INTERIM STATEMENT 2018

ON THE 3RD QUARTER

GROWING CASHFLOWS

TAG Immobilien AG

GROUP FINANCIALS

in EUR m

Income statement key figures	01/01 - 09/30/2018	01/01 - 09/30/2017 (adjusted)
Net rent	226.1	218.0
EBITDA (adjusted)	155.3	148.1
Consolidated net profit	248.6	93.6
FFO I per share in EUR	0.74	0.64
FFO I	108.7	93.2
AFFO per share in EUR	0.45	0.43
AFFO	66.3	63.6
Balance sheet key figures	**09/30/2018**	**12/31/2017**
Total assets	4,772.6	4,634.5
Equity	1,799.2	1,646.6
Equity ratio in %	38.1	35.5
EPRA NAV per share in EUR	15.36	13.80
LTV in %	49.4	52.3
Portfolio data	**09/30/2018**	**12/31/2017**
Units	81,915	83,140
Real estate volume	4,483.3	4,275.4
Vacancy in % (total)	5.6	5.8
Vacancy in % (residential units)	5.2	4.8
l-f-l rental growth in %	2.4	2.0
l-f-l rental growth in % (incl. vacancy reduction)	2.8	3.1
Employees	**09/30/2018**	**12/31/2017**
Number of employees	980	961

Capital market data	
Market cap at 09/30/2018 in EUR m	3,003,2
Share capital at 09/30/2018 in EUR	146,498,765
WKN / ISIN	830350/DE0008303504
Number of shares at 09/30/2018 (issued)	146,498,765
Number of shares at 09/30/2018 (outstanding, without treasury shares)	146,321,650
Free float in % (without treasury shares)	99.88
Index	MDAX/EPRA

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BUSINESS DEVELOPMENT

BUSINESS PERFORMANCE IN THE FIRST NINE MONTHS OF THE 2018 FINANCIAL YEAR

Foundations of the Group

TAG Immobilien AG ('TAG' in the following) is a Hamburg-based property company focused on the German residential real estate sector. The Group's properties are located in various regions of Northern and Eastern Germany and North Rhine-Westphalia. Overall, at 30 September 2018 TAG managed around 82,000 residential units. TAG shares are listed in the MDAX of the Frankfurt Stock Exchange; TAG's market capitalisation at 30 September 2018 was EUR 3.0bn.

TAG's business model is the long-term letting of flats. All functions essential to property management are carried out by the Group's own employees. In many inventories, the company also delivers caretaker services and repair handyman services. It specialises in inexpensive housing that appeals to broad sections of the population. The founding of a multimedia company in the Group has improved the provision of multimedia to tenants and expanded the range of property management services offered. In addition, energy management has been pooled in a subsidiary, and the Group entered into the supply of commercial heating to the Group's own portfolio in order to optimise energy management. In the medium term, these services are to be further expanded and supplemented with new services for tenants.

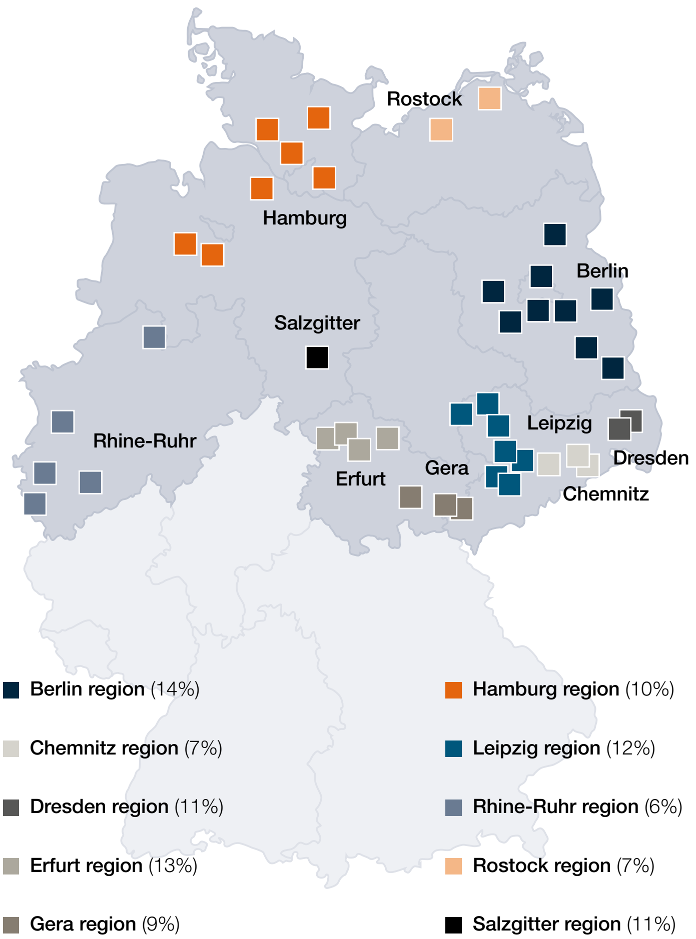
TAG not only invests in and near big cities, but deliberately in medium and smaller towns as well, to take advantage of growth potential and opportunities for profit there. Newly acquired portfolios regularly have higher vacancy rates, which are then reduced following the acquisition through targeted investments and proven asset-management concepts. Investments are made exclusively in regions where TAG already manages properties, so as to use existing administrative structures. In addition, local market knowledge is indispensable when buying up new portfolios.

In addition to long-term portfolio management, the Group selectively takes advantage of sales opportunities in high-priced markets in order to reinvest the realised capital appreciation and liquidity in new portfolios with higher yields. With this strategy of 'capital recycling', TAG is also responding to the by-now intense competition for German residential properties and focussing on per-share returns. Growth in absolute orders of magnitude is not at the forefront of the business strategy. Rather, the aim is to offer tenants affordable housing through sustained and active portfolio management, and investors growing cash flows through attractive dividends.

Development of the TAG property portfolio

Overview

At the end of the third quarter of 2018, the TAG property portfolio comprised approximately 82,000 units. The focus is on the management of attractive yet affordable housing, with great awareness of the social responsibility towards our tenants. The regional focus remains mainly on northern and eastern Germany.



% acc.: proportional IFRS book value real estate volume

Portfolio	as of 09/30/2018	as of 12/31/2017
Units	81,915	83,140
Rentable area in sqm	4,980,997	5,054,778
Real estate volume in EURm	4,483.3	4,275.4
Annualised current net rent in EURm (total portfolio)	303.0	303.3
Current net rent in EUR/sqm/month (residential units)	5.26	5.20
Current net rent in EUR/sqm/month (total portfolio)	5.38	5.31
Vacancy in % (residential units)	5.2	4.8
Vacancy in % (total portfolio)	5.6	5.8
L-f-l rental growth in % (y-o-y)	2.4	2.0
L-f-l rental growth in % (incl. vacancy reduction, y-o-y)	2.8	3.1

Purchases and sales in the first nine months of the 2018 business year
In June 2018, a portfolio of 117 units in Neubrandenburg (Mecklenburg-Vorpommern) was acquired for a total purchase price of EUR 4.0m. An average purchase multiplier of 12.2 on the current annual net rent of EUR 0.3m was paid, which corresponds to an annualised gross initial yield of 8.2%. Vacancy in the portfolio is currently at about 1.8%. The transfer of ownership rights, benefits, and obligations took place in September 2018.

