22,403	-27,150	4,747	17.5
Result from the remeasurement of derivative financial instruments	10,275	-7,180	17,455	243.1
Earnings before taxes	188,661	323,066	-134,406	-41.6
Income taxes	-43,543	-78,390	34,847	44.5
Net income for the period	145,117	244,676	-99,559	-40.7
Other comprehensive income (OCI)	4,580	-3,217	7,797	242.4
Total comprehensive income	149,697	241,459	-91,762	-38.0

Net operating income (NOI) from letting activities for the first six months of 2021 was Euro 80,602 thousand, down by Euro 22,135 thousand compared to the previous period, primarily due to the disposals executed in the course of 2020 and 2021.

The result from the remeasurement of investment property amounted to Euro 82,725 thousand for the first six months of 2021, compared to Euro 182,635 thousand in the first six months of 2020. The portfolio reflected a further value growth during 2021, which is a testament to the portfolio quality and high demand in TLG's markets. The result from the disposal of properties in the first half of 2021 was Euro 17,497 thousand, Euro 21,657 thousand lower than the comparable period last year due to higher disposal volume in the first half of 2020. The result reflects the disposal gains achieved over the book value of properties.

Other operating income increased in the first half of 2021 to Euro 7,370 thousand, up by Euro 1,656 thousand compared to the first half of 2020, primarily due to consolidation effects from Aroundtown's capital measures.

Personnel expenses were Euro 6,594 thousand in the first half of 2021, down by Euro 2,133 thousand compared to the previous year's period. The decline is mostly attributable to reduced number of employees in the course of the merger with Aroundtown and one-off effects in the previous year.

Other operating expenses remained stable compared to the previous year's period. These mostly include consolidation effects as a consequence of Aroundtown's capital measures, in addition to other overhead expenses.

Profit from equity-accounted investees amounted to Euro 32,617 thousand in the first half of 2021 compared to Euro 49,385 thousand in the first half of 2020.

Financial expenses in the first half of 2021 declined by Euro 4,747 thousand compared to the previous year's equivalent period to Euro 22,403 thousand, primarily due to debt repayments, utilising the available funds from the property disposals.

The result from the remeasurement of derivative financial instruments was an income of Euro 10,275 thousand for the period, compared to a loss of Euro 7,180 thousand in the previous year's first six months. This change results from market valuation of interest rate hedges on the loans.

Tax expenses in the first half of the 2021 financial year were Euro 43,543 thousand (Euro 35,475 thousand of which as deferred taxes attributable primarily to investment property), a decrease compared to Euro 78,390 thousand in the first half of 2020 due to lower earnings before taxes.

2.2.3 CASH FLOWS

As at 30 June 2021, cash and cash equivalents amounted to Euro 500,626 thousand, compared to Euro 524,025 thousand as at 31 December 2020.

in Euro thousand	01/01/2021– 30/06/2021	01/01/2020– 30/06/2020	Change	Change in %
1. Net cash flow from operating activities	64,821	47,208	17,613	37.3
2. Cash flow from investing activities	467,388	-88,350	555,738	629.0
3. Cash flow from financing activities	-555,609	-240,191	-315,417	-131.3
Net change in cash and cash equivalents	-23,399	-281,333	257,934	91.7
Cash and cash equivalents at beginning of period	524,025	523,950	75	0.0
Cash and cash equivalents at end of period	500,626	242,616	258,010	106.3

Cash inflow from operating activities was Euro 64,821 thousand in the first half of 2021 and increased by Euro 17,613 thousand compared to the previous year's comparable period. The increase is derived from the dividend received from Aroundtown at the beginning of the year in the amount of Euro 25,751 thousand and lower interest expenses, offset by lower rental income due to property disposals.

Cash flow from investing activities was Euro 467,388 thousand in the first half of 2021, compared to an outflow of Euro 88,350 thousand in the first half of 2020. The change is primarily attributed to cash received from disposals of properties during the first half of 2021, whereas cash paid for acquisitions was higher than the cash received from disposals in absolute terms in the same period in 2020.

The cash outflow from financing activities of Euro 555,609 thousand in the first half of 2021 was primarily related to the repayment of debt amounting to Euro 400,280 thousand and two share buy-backs in an amount of Euro 155,323 thousand in total. Cash outflow for financing activities in the first half of 2020 amounted to Euro 240,191 thousand.

