INTERIM REPORT 2020

ON THE 2ND QUARTER

GROWING CASHFLOWS

TAG Immobilien AG

GROUP FINANCIALS

in EUR m

Income statement key figures	01/01/2020-06/30/2020	01/01/2019-06/30/2019
Net actual rent	159.7	157.3
EBITDA (adjusted)	113.0	106.2
Consolidated net profit	212.8	233.7
FFO I per share in EUR	0.59	0.55
FFO I	86.5	80.3
AFFO per share in EUR	0.33	0.34
AFFO	48.6	50.2

Balance sheet key figures	06/30/2020	12/31/2019
Total assets	6,059.0	5,647.0
Equity	2,495.2	2,394.2
Equity ratio in %	41.2	42.4
EPRA Net Asset Value (NTA, fully diluted) per share in EUR	20.77	20.15
LTV in %	44.9	44.8

Portfolio data	06/30/2020	12/31/2019
Units Germany	85,500	84,510
Units Poland (secured pipeline)	c. 5,800	0
GAV (real estate assets Germany and Poland)	5,717.1	5,302.4
Vacancy in % (total)	5.6	4.9
Vacancy in % (residential units)	5.1	4.5
l-f-l rental growth in %	1.4	1.9
l-f-l rental growth in % (incl. vacancy reduction)	1.5	2.4

Employees	06/30/2020	12/31/2019
Number of employees (Germany and Poland)	1,320	1,160

Capital market data	
Market cap at 06/30//2020 in EUR m	3,108.7
Share capital at 06/30//2020 in EUR	146,498,765
WKN / ISIN	830350/DE0008303504
Number of shares at 06/30//2020 (issued)	146,498,765
Number of shares at 06/30//2020 (outstanding, without treasury shares)	146,268,801
Free float in % (without treasury shares)	99.82
Index	MDAX/EPRA

CONTENTS

TABLE OF CONTENTS

MANAGEMENT REPORT

GROUP INTERIM REPORT FOR THE FIRST SIX MONTHS OF THE 2020 FINANCIAL YEAR

Foundations of the Group

Overview and corporate strategy

TAG Immobilien AG ('TAG' or 'the Group' in the following) is a Hamburg-based property company focused on the German residential real estate sector. The properties owned by TAG are located in various regions of Northern and Eastern Germany and North Rhine-Westphalia, and, as of the 2020 financial year, in Poland as well. Overall, at 30 June 2020 TAG managed around 85,500 (31 December 2019: 84,500) residential units in Germany, and has a contractually secured pipeline for the construction of around 5,800 residential units in Poland.

TAG shares are listed in the MDAX of the Frankfurt Stock Exchange; TAG's market capitalisation at 30 June 2020 was EUR 3.1bn (31 December 2019: EUR 3.2bn).

TAG's business model in Germany is the long-term letting of flats. All functions essential to property management are carried out by its own employees. The Company also delivers caretaker services and – increasingly – craftsmen services for its own portfolio. It specialises in inexpensive housing that appeals to broad sections of the population. The Group's own multimedia company supports the provision of multimedia to tenants and expands the range of property management services offered. Energy management is pooled in a subsidiary through which the Group supplies commercial heating to its own portfolio with the aim of optimising energy management. In the medium term, these services are to be further expanded and supplemented with new services for tenants.

TAG invests primarily in medium-size towns and in the vicinity of large metropolises, where we see not only potential for growth, but in particular better opportunities for returns in comparison with investments in big cities. The newly acquired portfolios usually have higher vacancies, which are then reduced following the acquisition, through targeted investments and proven asset-management concepts. Investments in Germany are made nearly exclusively in regions already where TAG manages assets, to be able to use existing administrative structures. Also, knowledge of the local market is essential in the acquisition of new portfolios here.

In addition to long-term property management, the Group selectively uses sales opportunities in order to reinvest the realised capital appreciation and liquidity into new portfolios with higher yields. This strategy of 'capital recycling' is TAG's response to the intense competition for German residential real estate, and puts a focus on yield per share. Growth in absolute orders of magnitude is not at the forefront of the corporate strategy. Instead, the aim is to offer tenants affordable housing through sustained and active portfolio management, and investors growing cash flows through attractive dividends.

As of the beginning of the 2020 financial year, TAG geographically expanded its portfolio to Poland. Vantage Development S.A. ('Vantage'), a real estate developer whose headquarters and main activities are located in Wrocław in the western part of Poland, serves as the platform for further development, which going forward will focus on establishing the Group's own portfolio of residential units in Poland, and currently also includes the continued sale of units already planned and new units to be built.

The growing Polish residential real estate market is the target of a regional expansion of TAG's business model, which will focus on strong cash returns (i.e. FFO returns in relation to the equity invested) here as well. The Polish rental housing market is characterised by a supply shortage. It is considered one of the least saturated housing markets in Europe, with an increasing housing shortage that already exceeds 3.5 million units (OECD database). Furthermore, the absolute size of the Polish market (approx. 38 million inhabitants, sixth-largest EU country in terms of population), coupled with a growing services sector and favourable demographic trends ('Generation rent' – a growing preference for rented apartments) supports TAG's market entry in Poland. The Management Board expects that its early market entry will give TAG a competitive advantage in terms of scope, market knowledge, market penetration, and market position.

TAG's medium-term growth target, i.e. for the next three to five years, is to build up a portfolio of around 8,000–10,000 residential units in Poland. Capital spending will focus on development projects and new buildings in large cities with favourable population trends, proximity to universities, and a well-developed infrastructure.

Sustainable business development

Few topics are currently being discussed as intensively as issues relating to sustainability. Questions about sustainability targets, the impact of business activities on the environment and society, and a company's long-term plans are now changing the way the public looks at and perceives companies.

TAG is one of the largest private housing companies in Germany. Sustainable conduct is the basis of our business strategy. After all, it is the prerequisite for safeguarding the future of our Company. Our annual reporting on matters of sustainability in a given financial year is published in a separate Sustainability Report (available at www.tag-ag.com in the "Investor Relations/Financial Reports/Sustainability Reports" section), which is prepared in line with the standards of the Global Reporting Initiative (GRI) and the European Public Real Estate Association (EPRA). This allows us to compare our results and targets over time, and to monitor and report developments according to objective criteria.

Our commitment to sustainable business development is also increasingly recognised and honoured by the rating agencies. In a report published on 26 June 2020 by Sustainalytics, a leading company for market research, ratings and data on ESG (environment, social, governance) issues, TAG is ranked 41st out of a total of 905 real estate companies analysed worldwide, putting it in the top 5% of all companies in this sector. Our Group was rated 'low risk' with 12.6 points, having improved by over 10 points and moved up a category compared to the previous year.

Business report

The overall economy in Germany

The German economy will probably face the sharpest decline in gross domestic product (GDP) since the Federal Republic of Germany came into existence due to the effects of the coronavirus pandemic. According to the German Council of Economic Experts, GDP is expected to decline by 6.5% in 2020. Europe as a whole is estimated to see a decline of 8.5%. However, the Council is also forecasting a rise of 4.9% for the following year (2021) and thus expects a relatively rapid recovery. In 2022, GDP could already be back at pre-Covid-19 levels. Following the sharp economic decline of 12.4% in the second quarter of 2020, the Ifo Institute for Economic Research forecast for 2020 also expects a recovery in the second half of 2020, so that a decline of around 6.6% will be recorded during the course of the year. This scenario is based on the assumption that a second wave of coronavirus infections and a wave of insolvencies can be avoided. The Institute for Employment Research of the Federal Employment Agency also sees signs of recovery, not just for the German economy, and is optimistic about the future consumer climate in Europe, even if the level is comparatively low.