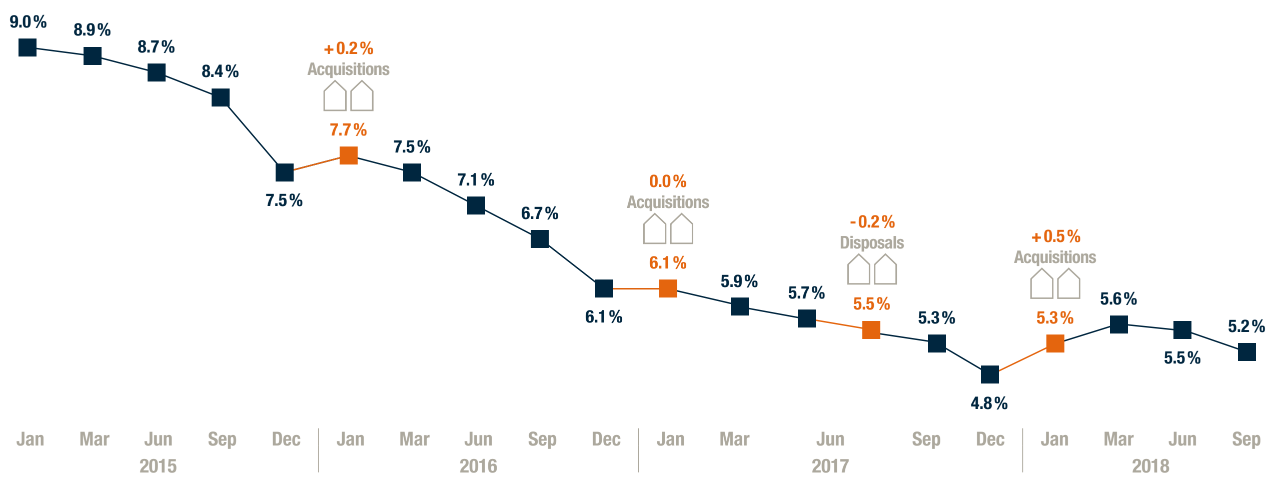
In July 2018, the acquisition of another property portfolio with 80 residential units in Stadtilm (Thuringia) was notarised. The purchase price was EUR 1.5m. Given the current annual net rent of EUR 0.18m, the purchase factor of 8.3 and the annualised gross initial yield is 12.0%. The current vacancy rate for this portfolio is approx. 22.3%, and the transfer of ownership rights, benefits, and obligations took place in September 2018.

In September 2018, a portfolio of 73 units in Riesa (Saxony) was acquired for a purchase price of EUR 3.2m. Annual net rent (without utilities) is currently EUR 0.23m, resulting in a purchase multiplier of 13.9 and an annualised gross yield of 7.2%. Vacancy in the portfolio at the time of purchase was 8.0%. The transfer of ownership, benefits and obligations is expected to take place at the end of 2018.

Also in September, the property portfolio was expanded by another 1,266 units in Mecklenburg-Vorpommern and Brandenburg. The main locations of the portfolio are in Schwerin and Angermünde. The annual net rent amounts to EUR 4.2m, vacancy in the portfolio is currently at 6.5%. The parties have agreed to keep the purchase price confidential. The transfer of ownership, benefits and obligations of the portfolio is expected to take place on 31 December 2018.

Concurrently, sales of 816 residential units were notarised by the end of September 2018, from which a book profit of EUR 0.8m is expected. In addition to the ongoing small-scale sales of 355 residential units (total purchase price EUR 14.1m, average sales factor 14.5, expected net cash proceeds EUR 13.7m), the sale of a portfolio of 461 units in North Rhine-Westphalia and Lower Saxony is particularly noteworthy. The transaction closed in September 2018. The annual rent of this portfolio amounts to EUR 1.42m, with vacancy currently at around 13.2%. Net cash inflow (after deduction of related bank financing) amounted to about EUR 13.0m. Confidentiality regarding the sales price was agreed with the purchaser. This sale was part of the ongoing portfolio adjustment comprising properties that are not part of the Group's core portfolio due to their locations.

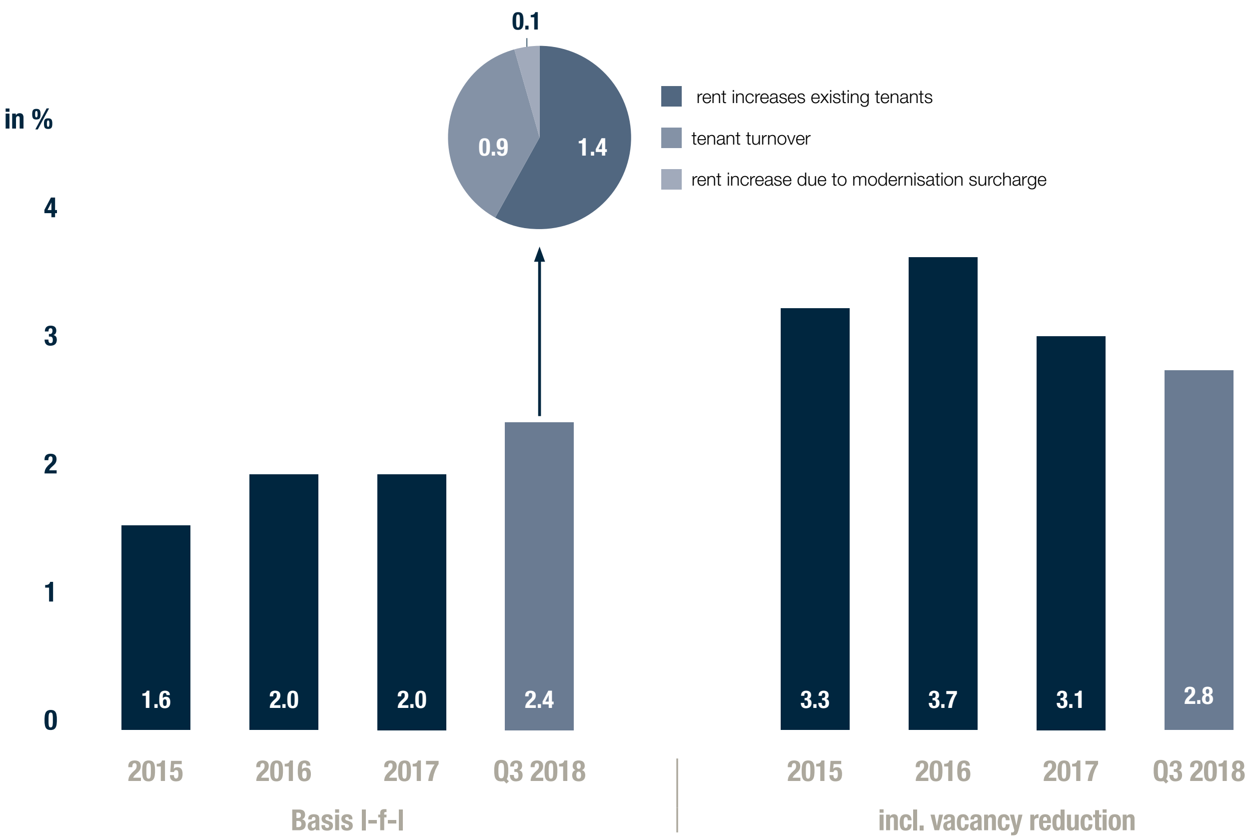
Vacancy
The following table illustrates the positive development of vacancy in the Group's residential units in the financial years 2015 to 2018:



As a result of the integration of the previous year's acquisitions, vacancy in the residential units rose from 4.8% at the end of 2017 to 5.2% in September 2018. Across the entire portfolio, the vacancy rate in September 2018 was 5.6%, down slightly from the beginning of the year.