2.2.4 FINANCIAL POSITION

The following table represents the condensed assets and capital structure:

in Euro thousand	30/06/2021	31/12/2020	Change	Change in %
Investment property/prepayments	4,263,362	4,241,381	21,982	0.5
Shares in companies measured at equity	1,295,984	1,303,838	-7,854	-0.6
Other non-current assets	25,345	24,811	535	2.2
Financial assets	13,819	14,995	-1,176	-7.9
Cash and cash equivalents	500,626	524,025	-23,399	-4.5
Assets classified as held for sale	5,320	378,178	-372,858	-98.6
Other current assets	171,610	158,994	12,616	7.9
Total assets	6,276,066	6,646,222	-370,156	-5.6
Equity	3,420,562	3,433,800	-13,239	-0.4
Non-current liabilities	1,909,314	2,093,121	-183,807	-8.8
Deferred tax liabilities	864,853	829,378	35,475	4.3
Current liabilities	81,337	289,923	-208,585	-72.0
Total equity and liabilities	6,276,066	6,646,222	-370,156	-5.6

As at 30 June 2021, investment property amounted to Euro 4,263,362 thousand, up by Euro 21,982 thousand compared to Euro 4,241,381 at the end of 2020. The increase was mainly due to the result from the remeasurement of investment property and invested capital expenditures, while reclassification of properties into held for sale had an offsetting effect.

As at 30 June 2021, shares in companies measured at equity amounted to Euro 1,295,984 thousand, compared to Euro 1,303,838 thousand in December 2020. The decline is primarily due to a dividend payment announced by Aroundtown end of June 2021 and paid out in July 2021, which was classified to receivables, partially offset by the share in Aroundtown's profits.

Cash and cash equivalents amounted to Euro 500,626 thousand at 30 June 2021, Euro 23,399 thousand lower compared to 31 December 2020. The changes to cash were mainly driven by cash outflow for debt repayments and share buy-backs executed in the first half of 2021, offset by cash inflow from property disposals and operations.

Assets classified as held for sale were at Euro 5,320 thousand at the end of June 2021, compared to Euro 378,178 thousand at the end of 2020. The decline is the result of closings of property disposals during the first half of 2021, partially offset by newly signed property disposals with an expected closing in subsequent quarters.

As at 30 June 2021, consolidated equity amounted to Euro 3,420,562 thousand, Euro 13,239 thousand lower than on 31 December 2020. The decline is primarily the result of the share buy-backs, partially offset by the total comprehensive income for the period.

At the end of the first half of 2021, non-current liabilities were lower by Euro 183,807 thousand compared to 31 December 2020, mainly due to debt repayments.

Deferred tax liabilities increased by Euro 35,475 thousand in the first half of 2021, in line with the increase in the investment property valuation and the changes in value of properties held for sale.

Current liabilities were down by Euro 208,585 thousand, primarily due to the repayment of shareholder loan and bank loan repayments.

The following table shows the equity ratio of the Group:

in Euro thousand	30/06/2021	31/12/2020	Change	Change in %
Equity	3,420,562	3,433,800	-13,239	-0.4
Total equity and liabilities	6,276,066	6,646,222	-370,156	-5.6
Equity ratio in %	54.5	51.7	2.8	

As at 30 June 2021, TLG's equity ratio was 54.5%, 2.8 percentage points higher than on 31 December 2020. This was mainly attributable to the utilisation of proceeds received from disposals towards debt repayment, thus reducing the total debt of TLG while equity remained relatively stable.

2.2.5 FINANCIAL PERFORMANCE INDICATORS

FFO development

One of TLG's key performance indicators is funds from operations (FFO), indicating long-term profitability in the real estate industry. The indicator is essentially the result of net income for the period, adjusted for results from disposals, property measurement and the measurement of derivative financial instruments, as well as deferred taxes and extraordinary items which are primarily non-recurring in nature. Furthermore, profit from equity-accounted investees is subtracted, as it includes non-recurring components of such earnings. Dividends earned from investments are added back to reflect the recurring earnings these investments generate.