Accordning the Federal Employment Agency unemployment in Germany rose to 6.2% in June 2020 compared with 5.1% in March. The number of people registered as unemployed rose by more than 40,000 in June in comparison with the previous month, and the number of unemployed was up by around 640,000 year on year (compared with June 2019). However, a recovery is being seen in the labour market as well; the rise in unemployment figures is already slowing down after April and May. Overall, the labour market is proving to be relatively robust despite the economic repercussions from the Covid-19 pandemic, some of which have proven severe.

The overall economy in Poland

Before the outbreak of the Covid-19 pandemic, the Polish Economic Institute (Polski Instytut Ekonomiczny; PIE) had forecast a 3.5% growth in Poland's GDP in 2020. However, similar to developments in Germany, Poland is currently threatened by its first recession since 1991. According to PIE forecasts published in early May 2020, two scenarios are conceivable for Poland's GDP in 2020: In the first case, the extent of a second wave of Covid-19 pandemic with the associated negative effects is estimated to be low. In this case, the PIE predicts a 4.4% decline in Poland's economic output in 2020 as compared to 2019. In the second scenario, the expected second wave of infection would be similar or possibly even greater than the first wave. This would mean a shutdown of several sectors of the economy for one or two months in fall. In this latter case, Poland's GDP in 2020 would be 7.1% lower than in 2019.

Prior to the Covid-19 pandemic, the situation on the Polish labour market was considered to be especially labour-friendly. There is still a shortage of workers. However, according to Santander Bank and the Polish Central Bank, the situation could change. In the base scenario, the experts expect between 500,000 and 600,000 redundancies as a result of the Covid-19 pandemic. This would push up the unemployment rate to 5.6%.

The German residential real estate industry

According to Savills Germany's research results for the first half of 2020, the Covid-19 pandemic has only caused a short-term decline in activity in the German residential investment market. Despite the crisis, the transaction volume in the residential investment market in the first half of the year was around EUR 12.5bn, almost twice as high (+96%) as in the same period of the previous year. Most of this is attributable to Ado Properties' acquisition of Adler Real Estate. However, the effects of the crisis were definitely felt in April and May, and the average volume of EUR 3.2bn in Q2 2020 was below the second-quarter average of the last five years of EUR 4.1bn. However, in June, transaction activity was already recovering at above-average rates. A significant increase in investor demand for residential real estate and a similarly strong result as in the previous year is forecast.

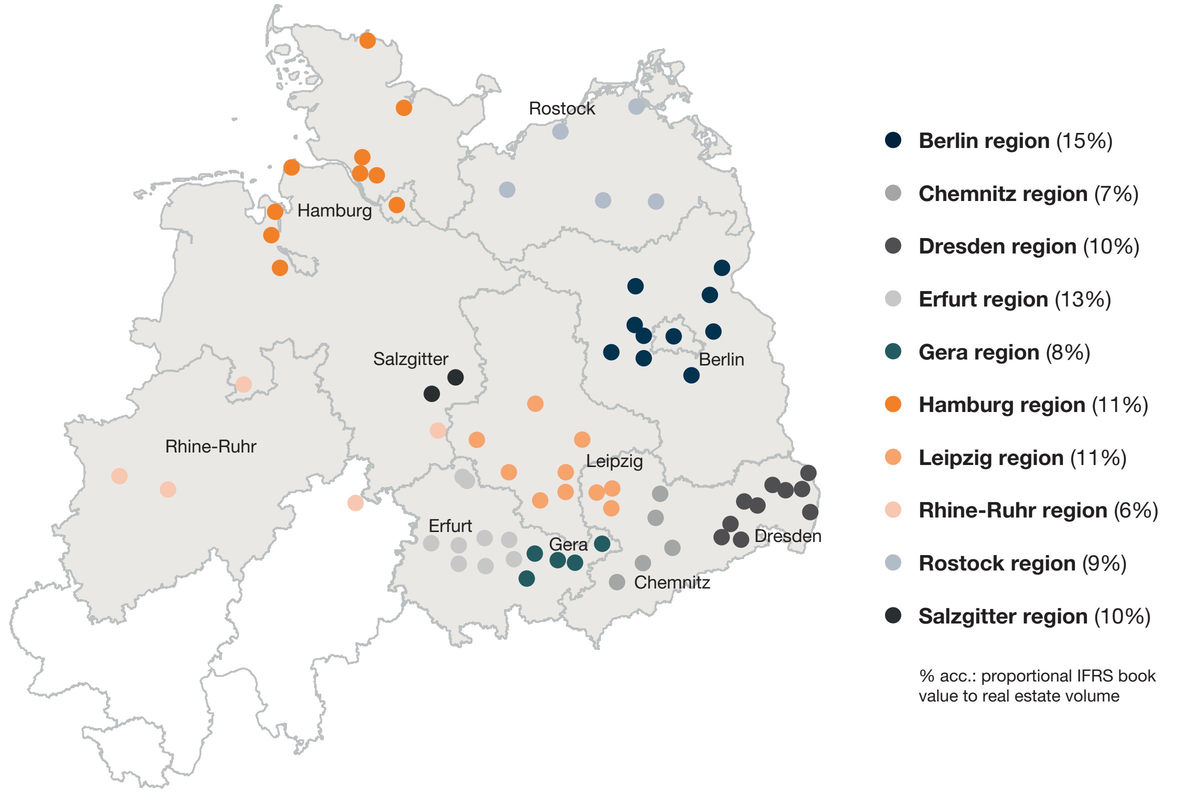
According to the EY Real Estate Trend Barometer June 2020, Germany continues to remain attractive for investments due to the stability of the real estate market, especially in a European comparison. The real estate ratio of the investors surveyed is at a new historic high of 10.8%, and it can be assumed that investments in real estate will continue to increase – especially in the stable segments of residential and logistics, despite the partly already high prices. The investment market is currently dominated by companies in the insurance sector, pension funds, private investors, and family offices.

Savills points to possible permanent changes in consumer and work behaviour in the wake of the Covid-19 pandemic due to an increased implementation of online concepts. A growing preference for more security, freedom, and living space is conceivable. In the long term this would lead to a relative strengthening of the urban periphery and a more decentralised urban development. An up-valuation of smaller cities also seems realistic if there is a reduction in time and transport costs at the place of work. This could open up opportunities for the real estate market, especially in the residential segment of 'B locations'. In Savills' view, a good start would be an orientation towards "bigger, greener and cheaper". Matters of ESG (Environmental, Social and Governance) are garnering much attention in the investment industry as elsewhere, and ESG criteria are often a relevant factor in real estate investments.

Development of the TAG portfolio

Overview of the portfolio

At the end of the first half of 2020, the TAG property portfolio in Germany comprised approximately 85,500 residential units. The regional focus is mainly on Northern and Eastern Germany, and the units are distributed as follows:



Portfolio data	06/30/2020	12/31/2019
Units	85,500	84,510
Floor space in sqm	5,148,638	5,094,435
Real estate volume in EUR m	5,564.7*	5,302.4
Annualised net actual rent in EUR m p.a. (total)	322.9	319.9
Net actual rent in EUR per sqm (total)	5.54	5.51
Net actual rent in EUR per sqm (residential units)	5.43	5.39
Vacancy in % (total)	5.6	4.9
Vacancy rate in % (residential units)	5.1	4.5
I-f-I rental growth in %	1.4	1.9
I-f-I rental growth in % (incl. vacancy reduction)	1.5	2.4

* Property volume EUR 5,717.1m in total (of which EUR 5,564.7m relates to German properties and EUR 152.4m to properties in Poland)

Purchases and sales in the first half of the 2020 business year

The following diagram gives an overview of acquisitions in Germany in the first half of the 2020 financial year:

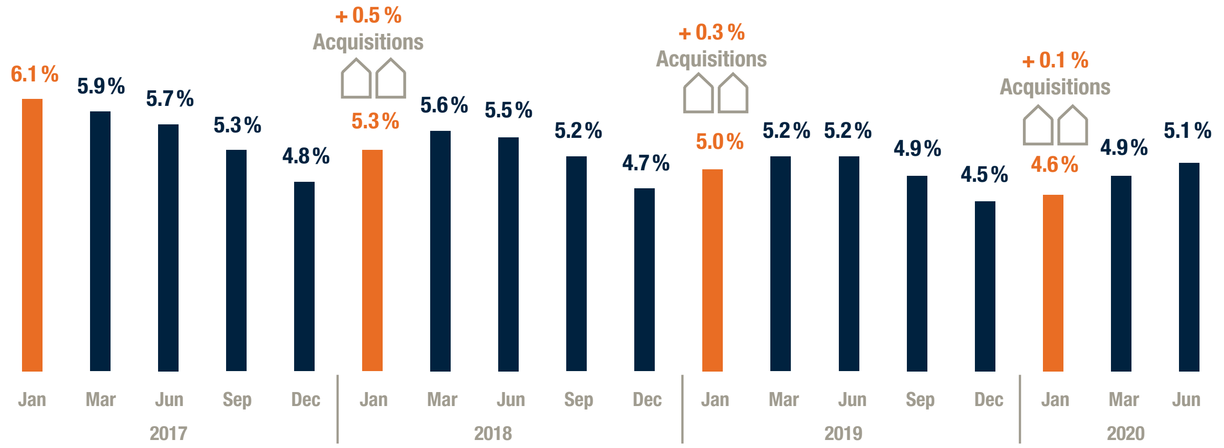
Acquisition	Saxony-Anhalt	Saxony	Total
Conclusion of the contract	January 20	March 20	
Units	431	434	865
Net actual rent in EUR/sqm/month	4.61	4.29	4.47
Vacancy in %	5.2	18.9	12.0
Purchase price in EUR m	-	-	29.2
Net actual rent in EUR m p.a.	1.3	1.0	2.3
Location	Bernburg/Biederitz/ Dessau/Gatersleben	Plauen, Jößnitz	-
Closing	March 20	April 20	-
Multipliers	-	-	12.9

In all, purchase agreements for 865 apartments were notarised. The average purchase multiplier (ratio between the purchase price excluding transaction costs and the annual net actual rent) of 12.9 achieved is to be considered very attractive given the stiff competition in the residential property market, and corresponds to an annual gross initial yield of 7.8%. Average vacancy in the acquired portfolios is 12.0%, and therefore offers further development potential.

In addition c. 320 units notarised in 2019 were closed. Meanwhile, in the ongoing sales business in Germany, sales of 209 units were notarised from January till June 2020. The sales price and net cash inflow totalled EUR 8.3m or 14.4 times the annual net actual rent. Only marginal book profit is expected from these sales.

Vacancy

The following table illustrates the development of vacancy in the Group's residential units in Germany since 2017 and in the first six month of 2020 to date:



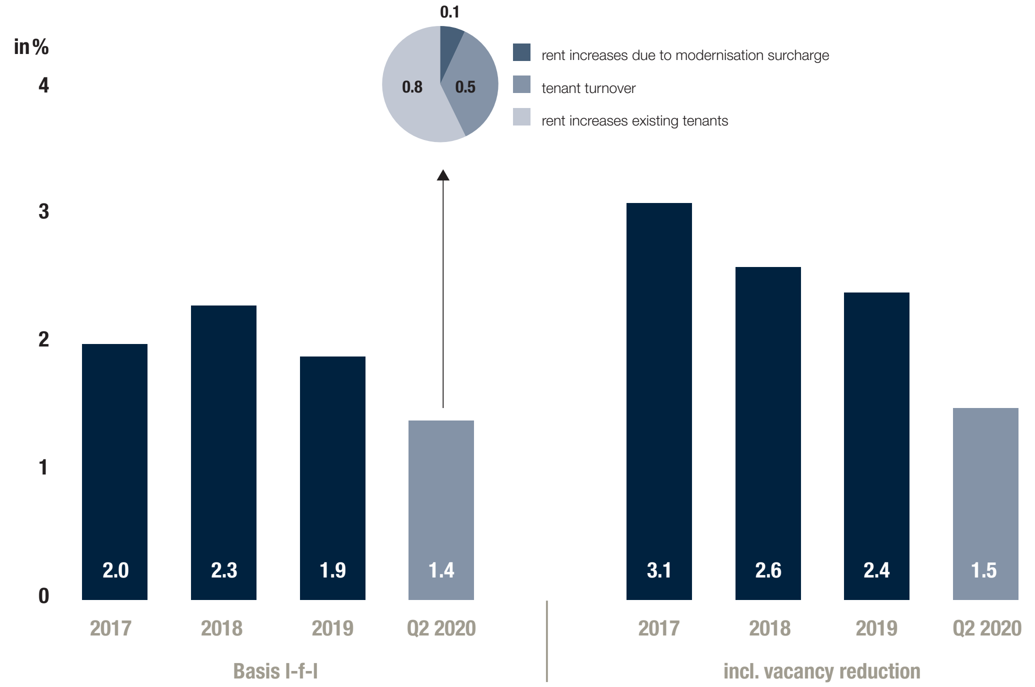
As a result of the integration of the previous year's acquisitions and due to ongoing modernisation programmes to reduce vacancy, as well as the fact that at times fewer viewings could be held, and thus fewer rentals signed, as a result of the Covid-19 pandemic, there was a slight rise in vacancy in the first half of the year. However, vacancy is expected to fall to the unchanged forecast level (4.3% to 4.5% at year-end 2020) in the second half of 2020. In August 2020, vacancy in TAG residential units had already receded back to 5.0%.

Vacancy across the residential units in the portfolio developed from 4.6% at the beginning of the year to 5.1% on 30 June 2020. Meanwhile, the vacancy rate for the portfolio as a whole was 5.6% compared to 4.9% at 31 December 2019.

Growth in rents

At 1.4% per annum, growth in rents from the Group's residential units at 30 June 2020 was down year-on-year (2019: 1.9% p.a.) on a like-for-like basis (i.e. not including the acquisitions and sales of the previous twelve months). This rental growth of 1.4% was comprised of ongoing rent increases for existing tenants (0.8%), rent increases in connection with a change of tenants (0.5%), and rent increases due to modernisation charges (0.1%). If one additionally includes the effects of the vacancy reduction in rental growth, total rental growth on a like-for-like basis for the past twelve months amounts to 1.5%, after 2.4% in the financial year 2019. The lower growth seen in the first half of the year compared to H1 2019 is also related to the effects of the Covid-19 pandemic. Besides the lower vacancy reduction compared to the previous year, the fact that TAG voluntarily did not raise rents by adjusting them to comparable local rents in the period from March to June 2020, as well as lower tenant fluctuation (and thus fewer rent increases in connection with re-letting) contributed to this development. However, these effects are likewise seen as temporary, so that the forecast for the full financial year 2020 of 2.0% to 2.5% rental growth on a like-for-like basis is maintained.

The following chart shows the rental growth in the Group's residential units in Germany in the financial years since 2017, and in the end of the second quarter of 2020:



Total investments in the residential units in the first six months of 2020 amounted to EUR 11.12 per sqm (maintenance costs recognised as expenses of EUR 3.42 per sqm, and capitalised modernisations of EUR 7.70 per sqm). Extrapolated to a full financial year of twelve months, this would come to EUR 22.24 per sqm, after 20.45 per sqm in FY 2019.

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 rise in total capex is due to increased modernisation expenditure to reduce vacancy.