Growth in rents

Growth in rents from the Group's residential units amounted to 2.4% per annum on a like-for-like basis (i.e. not including acquisitions and sales of the previous twelve months) at 30 September 2018, after 2.0% in the prior year. If one includes the effects of the vacancy reduction, total rental growth on a like-for-like basis for the past twelve months amounted to 2.8%, after 3.1% in the financial year 2017. The following chart shows the rental growth in the Group's residential units in the financial years 2015 to 2018:



Total investments in the residential units in the first nine months of 2018 amounted to EUR 13.96 per sqm (maintenance costs recognised as expenses of EUR 5.12 per sqm and capitalised modernisations of EUR 8.84 per sqm). Extrapolated to a full financial year of twelve months, this equates to EUR 18.60 per sqm compared to EUR 15.12 per sqm in 2017, EUR 15.41 per sqm in 2016 and EUR 15.15 per sqm in 2015. So the Group continues to achieve attractive rental growth with only moderate investment requirements and without extensive modernisation programmes for residential units already let.

The portfolio in detail by region

The following table shows further details of the TAG property portfolio, by region, as of 30 September 2018:

Region	Units	Rentable area sqm	IFRS BV 09/30/18 EUR m	In-place yield %	Vacancy Sep-2018 %	Vacancy Dec-2017 %	Current net rent EUR/sqm	Reletting rent EUR/sqm	L-f-l rental growth y-o-y %	L-f-l rental growth y-o-y** %	Maintenance EUR/sqm	Capex EUR/sqm
Berlin	9,910	565,577	604.2	6.0	4.9	4.9*	5.59	6.13	3.5	5.4	4.95	9.21
Chemnitz	7,617	442,265	313.0	7.4	10.2	9.7*	4.84	4.84	0.7	2.1	5.06	22.55
Dresden	6,336	411,431	462.9	5.8	3.2	3.1*	5.60	5.86	2.2	2.6	3.19	3.87
Erfurt	10,522	592,333	563.5	6.2	3.3	1.7*	5.10	5.60	1.4	1.2	3.69	6.31
Gera	9,747	567,396	405.4	7.5	9.2	8.6*	4.94	5.42	1.8	1.7	3.96	12.98
Hamburg	7,078	435,255	457.7	6.2	3.9	4.0*	5.63	5.88	3.8	3.5	9.44	4.05
Leipzig	10,222	607,980	507.5	7.0	4.9	3.6*	5.13	5.48	2.7	2.0	3.95	4.00
Rhine-Ruhr	4,222	269,780	279.7	6.0	2.4	2.9*	5.34	5.47	1.1	1.3	10.35	5.81
Rostock	5,616	336,283	314.8	6.6	3.8	3.2*	5.38	5.71	1.5	2.8	3.92	10.85
Salzgitter	9,178	563,159	477.3	7.0	4.9	5.2*	5.22	5.42	3.5	4.2	5.51	8.98
Total residential units	**80,448**	**4,791,461**	**4,386.0**	**6.5**	**5.2**	**4.8***	**5.26**	**5.57**	**2.4**	**2.8**	**5.12**	**8.84**
Acquisitions	115	5,990	6.0	5.0	6.8	14.4	4.50					
Commercial units within res. portfolio	1,185	151,368	-	-	17.0	17.6	7.62	-	-	-	-	-
Total residential portfolio	**81,748**	**4,948,819**	**4,392.0**	**6.8**	**5.6**	**5.7**	**5.33**	**-**	**-**	**-**	**-**	**-**
Other***	167	32,178	91.3	4.9	5.6	9.9	12.23	-	-	-	-	-
Grand total	**81,915**	**4,980,997**	**4,483.3**	**6.8**	**5.6**	**5.8**	**5.38**	**-**	**-**	**-**	**-**	**-**

* excluding acquisitions 2017 ** including effects from vacancy reduction *** including commercial properties and serviced apartments