in Euro thousand	01/01/2021– 30/06/2021	01/01/2020– 30/06/2020	Change	Change in %
Net income for the period	145,117	244,676	-99,559	-40.7
Income taxes	43,543	78,390	-34,847	-44.5
EBT	188,661	323,066	-134,405	-41.6
Result from the disposal of properties	-17,497	-39,154	21,657	55.3
Result from the remeasurement of investment property	-82,725	-182,635	99,910	54.7
Result from the remeasurement of derivative financial instruments	-10,275	7,180	-17,455	-243.1
Amortisation and depreciation	922	886	36	4.0
Net income from companies measured at equity	-32,617	-49,385	16,768	34.0
Dividends from equity investments	20,233	22,992	-2,759	-12.0
Attributable to non-controlling interests	-389	-528	139	26.4
Net income attributable to hybrid capital providers	-10,706	-10,070	-636	-6.3
Other effects	9,266	8,331	935	11.2
Income taxes relevant to FFO	-1,946	-2,421	474	19.6
FFO	62,927	78,262	-15,335	-19.6
Average number of shares issued (in thousands) ¹	95,113	103,567		
FFO per share in EUR	0.66	0.76	-0.10	-13.2

¹ Taking into account the elimination of shares in connection with the cross-shareholding involving TLG and Aaroundtown; the average number of shares issued as at 30 June 2020 was adjusted.

During the first six months of 2021, TLG recorded FFO of Euro 62,927 thousand, Euro 15,335 thousand lower than in the previous year's equivalent period. The decline in FFO is the result of the lower rental income driven by property disposals and partially offset by lower finance expenses due to debt repayments.

FFO per share for the period was Euro 0.66, Euro 0.10 lower compared to the comparable period in 2020. The decline in FFO per share is primarily a result of decline in the absolute FFO mainly due to property disposals. On the other hand, FFO per share was positively impacted by the lower number of shares driven by the share buy-back transactions executed during the first six months of 2021.

Loan to Value (LTV)

Representing the ratio between net debt and real estate assets and investment assets, LTV is another key performance indicator for the Company.

in Euro thousand	30/06/2021	31/12/2020	Change	Change in %
Investment property (IAS 40)	4,263,362	4,241,381	21,982	0.5
Assets classified as held for sale (IFRS 5)	5,320	378,178	-372,858	-98.6
Inventories (IAS 2)	734	734	0	0.0
Shares in companies measured at equity	1,295,984	1,303,838	-7,854	-0.6
Real estate assets and investment assets	5,565,400	5,924,131	-358,731	-6.1
Interest-bearing liabilities	1,851,666	2,248,298	-396,632	-17.6
Cash and other liquid assets ¹	609,544	639,424	-29,880	-4.7
Net debt	1,242,122	1,608,874	-366,752	-22.8
Loan to Value (%)	22.3	27.2	-4.8	

¹ As at 30 June 2021, restricted cash was included in cash and cash equivalents. An adjustment for 31 December 2020 was made accordingly (previous year: restricted of Euro 115,398 thousand).

As at 30 June 2021, TLG's LTV was 22.3%, 4.8 percentage points lower than in the end of 2020 and well below the long-term policy of the 45% LTV cap. The lower LTV is mainly a consequence of the disposals closed during the first half of 2021, as a result of which funds were utilised for debt repayments.

EPRA Net Asset Value KPIs

The European Public Real Estate Association (EPRA) provides the following three net asset value metrics, which aim to provide stakeholders with the most relevant information on the fair value of public real estate companies' assets and liabilities.

The **EPRA Net Reinstatement Value (NRV)** is the value that would be required to rebuild the Company based on current market conditions and with the current capital and financing structure, assuming companies do not sell assets. The KPI includes intangible assets and incidental acquisition costs; deferred taxes are not deducted.

The **EPRA Net Tangible Value (NTA)** reflects the fact that real estate companies actively buy and sell assets and provides for a differentiated consideration of deferred taxes. The focus is on tangible assets, meaning that goodwill and other intangible assets are not included in the valuation.

The **EPRA Net Disposal Value (NDV)** represents the value to shareholders in a disposal scenario where all assets are disposed of and/or liabilities are not held to maturity. Deferred taxes, financial instruments and certain other adjustments are taken fully into account, less any resulting taxes.