The portfolio in detail by region

The following table shows further details of TAG's property portfolio in Germany, by region, as at 30 June 2020:

Region	Units	Rentable area sqm	IFRS BV 06/30/2020 EUR m	In-place yield %	Vacancy 06/30/2020 %	Vacancy Dec-2019* %	Net actual rent EUR/sqm	Reletting rent EUR/sqm	I-f-I rental growth y-o-y %	I-f-I rental growth y-o-y*** %	Maintenance EUR/sqm	Capex EUR/sqm
Berlin	10,410	597,030	817.2	4.8	4.5	4.1	5.78	6.24	1.7	1.1	2.82	11.77
Chemnitz	7,475	437,293	358.0	6.7	8.0	7.7	4.96	4.98	1.2	2.3	3.62	15.21
Dresden	6,298	409,025	561.2	4.9	3.1	2.1	5.78	6.17	1.9	1.5	1.84	3.61
Erfurt	10,812	607,967	682.6	5.4	3.1	2.6	5.26	5.58	1.2	1.7	2.93	6.32
Gera	9,631	560,160	440.7	7.2	7.1	7.0	5.06	5.33	1.3	2.1	2.53	5.13
Hamburg	7,039	432,857	570.8	5.1	4.0	4.2	5.80	6.02	1.2	2.1	4.65	10.64
Leipzig	10,013	589,863	592.3	5.9	6.5	5.4	5.31	5.75	1.6	1.2	2.94	3.47
Rhine-Ruhr	4,188	266,405	332.1	5.2	2.6	2.1	5.54	5.71	1.6	1.6	6.04	2.87
Rostock	7,987	452,551	491.7	5.8	4.9	3.6	5.54	5.93	1.3	1.6	4.99	9.46
Salzgitter	9,180	563,122	546.3	6.3	5.5	5.2	5.41	5.60	1.2	0.6	3.50	7.65
Total residential units	**83,033**	**4,916,272**	**5,392.8**	**5.6**	**5.1**	**4.5**	**5.43**	**5.70**	**1.4**	**1.5**	**3.42**	**7.70**
Acquisitions	1,166	65,361	42.6	7.2	16.7	7.8	4.68	–	–	–	–	–
Commercial units (within res, portfolio)	1,143	146,704	–	–	16.4	16.3	8.56	–	–	–	–	–
Total residential portfolio	**85,342**	**5,128,337**	**5,435.4**	**5.9**	**5.5**	**4.9**	**5.50**	**–**	**–**	**–**	**–**	**–**
Other	158	20,301	129.2**	5.1	6.1	8.1	13.33	–	–	–	–	–
Grand total	**85,500**	**5,148,638**	**5,564.7****	**5.9**	**5.6**	**4.9**	**5.54**	**–**	**–**	**–**	**–**	**–**

* Excluding acquisitions 2019 ** Including EUR 69.2m book value of project developments. *** Including effects from vacancy reduction

Development of business activities in Poland

Based on an average exchange rate of the Polish złoty (PLN) to the euro, revenues from the sale of properties by Vantage amounted to EUR 15.8m in the first half of 2020, up from EUR 4.4120:1. In the first half of 2020, sales of 266 apartments were notarised, and 155 apartments were handed over to their buyers. These handovers led to the aforementioned sales revenues.

Sales figures were down in the second quarter of 2020 due to the Covid-19 pandemic. Only 61 residential sales were notarised between April and June 2020 (Q1 2020: 205). However, in July 2020, a clearly upward trend was already observed, with 57 notarised apartment sales.

As of 30 June 2020, the contractually secured pipeline for the construction of apartments comprises a total of 5,800 units, of which 4,485 units are in Wrocław, and 1,074 units are in Poznań and 240 units are in Łódź.

According to current plans, of the total 5,800 units, approx. 3,200 to 3,300 units built for sale, while approx. 2,500 to 2,600 units are to be let upon completion, thereby forming the basis for the roughly 8,000 to 10,000 units that are to be built up as a rental portfolio in Poland within a period of three to five years. The first rental income is expected in Poland upon completion of the first rental projects in the course of the 2021 financial year. Until then, Vantage's business activities will continue to be almost exclusively in the sale of residential units.

Revaluation of the portfolio as at 30 June 2020

As in the 2018 and 2019 financial years, TAG's real estate portfolio was again completely revalued by CBRE GmbH, an independent expert, as at 30 June. In addition to this valuation, another full valuation will be performed as at 31 December 2020.

The total valuation gain of EUR 172.4m reported in the consolidated income statement for the first half of 2020, relates almost exclusively to properties in Germany (EUR 174.0m). In contrast, the revaluation result of EUR -1.6m for the properties in Poland was of minor significance.

The valuation gain of EUR 174.0m reported for the German portfolio on 30 June 2020 compares with a valuation gain of EUR 202.7m in the last (mid-year) revaluation for the period from 30 June to 31 December 2019 and is attributable to both the good operating performance (effect: EUR 30.4m) and 'yield compression', i.e. lower capitalisation interest rates due to lower yield requirements on the part of potential buyers (effect: EUR 143.6m).

The following table shows the valuation effects by individual region in Germany in detail:

Region (in EUR m)	06/30/2020 Fair value (IFRS)	06/30/2020 Fair value (EUR/sqm)	06/30/2020 Implied multiple	Valuation result	Share of operational performance/other market developments	Share of yield compression	12/31/2019 Fair value (IFRS)	12/31/2019 Fair value (EUR/sqm)	12/31/2019 Implied multiple
Berlin	817.2	1,300.5	19.6 x	30.5	1.6	28.9	779.6	1,240.9	18.6 x
Chemnitz	358.0	794.7	14.6 x	4.9	1.7	3.2	347.9	764.9	14.2 x
Dresden	561.2	1,334.4	19.7 x	27.0	3.7	23.4	532.7	1,266.4	18.7x
Erfurt	682.6	1,081.3	17.3 x	11.8	3.3	8.5	660.9	1,069.8	17.1 x
Gera	440.7	751.5	13.4 x	6.9	2.8	4.1	431.2	734.2	13.2 x
Hamburg	570.8	1,290.2	18.9 x	24.9	6.3	18.7	543.6	1,224.0	18.1 x
Leipzig	592.3	987.3	16.3 x	23.1	4.6	18.4	568.1	946.4	15.6 x
Rhine-Ruhr	332.1	1,197.1	18.2 x	13.3	1.4	12.0	318.0	1,146.3	17.5 x
Rostock	491.7	1,065.3	16.6 x	12.2	1.7	10.5	446.4	1,027.7	16.2 x
Salzgitter	546.3	967.6	15.5 x	16.9	3.5	13.4	525.1	930.1	14.9 x
Total residential units	**5,392.8**	**1,065.1**	**17.0 x**	**171.5**	**30.5**	**141.0**	**5,153.4**	**1,024.6**	**16.4 x**
Acquisitions	42.6	652.0	13.8 x	0.3	0.0	0.3	36.8	835.5	12.3 x
Total residential portfolio	**5,435.4**	**1,059.9**	**17.0 x**	**171.8**	**30.5**	**141.3**	**5,190.2**	**1,023.0**	**16.4 x**
Other	**129.2***	**2,958.0****	**19.7 x****	**2.2**	**-0.1**	**2.3**	**112.2**	**2,780.5**	**17.4 x**
Grand total	**5,564.7***	**1,067.4**	**17.0 x**	**174.0**	**30.4**	**143.6**	**5,302.4**	**1,030.2**	**16.4 x**

*Including EUR 69.2m book value of project developments **Excluding project developments

The valuation factor of the German portfolio (the ratio of the IFRS book value to the net actual rent) rose from 16.4 at the end of 2019 to 17.0 on 30 June 2020. This corresponds to a gross initial yield of 5.9% after 6.1% on 31 December 2019.