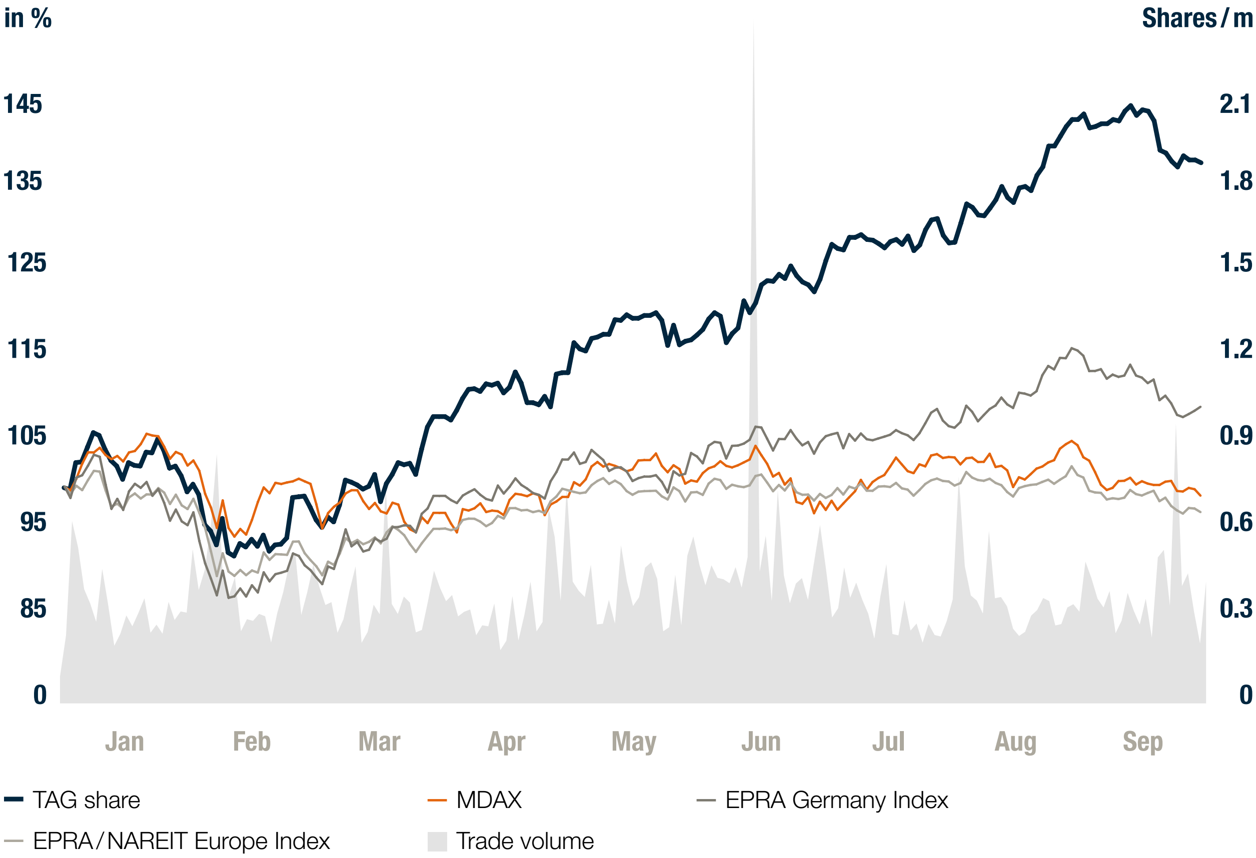
Housing Market Report Eastern Germany

In October 2018, TAG published its third consecutive Housing Market Report Eastern Germany. For the study, 27 eastern German large and medium-sized cities were once again evaluated by the real estate service provider Wüest Partner Deutschland. Among other things, the results show the positive demographic development in Eastern Germany and, for the first time, highlight the attractive risk-return ratio for property investors in Eastern Germany.

The TAG share and the capital market

Share performance

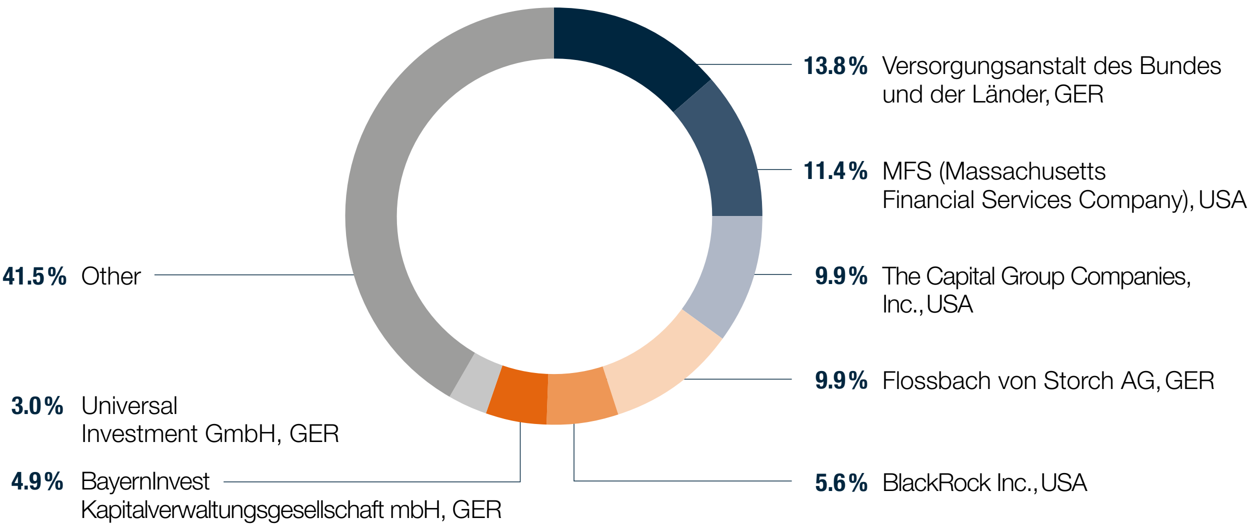
In the first half of 2018, the price of the MDAX-listed TAG share saw significant increases, closing at EUR 20.50 (+29%) on 30 September 2018 after a closing price of EUR 15.84 at the end of 2017. By contrast, the benchmark indices MDAX and EPRA Europe fell by around 2% in the first nine months of 2018. EPRA Germany, the index comprising the major German real estate stocks, made up 7% over the period.



Share capital and shareholder structure

The share capital and number of shares at the balance sheet date, at EUR 146,498,765 and 146,498,765 shares, remained unchanged compared to the end of 2017. TAG's market capitalisation was EUR 3.0bn at 30 September 2018, after 2.3bn at 31 December 2017. At the reporting date, free float accounted for 99.88% of the share capital, while 0.12% of the share capital (177,115 shares at 30 September 2018 vs 60,000 shares at 31 December 2017) is held by TAG as treasury shares for Management Board and staff remuneration.

As before, the majority of TAG shareholders are German and international investors with a predominantly long-term investment strategy, as the following overview (at 30 September 2018) shows:



New accounting standards and changes in presentation in the consolidated income statement

Significant effects of the first-time application of IFRS 9 (Financial Instruments) in the 2018 financial year
The standard provides guidance on the recognition and valuation of financial assets, financial liabilities and some contracts for the sale or purchase of non-financial items. It replaces IAS 39 Financial Instruments: Recognition and valuation.

IFRS 9 provides for a new classification and valuation system for financial assets which reflects the business model used to hold them and the characteristics of its cash flows. It defines three important categories for financial assets: amortised cost, fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVOCI). The standard eliminates the previous IAS 39 categories 'held to maturity', 'loans and receivables' and 'available for sale'.

In the past, TAG has measured at cost various equity instruments for which no listed price was available on an active market and whose fair value could not be reliably measured. The categorisation of these instruments as FVTPL resulted in a valuation gain of EUR 1m, which was directly recognised through. The standard did not have any material effect on the recognition of other financial instruments.

In future, impairments of financial assets will be measured using the expected-loss model rather than the incurred-loss model. This will give rise to two valuation levels:

- Lifetime expected credit losses: expected credit losses due to possible default events occurring during the lifetime of a financial instrument
- 12-month credit losses: expected credit losses due to possible default events within the next twelve months after the reporting date

Valuation on the basis of lifetime expected credit losses is applied if there has been a significant increase in credit risk since initial recognition; otherwise, the 12-month credit loss concept is applied. However, the lifetime expected credit loss concept should always be used for trade receivables and contractual assets with no material financing component. This resulted in additional impairment of around EUR 0.1m as of 1 January 2018, which was directly recognised through equity. This adjustment related exclusively to rent receivables. There was no additional impairment requirement for other financial assets. No additional impairments were necessary for the other financial assets.

There were no significant changes to the guidance for classifying financial liabilities.

The comparative infromation for earlier periods was not adjusted.

The cumulative effect of measuring other financial assets at their fair value (up EUR 1.0 m) and of applying the expected-loss model on trade receivables (down EUR 0.1m is recognised in equity as an effect from the first-time application of IFRS 9 effective 1 January 2018.