30/06/2021 in Euro thousand	EPRA NRV	EPRA NTA	EPRA NDV
Equity of the shareholders of TLG IMMOBILIEN	2,802,623	2,802,623	2,802,623
Fair value adjustment of real estate inventories (IAS 2)	1,182	1,182	1,182
Fair value of derivative financial instruments	22,337	22,337	0
Deferred taxes	932,301	770,884	0
Intangible assets	0	-2,183	0
Market values of the fixed-interest loans	0	0	-34,141
Real estate transfer tax	241,443	0	0
Net Asset Value (NAV)	3,999,887	3,594,843	2,769,664
Number of shares in thousands	93,863	93,863	93,863
NAV per share in Euro	42.61	38.30	29.51

[†] Incl. assets held for sale

31/12/2020 in Euro thousand	EPRA NRV	EPRA NTA	EPRA NDV
Equity of the shareholders of TLG IMMOBILIEN	2,812,801	2,812,801	2,812,801
Fair value adjustment of owner-occupied properties held for sale	32,334	32,334	32,334
Fair value adjustment of real estate inventories (IAS 2)	1,182	1,182	1,182
Fair value of derivative financial instruments	32,027	32,027	0
Deferred taxes	910,746	697,939	0
Intangible assets	0	-2,576	0
Market values of the fixed-interest loans	0	0	-97,638
Real estate transfer tax	258,439	64,042	0
Net Asset Value (NAV)	4,047,529	3,637,749	2,748,679
Number of shares in thousands	100,130	100,130	100,130
NAV per share in Euro	40.42	36.33	27.45

[†] Incl. assets held for sale

As at 30 June 2021, EPRA NRV amounted to Euro 3,999,887 thousand, compared to Euro 4,047,529 thousand at the end of 2020. The decline is derived mainly from the lower equity of the shareholders of the parent company attributable to the share buy-backs and the lower real estate transfer tax adjustment as a result of disposals. This was partially offset by an increase in deferred tax liabilities. EPRA NRV per share was Euro 42.61 as at June 2021, Euro 2.19 higher than Euro 40.42 per share as at 31 December 2020, primarily due to the lower number of shares which were bought back at a discount to NRV per share.

The EPRA NTA amounted to Euro 3,594,843 thousand as at the end of June 2021, compared to Euro 3,637,749 thousand at the end of 2020. The decrease was mainly due to the discontinued real estate transfer tax adjustment. TLG still examines the implications of the new German real estate transfer tax reform act, and therefore chose to retain a conservative approach as at 30 June 2021. This was partially offset by the higher deferred tax liability compared to December 2020. EPRA NTA per share increased to Euro 38.30 per share as at 30 June 2021, compared to Euro 36.33 per share on 30 June 2020. This is mainly the result of the share buy-backs, purchased at a discount to EPRA NTA value per share.

As at 30 June 2021, the EPRA NDV amounted to Euro 2,769,664 thousand, or Euro 29.51 per share, compared to Euro 2,748,679 thousand, thousand or Euro 27.45 per share, as at 30 June 2020. The

reduction primarily results from the fair value adjustments of fixed interest rate debt amounting to Euro 34,141 thousand, down from Euro 97,638 thousand in December 2020.

3. REPORT ON RISKS, OPPORTUNITIES AND FORECASTS

3.1 RISK REPORT

TLG is exposed to constantly changing market conditions that could impede achieving its operational and strategic targets and, on the other hand, might give rise to business opportunities.

TLG considers its general risk situation as being on the same level as at the end of 2020. While the immediate effects of the Covid-19 pandemic seem to have been largely overcome by means of the ongoing vaccination campaign and the easing of lockdown measures, a fourth wave of the pandemic cannot be ruled out at the moment.

A detailed description of risks and opportunities can be found within the Group's management report as at 31 December 2020.

3.2 OPPORTUNITY REPORT

No significant changes to TLG's opportunities as described in group management report as at 31 December 2020 were identified in the first half of 2021.

3.3 FORECAST REPORT

As at today, TLG expects to achieve the FFO target as communicated in its financial statements as at 31 December 2020, which forecast FFO within a range of Euro 108 million to Euro 116 million. As at 30 June 2021, Euro 62,927 thousand in FFO had been generated. The Company expects to achieve its NTA and LTV targets set for the 2021 financial year as well.

It should be noted that TLG follows an opportunistic approach in respect of sales and acquisitions. Their size and timing might have a substantial impact on the operational results of the second half of 2021.

In addition, based on current knowledge and insights, TLG assumes that the further negative effects of the Covid-19 pandemic will remain limited. This assessment is subject to uncertainty, however, depending on the future effects of the pandemic on the economy in general and TLG's tenants in particular.

FINANCIAL CALENDAR

Second half of 2021 Annual general meeting

PUBLISHED BY TLG IMMOBILIEN AG

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

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