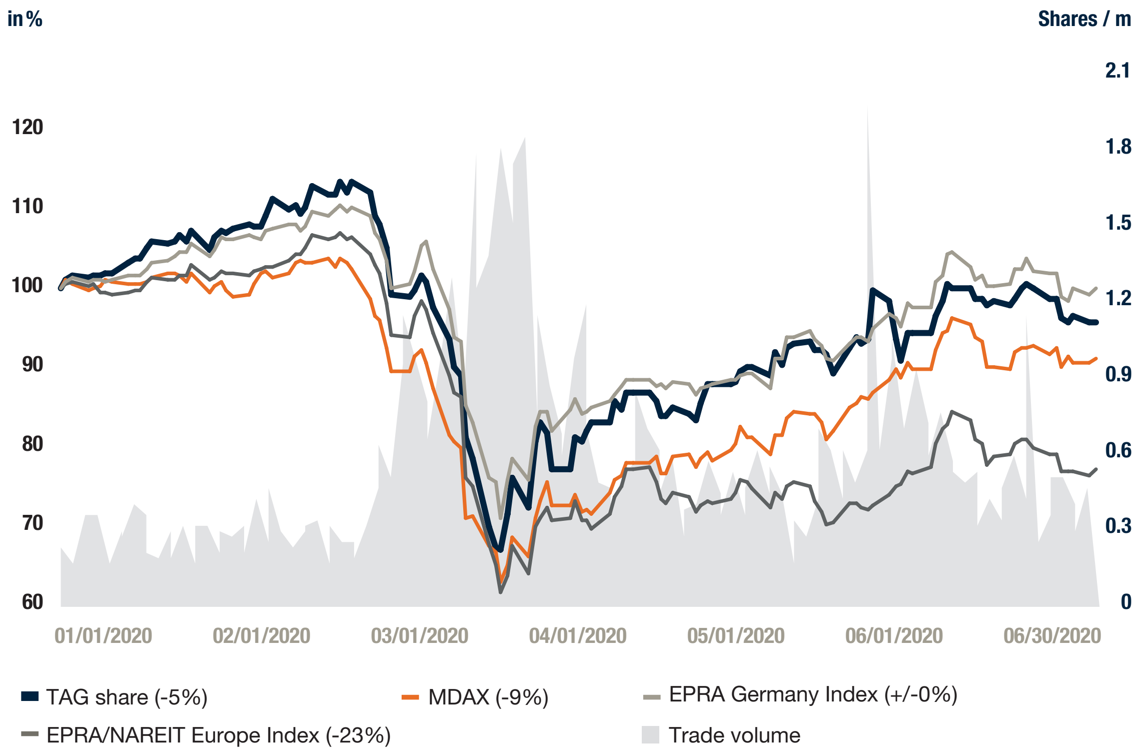
The TAG share and the capital market

Share performance

The price of the MDAX-listed TAG share fluctuated sharply in the first half of 2020 due to market pressures arising from the Covid-19 pandemic. Following a price of EUR 22.16 at the end of 2019, the stock traded at highs of around EUR 25.00 in February 2020 and lows of EUR 14.93 in March 2020. However, a significant recovery set in at the end of the first half, and the share price rose again to a value of EUR 21.22 on 30 June 2020, which corresponds to a 4% decline in its price compared to the beginning of the year.

Taking into account the dividend of EUR 0.82 per share paid to shareholders in May 2020, the overall performance of TAG stock in the first half of 2020 was -1%. So by the reporting date, the share had already made up for its losses during the peak phase of the Covid-19 pandemic. By comparison, the EPRA Index, which is made up of various European real estate companies listed on international stock exchanges, recorded a 23% decline in the first half of 2020.

At the national level, the MDAX index fell by 9%, while the EPRA Germany, which comprises the main German real estate stocks, at +/- 0%, had also recovered, as shown in the following chart:

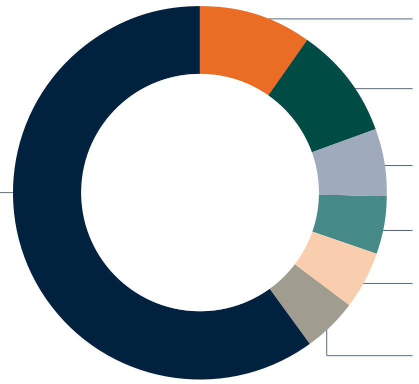


Share capital and shareholder structure

TAG's market capitalisation stood at EUR 3.1bn on 30 June 2020, up from EUR 3.2bn on 31 December 2019. The share capital and number of shares at 30 June 2020 remained unchanged year-on-year at EUR 146,498,765.00 and 146,498,765 shares.

At the reporting date, free float was at 99.82% of the share capital; 0.18% of the share capital (229,964 shares at 30 June 2020 after 161,815 shares at 31 December 2019) 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 shows:



Dividend

TAG's shareholders participate substantially in the Company's success by paying an attractive dividend. At this year's Annual General Meeting, which was held as a virtual AGM for the first time on 22 May 2020, the distribution of a dividend of EUR 0.82 per share for FY 2019, after EUR 0.75 per share in the previous year, was resolved and subsequently paid out.

To keep the share established as an attractive dividend stock into the future, we plan to pay a further increased dividend of EUR 0.87 per share for the 2020 financial year, corresponding to an unchainged pay-out ratio of 75% of FFO I.

Financial Rating

TAG holds an investment grade rating from Moody's (Baa3 with stable outlook). The rating supports TAG's stable financing structure and increases its flexibility in financing-related matters.

Analysis of the earnings, assets, and financial position

Preliminary note

Under a contract dated 8 November 2019, TAG acquired all shares in Vantage Development S.A., Wrocław, Poland. The acquisition became legally effective on 13 January 2020. Since that date, Vantage has been fully consolidated in TAG's consolidated financial statements.

The initial consolidation resulted in the recognition of goodwill of EUR 19.8m, which amounted to EUR 18.8m on 30 June 2020 (31 March 2020: EUR 18.4m), mainly due to currency translation effects. This calculation is based on an allocation of the cash purchase price of EUR 131.9m for the shares to the fair values of the acquired assets and liabilities.

Apart from the recognition of this goodwill, the initial consolidation of Vantage did not have any material effect on TAG's earnings, assets, and financial position. The contribution of Vantage and the business activities in Poland to TAG's consolidated net profit and the contribution to the TAG Group's FFO II in the first half of 2020 are as follows:

FFO II contribution Poland in EURm	01/01-06/30/2020
Net income from Poland	-3.0
Result of effects from purchase price allocation	2.4
Valuation result	1.6
Deferred taxes	-2.0
Minority interest	0.2
Result of operations Poland	**-0.8**

Due to the lack of rental income, business activities in Poland had no influence on FFO I in the reporting period.

Results of operations

The breakdown of rental income for the first half of 2020 is as follows:

Rental income in EUR m	01/01-06/30/2020	01/01-06/30/2019
Net actual rent	159.7	157.3
Pro rata remuneration of property tax and building insurance	11.1	9.8
Rental income according to IFRS 16	**170.8**	**167.1**
External operational and anciallary costs recharged to tenants	39.5	35.8
Pro rata remuneration of property tax and building insurance	2.7	2.2
Costs recharged to tenants according to IFRS 15	**42.2**	**38.0**
Total	**213.0**	**205.1**

In the first six months of the 2020 financial year, the Group increased its net actual rents from EUR 157.3m to EUR 159.7m compared to the prior-year period. The main reason for this increase was the operational growth in rents.