Significant effects of first-time application of IFRS 15 (Revenue from contracts with customers) in the financial year 2018

Income from property management includes rental services, which represent leasing components and are recognised as revenue on a straight-line basis over the term of the lease, as well as non-leasing components to be separated from these, i.e. services which are charged as operating costs and additional expenses.

Previously, the operating costs were reported net under leasing expenses. Under IFRS 15, it is necessary to draw a distinction on the basis of whether the services recognised as operating costs arise from the originated provision of services as a principal or are sourced from a third party as an agent.

For these purposes, the additional costs have been assigned to three categories:

- Internal service
- External service
- No performance of service / cost transfer

To date, the principal versus agency distinction has been made on the basis of the opportunities and risks arising from the provision of the services in accordance with IAS 18. Under IFRS 15, however, it will now be necessary to determine whether a party had control over the services prior to transfer to the customer. Indicators for this assessment, which must be viewed in their entirety and are not cumulative, include the primary responsibility for performance of the service, the potential inventory risk of not being able to recharge the costs and the power to set the price of the service. In addition, operating costs also include components that do not offer a tenant any separate benefit and are thus not distinct services. For these contractual components, the agreed consideration is allocated to the other identified components based on their relative standalone selling prices.

All services billed as operating costs and additional expenses are recognised using the principal method and shown in the income statement net of the corresponding revenues. Revenue is recognised when the service is rendered. Services charged to tenants and provided by third parties are shown under rental revenues. Services provided by the Group's own subsidiaries are reported in the income from services.

According to IFRS 15, property taxes and building insurance do not represent separately identifiable contractual obligations that provide the tenant with a definable benefit. For these contract components, the agreed consideration is allocated to the other identified contract components based on their relative individual selling prices.

The stated sales revenues are not included in the segment reporting, as the segment revenues only include the net rent in line with internal reporting.

The first-time application of IFRS 15 did not result in any differences with regard to the timing or amount of the proceeds realised and therefore had no impact on balance sheet items or on equity as of 1 January 2018. Furthermore, there were no effects on the consolidated net income for the interim reporting period; it is merely a change in presentation. Contrary to the intention described in the 2017 Annual Report, the retrospective method was used in this first-time application. To enable comparability with the figures for the previous period, the presentation of the previous year has been adjusted accordingly.

The presentation of a separate income from services, introduced for the first time as of 31 December 2017, was retained. It also takes into account the expansion of the existing business model to include further multimedia and energy management services in addition to the existing caretaker, repair handyman, and condominium management services. As part of this change in presentation, service income and corresponding expenses (mainly multimedia and energy management services as well as janitorial services and tradesmen's activities) previously shown net under rental expenses were shown separately as sales revenue and expenses from services, as was the revenue from services (mainly from condominium management) previously shown under other operating income.

Further details of the composition of income and expenses can also be found in the notes on the results of operations in the section entitled "Analysis of net assets, financial position and results of operations".

Analysis of net assets, financial position and results of operations

Results of operations

Taking into account the changes in presentation explained above, the breakdown of rental income for the first nine months of 2018 is as follows:

Rental income	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m (adjusted)
Net rent	226.1	218.0
Recharged external operating and incidental expenses	54.3	58.6
Recharged proportionate land tax and building insurance	14.3	13.0
Total	**294.7**	**289.6**

In the first nine months of the 2018 financial year, the Group increased its net rents by about 3.7% year-on-year, from EUR 218.0m to EUR 226.1m. The main reasons for the increase in rental income were the new inventories taken over in the 2017 financial year, and the good operational growth in rents.

The individual items of rental expenses are as follows:

Rental expenses	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m (adjusted)
Maintenance expenses	24.8	21.7
Operating costs of vacant real estate	7.4	7.3
Non-recoverable charges	7.2	8.9
Impairment losses on rent receivables	4.1	3.3
Non-recharged expenses	**43.5**	**41.2**
Recharged expenses, taxes and insurance premiums	68.6	71.6
Total	**112.1**	**112.8**

Mainly as a result of the increased rental revenues, rental profit, as the balance of rental revenues and expenses, also improved from EUR 176.8m in the previous year to EUR 182.6m in the third quarter of 2018.

The proceeds from the sale of properties and the results of their sale are shown below:

Income from sales	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m
Revenues from the sale of investment properties	74.2	34.8
Expenses on the sale of investment properties	-74.2	-34.4
Net income from the sale of investment properties	**0.0**	**0.4**
Revenues from the sale of properties held as inventory	5.8	2.7
Expenses from the sale of properties held as inventory	-5.5	-2.2
Net income from the sale of properties held as inventory	**0.3**	**0.5**
Total	**0.3**	**0.9**

The result from services is broken down into the services provided by the TAG Group and the pro rata property tax and building insurance included therein as follows:

Income from services	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m (adjusted)
Internally generated operating and incidental expenses	25.0	19.0
Work done by in-house craftsmen	2.2	1.7
Recharged proportionate land tax and building insurance	1.3	0.9
Other service income	3.9	3.5
Income from services	**32.4**	**25.1**
Expenditure from services	-19.3	-14.9
Total	**13.1**	**10.2**

The following overview shows the main items of other operating income:

Other operating income	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m (adjusted)
Reimbursement	1.3	0.7
Income from the de-recognition of liabilities	0.7	0.9
Income from the reversal of provisions	0.6	1.1
Other off-period income (e.g. income from impaired receivables)	0.6	0.6
Grants/subsidies	0.5	0.0
Other	0.9	1.1
Total	**4.6**	**4.4**

The result from fair value changes in investment properties and valuation of investment properties is shown below:

Valuation result	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m
Investment properties		
Net valuation gains on portfolio real estate	229.5	48.1
amount due to changes in expected transaction costs	0.0	-256.5
amount due to changes in other market parameters	229.5	304.8
Net valuation gains on real estate acquisitions	0.1	-6.2
	229.6	41.9
Properties held as inventory		
Impairments	0.2	-2.6
amount due to changes in expected transaction costs	0.0	-0.2
amount due to changes in other market parameters	0.2	-2.4
Total	**229.8**	**39.3**

Personnel expenses increased to EUR 32.5m in the reporting period (previous year: EUR 30.6m), especially due to the continued expansion of in-house caretaker and maintenance services. At 30 September 2018, TAG had 980 employees, including all caretakers and craftsmen, compared with 959 employees at the end of Q3 2017.

Amortisation of intangible assets and depreciation of property, plant and equipment mainly comprise scheduled depreciation of owner-occupied properties as well as IT and other office equipment. At EUR 3.1m they are slightly above the previous year's level of EUR 2.7m.

The composition of other operating expenses is shown below:

Other operating expenses	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m
Legal, consulting and auditing costs (incl. IT consulting)	4.2	3.7
Cost of premises	1.5	1.4
IT costs	1.2	1.0
Telephone costs, postage, office material	1.1	1.1
Travel expenses (incl. motor costs)	1.0	1.0
Ancillary staff costs	0.6	0.9
Investor Relations	0.4	0.4
Incidental expenses of monetary transactions	0.4	0.4
Advertising expenses	0.3	0.4
Insurances	0.3	0.4
Contributions and donations	0.3	0.3
Other	1.2	1.7
Total	**12.5**	**12.7**

The adjusted EBITDA (excluding net income from sales)/EBITDA margin for the first nine months of 2018 is as follows:

	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m
EBIT	**382.3**	**185.6**
Revaluations	-229.8	-39.3
Depreciation	3.1	2.7
Valuation result	-0.3	-0.9
EBITDA (adjusted)	**155.3**	**148.1**
Net rent	226.1	218.0
EBITDA margin (adjusted)	**68.7%**	**67.9%**

In June 2018, an existing EUR 125.0m corporate bond with an original maturity of 25 June 2020 was repaid prematurely, paying out the coupons still outstanding. The early interest expense of EUR 9.5m is included as a special effect in the net financial result. In addition, a valuation loss of EUR 21.9m results from the valuation of derivatives (here mainly on the portion of the EUR 262.0m convertible bond issued in August 2017 that was recognised as a derivative), so that the negative net financial result, which represents the balance of financial income and financial expenses, increased from EUR 67.9m as of 30 September 2017 to EUR 75.3m for the first nine months of 2018. By contrast, net financial income which is used in determining FFO, adjusted for one-off effects, improved to EUR 42.4m as of 30 September 2018, compared to EUR 51.5m in the same period of the previous year.

Financial result	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m
Investment income	0.5	0.2
Depreciation of financial assets	0.0	-0.3
Interest income	0.9	1.6
Interest expense	-76.6	-69.4
Financial income/expense	**-75.3**	**-67.9**
Non-cash interest from bonds	1.3	0.8
Breakage fees	9.8	13.1
Other non-cash items (i. e. derivatives)	21.8	2.5
Net financial income/expense (cash, after one-offs)	**-42.4**	**-51.5**

Income taxes are composed as follows:

Income taxes	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m
Actual income taxes for current year	3.6	3.1
Actual income taxes for previous years	-0.1	-0.3
Deferred income taxes	54.9	21.3
Total	**58.4**	**24.1**

Overall, TAG generated a consolidated net income of EUR 248.6m in the first nine months of the 2018 financial year, after EUR 93.6m in the first three quarters of 2017. This significant improvement of EUR 155.0m was driven by operations with a EUR 5.8m year-on-year increase in net rental income and a EUR 3.0m improvement in net income from services. In addition, the valuation result with an increase of EUR 190.5m had an especially positive effect on the consolidated result.

The following table shows the calculation of FFO I, the adjusted EBITDA, AFFO (adjusted funds from operations excluding capex, but not including capex for project developments) and FFO II (FFO I including net income from sales) in the first nine months of 2018, in comparison to the same period of the previous year:

in EUR m	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m
Net income	**248.6**	**93.6**
Income tax	58.4	24.1
Net financial result	75.3	67.9
EBIT	**382.3**	**185.6**
Valuation result	-229.8	-39.3
Depreciation	3.1	2.7
Net revenues from sales	-0.3	-0.9
EBITDA (adjusted)	**155.3**	**148.1**
Net financial result (cash, after one-offs)	-42.4	-51.5
Cash taxes	-3.6	-2.8
Cash dividend payments to minorities	-0.6	-0.6
FFO I	**108.7**	**93.2**
Capitalised maintenance	-9.9	-9.2
AFFO before modernisation capex	**98.8**	**84.0**
Modernisation capex	-32.5	-20.4
AFFO	**66.3**	**63.6**
Net income from sales	0.3	0.9
FFO II (FFO I + net income from sales)	**109.0**	**94.1**
Weighted average number of shares outstanding (in ‘000)	146,347	145,464
FFO I per share (EUR)	**0.74**	**0.64**
AFFO per share (EUR)	**0.45**	**0.43**

Thus FFO I during the reporting period increased significantly year-on-year, by EUR 15.5m (+17%). In addition to a EUR 7.2m increase in adjusted EBITDA, a EUR 9.1m improvement in net financial income also contributed to this positive development.

Net assets and investments

The balance sheet total at 30 September 2018 was EUR 4,722.6m, up from EUR 4,634.5m at 31 December 2017. At 30 September 2018, the book value of the entire real-estate volume was EUR 4,483.3m (31 December 2017: EUR 4,275.4m), of which EUR 4,333.8m (31 December 2017: EUR 4,166.0m) are investment properties, whose development over the reporting period is as follows:

Investment properties	2018 EUR m	2017 EUR m
Book value at January 1	4,166.0	3,777.8
Transfer from owner-occupied properties	0.1	0.0
Additions from purchase of real estate portfolios	9.4	0.0
Subsequent acquisition and production costs	42.9	8.1
Transferred to available-for-sale assets	-91.5	-12.8
Sales	-22.7	-0.8
Changes in market value	229.6	-0.3
Book value at September 30	**4,333.8**	**3,772.0**

In the first three quarters of 2018, TAG spent a total of EUR 67.2m (prior-year period: EUR 51.8m) on ongoing maintenance and modernisation costs across its portfolio. EUR 24.8m (prior-year period: EUR 21.7m) were expensed for maintenance recognised in profit or loss, and EUR 42.4m (prior-year period: EUR 29.6m) for capitalised modernisation costs, which break down as follows:

	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m
Large modernisation projects (e.g. multi-apartment buildings)	19.1	8.8
Modernistaion of flats		
Modernisation of vacant flats	13.4	11.7
Modernisation during re-letting	9.9	9.1
Total expenditures on modernisation	**42.4**	**29.6**

In addition, EUR 5.7m (prior-year period: EUR 0.5m) in capatilised modernisation expenses for project developments were incurred. Most of this is for a former commercial property that is currently being converted into student housing and micro-apartments. These modernisation costs are considered separately from the residential portfolio.

Deferred tax assets were as follows on the balance sheet date:

Deferred income tax assets	09/30/2018 EUR m	12/31/2017 EUR m
Unused tax loss	44.1	49.9
Derivative financial instruments	9.0	2.1
Others (including offsetting)	-9.9	-6.6
Total	**43.2**	**45.4**

The following table shows the main items of deferred tax liabilities:

Deferred tax liabilities	09/30/2018 EUR m	12/31/2017 EUR m
Valuation of investment properties	420.4	364.9
Other (including netting)	-8.7	-6.0
Total	**411.7**	**358.9**

Financial position and equity

The cash and cash equivalents as of the reporting date, and the cash and cash equivalents shown in the cash flow statement are as follows:

	09/30/2018 EUR m	12/31/2017 EUR m
Cash and cash equivalents (balance sheet)	147.3	263.7
Cash at banks subject to drawing restrictions	-3.0	-14.4
Cash and cash equivalents (cash flow statement)	**144.3**	**249.3**

Taking into account the dividend of EUR 95.1m paid out in May 2018, equity increased by EUR 152.6m in the first nine months of the 2018 financial year, mainly due to the positive consolidated result, so that equity as of 30 September 2018 amounts to EUR 1,799.2m (31 December 2017: EUR 1,646.6m). The equity ratio was 38.1% as of the reporting date, compared with 35.5% as of 31 December 2017.