The individual items of rental expenses are as follows:

Rental expenses in EUR m	01/01-06/30/2020	01/01-06/30/2019
Maintenance expenses	16.9	16.7
Non-recoverable ancillary costs	4.7	4.8
Ancillary costs of vacant real estate	3.2	5.6
Non-recharged expenses	**24.8**	**27.1**
Rechargeable costs, taxes and insurance	53.3	47.8
Rental expenses	**78.1**	**74.9**
Impairment losses on rent receivables	1.9	2.5
Total	**80.0**	**77.1**

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

Income from sales in EUR m	01/01-06/30/2020	01/01-06/30/2019
Revenues from the sale of investment properties	6.6	5.1
Expenses on the sale of investment properties	-6.9	-5.1
Net income from the sale of investment properties	**-0.3**	**-0.0**
Revenues from the sale of properties held as inventory	0.6	0.6
Expenses on the sale of properties held as inventory	-1.3	-0.4
Expenses on the sale of inventories	**-0.7**	**0.2**
Revenues from the sale of properties held as inventory Poland	15.8	0.0
Expenses on the sale of properties held as inventory Poland	-16.2	0.0
Expenses on the sale of inventories Poland	**-0.4**	**0.0**
Total	**-1.4**	**0.2**

Expenses on the sale of properties held as inventory in Poland include increased book value of disposals of EUR 3.3m from the preliminary purchase price allocation, which in principle lead to a negative sales result. Excluding this effect, the gains on disposals for the first half of 2020 amount to EUR 2.9m.

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

Net income from property services in EUR m	01/01-06/30/2020	01/01-06/30/2019
Energy services	12.3	10.1
Facility management	6.7	6.2
Multimedia services	4.3	4.2
Internally generated in-house craftsmen services	2.1	1.9
Recharged proportionate land tax and building insurance	1.4	1.2
Other service income	1.5	1.2
Income from property services	**28.3**	**24.8**
Expenses from property services	-15.4	-14.7
Impairments accounts receivables	-0.2	-0.3
Total	**12.7**	**9.8**

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

Other operating income in EUR m	01/01-06/30/2020	01/01-06/30/2019
Capitalised internal costs	1.1	0.0
Derecognition of liabilities	0.7	0.5
Income from the reversal of provisions	0.2	0.1
Other	0.9	1.2
Total	**2.9**	**1.8**

Capitalised own work corresponds to internal personnel and material costs directly attributable to construction projects in Poland.

The item "Fair value changes of investment properties and valuation of inventory properties“ includes the gains and losses from the ongoing valuation of investment properties held in the portfolio, the valuation result from the purchase of investment properties, and effects from the valuation of inventory properties.

The breakdown is as follows:

Valuation result real estate in EUR m	01/01-06/30/2020	01/01-06/30/2019
Investment properties		
Valuation result on portfolio properties	172.2	212.3
Inventory properties		
Reversal of impairment losses on inventory properties	0.0	0.0
IFRS 5 Properties		
Valuation result of properties held for sale	0.2	-0.9
Total	**172.4**	**211.4**

Due in particular to the first-time inclusion of Vantage in the consolidated financial statements, personnel expenses rose to EUR 28.1m in the reporting period (previous year: EUR 24.3m). EUR 2.5m (previous year period: EUR 0.0m) were attributable to Vantage. On 30 June 2020, TAG had 1,320 employees, including the staff in Poland, up from 1,160 at the end of 2019.

Depreciation and amortisation of intangible assets and property, plant and equipment mainly comprises scheduled depreciation and amortisation of owner-occupied property and of IT and other office equipment, and at EUR 3.4m was only slightly above the level of EUR 3.1m in the same period of the previous year.

The composition of other operating expenses is shown below:

Other operating expenses in EUR m	01/01-06/30/2020	01/01-06/30/2019
Legal, consulting and auditing costs (incl. IT consulting)	3.3	2.5
Telephone costs, postage, office supplies	0.9	0.8
IT costs	0.8	0.9
Costs of premises	0.8	0.7
Travel expenses (incl. vehicles costs)	0.6	0.7
Additional personnel expenses	0.5	0.7
Other	2.4	2.0
Total	**9.3**	**8.3**

The net financial result in the consolidated income statement, which represents the balance of financial income and financial expenses, improved from EUR -31.9m for the prior-year period to EUR -14.3m. Adjusted for one-off effects, the net financial result, which is used in determining FFO, improved from EUR -22.7m to EUR -21.9m compared with the first half of 2019, and is calculated as follows:

Financial result in EUR m	01/01-06/30/2020	01/01-06/30/2019
Other financial result	1.4	0.4
Interest income	9.9	0.2
Interest expense	-25.6	-32.5
Financial result	**-14.3**	**-31.9**
Non-cash interest on bonds and notes	-7.9	0.7
Early prepayment penalties	0.6	0.1
Other non-cash items (e.g. derivatives)	-0.3	8.4
Net financial result (cash effective, excluding one-off effects)	**-21.9**	**-22.7**

Non-cash interest from bonds mostly refers to changes in the fair value of the conversion right of the convertible bond issued by TAG, which is separately measured as an embedded derivative as of 30 June 2020. The other financial result essentially contains effects from foreign currency translation as of 30 June 2020 and income from investments.

Income taxes are composed as follows:

Taxes on income in EUR m	01/01-06/30/2020	01/01-06/30/2019
Actual income taxes current financial year	5.5	2.9
Actual income taxes previous years	0.1	-0.3
Deferred taxes	46.0	47.3
Total	**51.6**	**49.9**

All in all, TAG generated consolidated earnings of EUR 212.8m in the first six months of the year, after EUR 233.7m in the first half of 2019. The decrease in consolidated net income is primarily due to the EUR 39.0m reduction in the valuation result from EUR 211.4m to EUR 172.4m. The improvement in the financial result from EUR -31.9m to EUR -14.3m contributed to an improvement in earnings of EUR 17.6m.

The following table shows the calculation of adjusted EBITDA, FFO I, AFFO (adjusted funds from operations excl. capex except capex for project developments) and FFO II (FFO I incl. net revenue from sales in Germany and adding in the earnings contribution from business activity in Poland) in the present year to date, compared with the same period of the previous year:

in EUR m	01/01-06/30/2020	01/01-06/30/2019
Net income	**212.8**	**233.7**
Elimination net income Poland	3.0	0.0
Net income Germany	**215.8**	**233.7**
Income taxes	52.3	49.9
Financial result	14.5	31.9
EBIT	**282.6**	**315.5**
Adjustments		
Valuation result	-174.0	-211.4
Depreciation	3.4	3.1
Elimination of IFRS 16 effects	0.0	-0.8
Sales result	1.0	-0.2
EBITDA (adjusted)	**113.0**	**106.2**
Rental income (net actual rent)	159.7	157.3
EBITDA marge (adjusted)	**70.8%**	**67.5%**
Net finance income (cash, without one-offs)	-22.1	-22.7
Income taxes (cash)	-3.8	-2.6
Guaranted dividend minorities	-0.6	-0.6
FFO I	**86.5**	**80.3**
Capitalised maintenance	-4.5	-5.1
AFFO (before modernisation capex)	**82.0**	**75.2**
Modernisation capex	-33.3	-24.9
AFFO	**48.7**	**50.2**
Net revenues from sales Germany	-1.0	0.2
Operating activities Poland	-0.8	0.0
FFO II	**84.7**	**80.6**
Weighted average number of shares (outstanding, in 000)	146,286	146,328
FFO I per share in EUR	**0.59**	**0.55**
AFFO per share in EUR	**0.33**	**0.34**
Weighted average number of shares (fully diluted, in 000)	161,141	161,090
FFO I per share in EUR, fully diluted	**0.54**	**0.50**
AFFO per share in EUR, fully diluted	**0.30**	**0.32**

As a result, FFO I, which is currently still calculated solely on the basis of the rental business operated by TAG in Germany, increased by EUR 6.2m or 8% year-on-year in the period under review. This increase was primarily due to a EUR 6.8m increase in adjusted EBITDA and a EUR 0.6m improvement in the net financial result (cash, excluding non-recurring effects).