The calculation of net asset value (NAV) according to EPRA recommendations as of the balance sheet date is as follows:

	09/30/2018 EUR m	12/31/2017 EUR m
Consolidated equity (before non-controlling interests)	**1,773.6**	**1,625.9**
Deferred income taxes on investment properties and derivative financial instruments	411.3	362.3
Fair value of derivative financial instruments	29.6	8.4
Difference between fair value and book value for properties valued at cost	32.6	24.8
EPRA NAV	**2,247.1**	**2,021.4**
Number of shares (outstanding) (in ‘000)	146,322	146,439
EPRA NAV per share in EUR	**15.36**	**13.80**

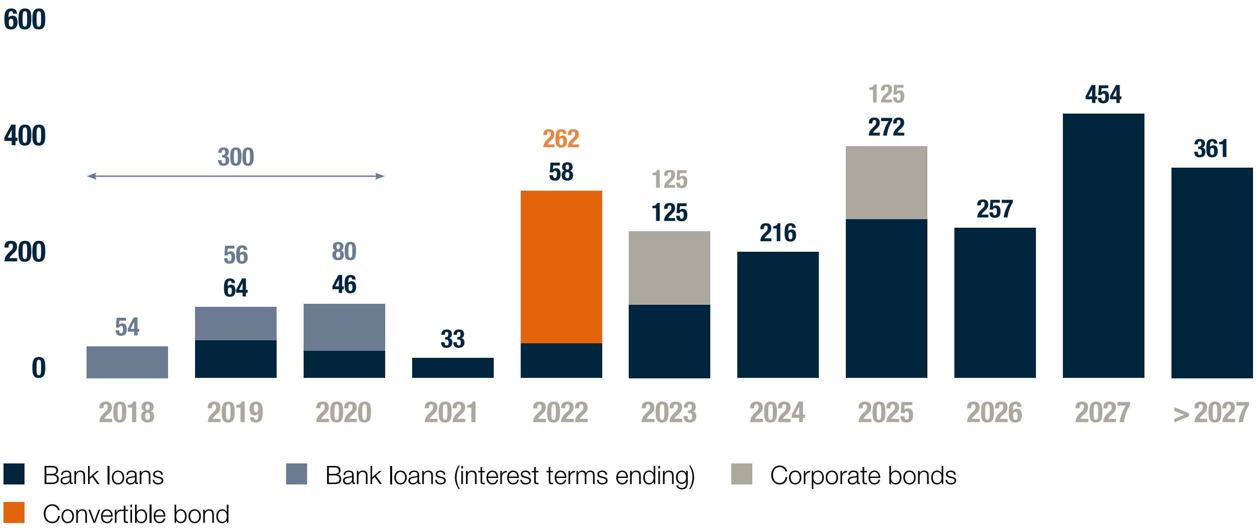
The calculation of the debt ratio loan-to-value (LTV) is shown below:

	01/01 - 09/30/2018 EUR m	01/01 - 09/30/2017 EUR m
Non-current and current liabilities to banks	1,871.5	1,935.4
Non-current and current liabilities from corporate bonds	249.8	322.2
Non-current and current liabilities from convertible bonds	256.8	256.2
Cash and cash equivalents	-147.3	-263.7
Net financial debt	**2,230.8**	**2,250.1**
Book value of investment properties	4,333.8	4,166.0
Book value of property reported under tangible assets	9.5	9.8
Book value of property held as inventory	48.4	48.1
Book value of non-current real-estate assets held for sale	91.6	51.5
Real estate volume	**4,483.3**	**4,275.4**
Difference between fair value and book value for properties valued at cost	32.6	24.8
Book value of property for which purchase prices have already been paid in advance	-0.5	-0.3
Relevant real estate volume for LTV calculation	**4,515.4**	**4,299.9**
LTV	**49.4%**	**52.3%**

The average interest rate on bank loans was 2.20% as of 30 September 2018, after 2.24% on 31 December 2017. Total cost of debt, i.e. including interest rates for corporate and convertible bonds, amounted to 1.96% as of 30 September 2018, compared to 2.34% at 31 December 2017.

The maturities of all financial liabilities as of 30 September 2018 are shown in the following diagram:

in EUR m



Fixed-interest liabilities to banks totalling EUR 300m (Q4 2018: EUR 54m; 2019: EUR 120m; 2020: EUR 126m) will mature within the next nearly three years or can be refinanced on maturity without prepayment penalty as the contractual interest commitment ends. The average interest rates on these bank loans are 1.76% (loans expiring in 2018), 3.54% (loans expiring in 2019) and 3.65% (loans expiring in 2020). In view of the current significantly lower market interest rates, a further reduction in financing costs is to be expected in subsequent years.

Material events after the reporting date

There were no material reportable events after the balance sheet date.

Outlook, opportunities and risks

Preliminary note

Its business activities expose TAG to various operational and economic opportunities and risks. Please refer to the detailed presentation in the „Outlook, Opportunities and Risks“ section of the Group Management Report for the 2017 financial year for further details. Since 1 January 2018, no significant developments have occurred or become apparent that would lead to a different assessment of the opportunities and risks.

Forward-looking statements are subject to risk and uncertainty as a result of which the actual figures may deviate substantially from those stated in such forward-looking statements. Many of these risks and uncertainties are related to factors which TAG can neither control, influence nor precisely estimate. This concerns, for example, future market and economic conditions, other market participants' behaviour, the ability to successfully integrate companies after acquisition and to tap expected synergistic benefits, as well as changes to tax legislation.

Forecasts for the financial year 2018 remain unchanged

The forecasts for the 2018 financial year, which were last adjusted with regard to the FFO, dividend and EBT with the publication of the half-year figures as at 30 June 2018 and which otherwise (with regard to NAV, vacancy, and rental growth) still apply with the figures published in the 2017 Annual Report, remain unchanged.

New FFO and dividend forecast for the 2019 financial year

With today's interim report as of 30 September 2018, we are also publishing, for the first time, a forecast for the FFO and dividend for the 2019 financial year, which is as follows:

- FFO (FFO I excluding sales) 2019: EUR 154m to EUR 156m (2018: EUR 141m to EUR 143m) or EUR 1.06 per share (2018: EUR 0.97), an increase of 9% year-on-year
- Dividend per share for 2019: EUR 0.80 (for 2018: EUR 0.73), also equivalent to a 9% year-on-year increase, and an unchanged pay-out ratio of 75% of FFO

The EUR 13m increase in FFO expected for the 2019 financial year is mainly due to higher rental income (approx. +EUR 9m), increased maintenance expenses (approx. -EUR 2m), lower financing costs (approx. +EUR 9m), and higher actual income taxes (approx. -EUR 3m). The forecast also assumes that approximately 500 flats from the ongoing small-scale sales business and approximately 1,600 units that are not part of the strategic core portfolio (non-core assets) will be sold in the course of the 2019 financial year, resulting in an FFO reduction of around EUR 3m, which is already accounted for in the above forecast. Further acquisitions, on the other hand, are not included in the forecast.

As in previous years, the forecasts for EBT, NAV, and the expected development of vacancy and rental growth in 2019 will be announced for the financial year 2018 in the annual report.

Hamburg, 30 October 2018

Claudia Hoyer	**Martin Thiel**	**Dr. Harboe Vaagt**
COO	**CFO**	**CLO**

CONSOLIDATED BALANCE SHEET

Assets in TEUR	09/30/2018	12/31/2017
Non-current assets		
Investment properties	4,333,755	4,166,008
Intangible assets	983	1,825
Property, plant and equipment	24,929	23,992
Other financial assets	7,292	6,537
Deferred taxes	43,237	45,434
	4,410,196	**4,243,796**
Current assets		
Property held as inventory	48,403	48,149
Other inventories	556	318
Trade receivables	7,757	8,716
Income tax receivables	3,661	7,066
Other current assets	13,090	11,324
Cash and cash equivalents	147,335	263,669
	220,802	**339,242**
Non-current assets held for sale	**91,595**	**51,502**
	4,722,593	**4,634,540**

Equity and liabilities in TEUR	09/30/2018	12/31/2017
Equity		
Subscribed capital	146,322	146,439
Share premium	777,546	779,689
Other reserves	1,035	-66
Retained earnings	848,671	699,848
Attributable to the equity holders of the parent company	1,773,574	1,625,910
Attributable to non-controlling interests	25,646	20,738
	1,799,220	**1,646,648**
Non-current liabilities		
Liabilities to banks	1,814,955	1,858,037
Liabilities from corporate bonds	248,711	124,930
Liabilities from convertible bonds	256,639	255,628
Derivative financial instruments	29,572	8,030
Retirement benefit provisions	5,670	5,942
Other non-current liabilities	6,879	6,648
Deferred taxes	411,679	358,910
	2,774,105	**2,618,125**
Current liabilities		
Liabilities to banks	56,584	77,399
Liabilities from corporate bonds	1,063	197,291
Liabilities from convertible bonds	136	547
Derivative financial instruments	0	328
Income tax liabilities	9,030	7,805
Other provisions	28,875	37,117
Trade payables	17,509	7,794
Other current liabilities	36,071	41,486
	149,268	**369,767**
	4,722,593	**4,634,540**

CONSOLIDATED INCOME STATEMENT

in TEUR	01/01/-09/30/2018	01/01/-09/30/2017 (adjusted*)	07/01/-09/30/2018	07/01/-09/30/2017 (adjusted*)
Rental income	294,706	289,649	98,756	96,203
Rental expense	-112,063	-112,821	-37,216	-37,322
Net rental income	182,643	176,828	61,540	58,881
Revenues from the sale of real estate	80,020	37,554	20,688	5,897
Expenses from the sale of real estate	-79,743	-36,658	-20,555	-5,585
Income from sales	277	896	133	312
Revenues from services	32,438	25,038	10,649	10,630
Expenses from services	-19,323	-14,867	-5,987	-4,754
Income form services	13,115	10,171	4,662	5,876
Other operating income	4,540	4,406	1,194	1,343
Fair value changes in investment properties and valuation of properties held as inventory	229,842	39,341	-192	-173
thereof due to changes in expected transaction costs	0	-256,660	0	0
thereof due to changes in other input factors	229,842	296,001	-192	-173
Personnel expense	-32,521	-30,598	-10,963	-10,466
Depreciation/amortisation	-3,110	-2,712	-1,104	-940
Other operating expense	-12,527	-12,720	-4,159	-4,394
EBIT	**382,259**	**185,612**	**51,111**	**50,439**
Net income from investments	451	169	56	56
Profit or loss from investments in associates	0	-7	0	-2
Impairments of financial assets	0	-261	0	0
Interest income	869	1,613	240	504
Interest expense	-76,592	-69,339	-13,876	-26,847
EBT	**306,987**	**117,787**	**37,531**	**24,150**
Income taxes	-58,417	-24,145	-7,319	-4,542
Consolidated net income	**248,570**	**93,642**	**30,212**	**19,608**
attributable to non-controlling interests	4,638	1,709	569	283
attributable to equityholders of the parent company	243,932	91,993	29,643	19,325
Earnings per share (in EUR)				
Basic earnings per share	1.67	0.64	0.20	0.14
Diluted earnings per share	1.61	0.63	0.19	0.14

* See the section ‘New accounting standards and changes in presentation in the consolidated income statement’

CONSOLIDATED CASHFLOW STATEMENT

in TEUR	01/01/ - 09/30/2018	01/01/ - 09/30/2017
Consolidated net income	248,570	93,642
Net interest through profit and loss	75,723	67,726
Current income taxes through profit and loss	3,505	2,766
Depreciation/amortisation of intangible assets and property, plant and equipment and financial assets	3,110	2,973
Profit or loss from investments in associates and other financial assets	- 451	- 162
Fair value changes in investment properties and valuation of properties held as inventory	- 229,842	- 39,341
Result from the disposal of investment properties	- 59	- 442
Result from the disposal of tangible and intangible assets	20	0
Impairments of rent receivables	4,101	3,331
Changes to deferred taxes	54,913	21,379
Changes in provisions	- 8,514	- 4,166
Interest received	392	1,142
Interest paid	- 54,069	- 58,817
Income tax payments	1,125	60
Changes in receivables and other assets	6,474	- 4,728
Changes in payables and other liabilities	5,143	5,382
Cashflow from operating activities	**110,141**	**90,745**
Payments received from the disposal of investment properties (less selling costs)	74,232	19,643
Payments made for investments in investment properties	- 52,323	- 175,857
Payments received from the disposal of intangible assets and property, plant and equipment	10	0
Payments made for investments in intangible assets and property, plant and equipment	- 3,323	- 7,949
Payments made for the purchase of minority interests	- 8	- 53
Payments received from other financial assets	432	292
Cashflow from investing activities	**19,020**	**- 163,924**
Purchase of treasury shares	- 2,377	0
Proceeds from the issuance of treasury shares (net, after costs)	510	50,417
Proceeds from the issuance of convertible bonds	0	259,229
Payment made for the repayment of corporate bonds	- 325,398	- 121,022
Proceeds from the issuance of corporate bonds	248,643	0
Dividends paid	- 95,109	- 83,470
Distribution to minority investors	- 959	0
Proceeds from new bank loans	28,412	664,110
Repayment of bank loans	- 87,808	-575,813
Cashflow from financing activities	**- 234,086**	**193,451**
Net change in cash and cash equivalents	- 104,925	120,272
Cash and cash equivalents at the beginning of the period	249,247	67,046
Cash and cash equivalents at the end of the period	**144,322**	**187,318**

TAG FINANCIAL CALENDAR 2019

Publications/Events

6 March 2019	Publication of Annual Report 2018
25 April 2019	Publication of Interim Statement Q1 2019
7 May 2019	Annual General Meeting, Hamburg
8 August 2019	Publication of Half Year Report Q2 2019
30 October 2019	Publication of Interim Statement Q3 2019

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The English version of the Interim Statement Q3 2018 is a translation of the German version. The German version is legally binding.

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