In the first half of 2020, AFFO declined by EUR 1.5m, or 3%, compared to the same period in 2019. Despite the EUR 6.1m increase in FFO I, the main reason for this development was the EUR 8.4m increase in the modernisation capex year-on-year, which is due to increased investments in vacancy reduction.

Net assets and investments

Total assets increased to EUR 6,059.0m at 30 June 2020 compared to EUR 5,647.0m at 31 December 2019. On 30 June 2020, the book value of the Group's total property volume amounted to EUR 5,717.1m on the reporting date (31 December 2019: EUR 5,302.4m), of which EUR 5,564.7m is attributable to German properties and EUR 152.4m to properties in Poland.

In the first half of 2020, TAG spent a total of EUR 54.7m (prior-year period: EUR 46.8m) on ongoing maintenance and modernisation costs across its portfolio. EUR 16.8m (prior-year period: EUR 16.7m) were spent on maintenance recognised in profit or loss, and EUR 37.9m (prior-year period: EUR 30.1m) for capitalised modernisation costs, which break down as follows:

Modernisation expenses in EUR m	01/01-06/30/2020	01/01-06/30/2019
Major measures (e.g. modernisation of entire blocks of flats)	21.5	15.3
Modernisation of flats		
Previously vacant flats	11.9	9.6
Tenant turnover	4.5	5.1
Total modernisation expenses like-for-like portfolio	**37.9**	**30.0**

In addition, modernisation expenses of EUR 15.1m were incurred for project developments (previous year: EUR 2.9m), the bulk of which was for a former office building in Munich that is currently being converted into a hotel. These modernisation expenses are considered separately, independently of the residential portfolio.

Deferred tax liabilities were as follows at the balance sheet date:

Deferred tax assets in EUR m	06/30/2020	12/31/2019
Unused tax losses (incl. Interest carried foward)	45.9	48.9
Derivative financial instruments	18.1	21.1
Other (incl. offset)	-14.3	-20.3
Total	**49.7**	**49.7**

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

Deferred tax liabilities in EUR m	06/30/2020	12/31/2019
Valuation of investment properties	561.5	514.3
Other (including netting)	-11.7	-17.3
Total	**549.8**	**497.0**

Financial position and equity

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

Cash and cash equivalents in EUR m	06/30/2020	12/31/2019
Cash and cash equivalents as per balance sheet	176.5	91.3
Restricted cash in banks	-3.4	-2.6
Financial recources	**173.1**	**88.7**

Equity, after consideration of the dividend of EUR 119.9m paid out in May 2020 (previous year: EUR 109.8m), increased by EUR 101.0m in the first six months of the 2020 financial year, mainly due to the positive consolidated result, so that total equity at 30 June 2020 amounts to EUR 2,495.2m (31 December 2019: EUR 2,394.2m). The equity ratio is 41.2% on the reporting date, after 42.4% at 31 December 2019.

Starting with the 2020 financial year, the European Public Real Estate Association (EPRA) changed the definition of net asset value (NAV) and now distinguishes between three different key figures, namely:

- EPRA Reinstatement Value (EPRA NRV), which essentially refers to the reconstruction cost value of the property portfolio, including any transaction costs incurred

- EPRA Net Tangible Assets Value (EPRA NTA), which excludes intangible assets, including goodwill, and

- EPRA Net Disposal Value (EPRA NDV), which assumes a sale of the real estate portfolio and thus also requires a fair value measurement of deferred income taxes and derivative financial instruments.

All ratios must be calculated on a fully diluted basis, i.e. in the case of TAG, taking into consideration the effects of outstanding convertible bonds and potential shares under remuneration programmes.

Unless other best practice developments arise in the industry, TAG will treat the EPRA NTA as its ‘leading NAV indicator’ and communicate it on a quarterly basis. EPRA NRV and EPRA NDV will then be determined on an annual basis as part of the Annual Report.

As of the reporting date, the calculation of the EPRA NTA, also in comparison to the ‘EPRA NAV’ calculated to the end of the 2019 financial year, is as follows:

	06/30/2020		12/31/2019	
in EUR m	**NAV old**	**NTA**	**NAV old**	**NTA**
Consolidated equity (before non-controlling interests)	2,419.4	2,419.4	2,342.6	2,342.6
Effect from conversion of convertible bond	315.5	315.5	324.2	324.2
NAV/NTA (diluted)	**2,734.9**	**2,734.9**	**2,666.8**	**2,666.8**
Difference between fair value and book value of properties valued at cost	84.0	84.0	85.2	85.2
Deferred taxes on investment properties and derivative financial instruments	543.4	543.4	492.8	492.8
Fair value of derivative financial instruments	7.0	7.0	6.2	6.2
Intangible assets	0.0	-22.3	0.0	-2.6
EPRA NAV/NTA (diluted)	**3,369.3**	**3,347.0**	**3,251.0**	**3,248.4**
Number of shares outstanding (diluted, in 000)	161,123	161,123	161,191	161,191
EPRA NAV/NTA per share in EUR (diluted)	**20.91**	**20.77**	**20.17**	**20.15**
Number of shares outstanding (in 000)	146,269	146,269	146,337	146,337
EPRA NAV/NTA per share in EUR	**21.25**	**21.11**	**20.45**	**20.43**

The main reasons for the increase in the EPRA NTA are the good operating result and the property valuation.

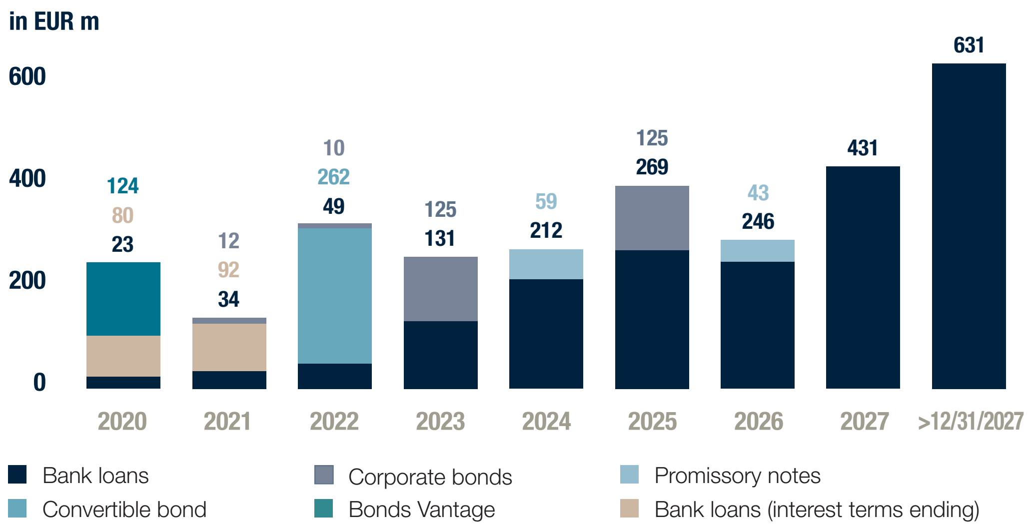
The calculation of the debt ratio loan-to-value (LTV) is shown below:

in EUR m	06/30/2020	12/31/2019
Non-current and current liabilities to banks	2,001.4	1,901.2
Non-current and current liabilities from corporate bonds and other loans	515.1	403.0
Non-current and current liabilities from convertible bonds	259.6	258.9
Cash and cash equivalents	-176.5	-91.3
Net financial debt	**2,599.6**	**2,471.8**
Book value of investment properties	5,462.3	5,200.0
Book value of property reported under tangible assets	9.5	9.4
Book value of property held as inventory	192.6	58.5
Book value of property reported under non-current assets held for sale	52.7	34.5
Real estate volume	**5,717.1**	**5,302.4**
Difference between fair value and book value for properties valued at cost	84.0	85.2
Prepayments made or received on real estate transactions	-7.5	130.4
Relevant real estate volume for LTV calculation	**5,793.6**	**5,518.0**
LTV	**44.9%**	**44.8%**

Of the Group’s total net debt of EUR 2,599.6m, EUR 2,608.4m is attributable to Germany and EUR -8.8m to Poland. The negative net debt in Poland results from cash and cash equivalents of EUR 41.8m, which are offset by lower financial liabilities to banks (EUR 10.6m) and corporate bonds (EUR 22.4m).

The volume weighted average interest rate on bank loans was further reduced to 1.85% at the reporting date (31 December 2019: 1.99%). Total volume weighted average cost of debt (including the interest rates on corporate and convertible bonds, promissory notes and commercial paper) amounted to 1.62% (31 December 2019: 1.73%).

The maturities of all financial liabilities on 30 June 2020 are shown in the following diagram:



The volume weighted average remaining term of bank loans at the reporting date was 8.4 years (31 December 2019: 8.7 years), that of total financial liabilities 7.0 years (31 December 2019: 7.4 years).

Fixed-interest liabilities to banks totalling EUR 409m (Q3 and A4 2020: EUR 103m; 2021: EUR 126m; 2022: EUR 49m; 2023: EUR 131m) will mature in the next 3.5 years or can be refinanced without prepayment penalty when they mature, as the contractual interest commitment is ending. The average interest rate on these bank loans is 2.5% (loans maturing in 2020), 2.7% (loans maturing in 2021), 2.1% (loans maturing in 2022) and 3.3% (loans maturing in 2023). Given the current significantly lower market interest rates, a further reduction in financing costs is to be expected in subsequent years.

General statement on the business situation

In the first half of 2020, TAG again achieved excellent results with regard to its operating performance. In addition, the financial result improved further over the same period of the previous year. As a result, FFO I rose to EUR 86.5m in the first half of 2020 (prior-year period: EUR 80.3m), EPRA NTA per share was EUR 20.78 on 30 June 2020 compared to EUR 20.17 on 31 December 2019, and LTV remained constant at 44.9% at the end of H2 2020 compared to the end of 2019 (44.8%).

Thus, the Group's earnings and asset situation continues to show a positive development. TAG also has sufficient liquidity and is financed on a long-term basis.

Employees

The average number of employees at TAG is shown in the following table. Of the employees shown here, 1,188 (previous year: 1,145) are employed in Germany and 124 (previous year: 0) in Poland.

Employees	01/01-06/30/2020	01/01-06/30/2019
Operational employees	602	554
Administration and central area	194	106
Caretakers	444	416
Craftsmen	72	69
Total	**1,312**	**1,145**

Other information

With the exception of the remuneration of the Company's governance bodies, there were no business relationships with related parties.

Events after the balance sheet date

There were no significant reportable events after the reporting date.

Outlook, opportunities and risks

Guidance for the 2020 financial year

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 2019 financial year for further details on this and regarding the outlook. Beyond these, with the exception of the effects of the Covid-19 pandemic, which are described in the following supplementary report, no significant developments have occurred or become apparent that would lead to a different assessment of the opportunities and risks.

By their very nature, forward-looking statements are also subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties are tied to factors that TAG cannot control, influence or accurately assess. This is the case, for example, when it comes to future market and economic conditions, the behaviour of other market participants, the ability to successfully integrate acquired companies and realise expected synergy effects, and government tax legislation procedures.

The guidance for the 2020 financial year for FFO I, EBT and NAV, which was published in the 2019 Annual Report, remains unchanged and is as follows (in each case excluding results from fair value changes of investment properties and from the valuation of inventory properties, from the valuation of financial derivatives, and excluding deferred tax effects from the use of tax loss carry-forwards, and in each case on an undiluted basis):

- FFO I: EUR 168–170m (2019: EUR 160.6m) or EUR 1.16 per share (2019: EUR 1.10)
- EBT: EUR 164–166m (2019: EUR 162.7m) or EUR 1.13 (2019: EUR 1.11) per share
- NAV per share (based on the EPRA NAV definition valid on 31 December 2019): EUR 20.60 to EUR 20.80 (31 December 2019: EUR 20.45), after factoring in a dividend payment of EUR 0.82 per share.

The guidance for the development of vacancy (in the residential portfolio, down to 4.3% to 4.5% after 4.9% including the acquisitions as of 31 December 2019 that became effective on 1 January 2020) and for rental growth on a like-for-like basis (2.0% to 2.5% after 2.4% in 2019) also remains unchanged.

For our business activities in Poland, we published our first forecast for the 2020 financial year in the Interim Report as at 31 March 2020. As our revenues in Poland are generated exclusively from property sales this year, this has no impact on the FFO I forecast presented above. With this in mind, we issue the following forecast for our business activities in Poland for the financial year 2020:

- Revenues from the sale of properties held as inventory of EUR 80–85m
- Consolidated net profit (before minority interests and excluding effects of purchase price allocation) of EUR 9–11m or EUR 0.07 per share, i.e. a contribution to the FFO II by means of the business activities in Poland.

Impact of the Covid-19 pandemic on TAG's business activities

Since January 2020, the coronavirus has been spreading worldwide; the World Health Organization (WHO) declared an international health emergency on 30 January 2020. Since 11 March, the WHO has classified the spread of the virus as a pandemic ('Covid-19 pandemic'). This development not only has a repercussions for the health of many people, but also consequences for the economy and for us as a residential real estate company.

Housing is a basic need. As a large housing company we are aware of our responsibilities as a corporate citizen. We realise that our actions have an impact on society, the environment, and the economy. Providing affordable housing has always been our core business – so sustainability is traditionally anchored in our entrepreneurial activities. The current Covid-19 pandemic is a special challenge for all of us, and as a housing company we have a responsibility. Especially towards our tenants, to whom we want to offer a secure home and good service in this difficult situation. Neighbourhood management, which we have been practising for years in many of our residential neighbourhoods, is more important than ever during this time. Which is why, in the time from March through the end of June 2020, we voluntarily refrained from increasing rents by adjusting them to the local comparative rent, giving notice due to loss of income as a result of the Covid-19 pandemic, and corresponding evictions from occupied housing. Our receivables management teams have always seen themselves as debt advisors and aim to help people in arrears with their rent so that they can continue living in their home. They are also offering instalment payments and deferral agreements during this period and are helping with applications for governmental aid.

The Act to Mitigate the Consequences of the Covid-19 Pandemic in Civil, Insolvency and Criminal Proceedings Law passed by the Bundestag and Bundesrat at the end of March 2020 was of particular relevance for the real estate industry. Among other things, this law stipulated that tenants could not be given notice to 1 July 2020 for rent arrears incurred in the period from 1 April to 30 June 2020 that were due to the effects of the Covid-19 pandemic. The tenants' obligation to pay the rent remained in force. The option of extending this protection against termination for three months until 30 September 2020 was not exercised. And so, as of 1 July 2020, tenants and landlords have again been subject to the general rules of termination with regard to rent arrears.

The economic consequences of the Covid-19 pandemic and its future development continue to be difficult to assess with any reliability. Even if, given the developments to date, we do not expect any significant negative impact on our business activities, there is still a risk of increased rent losses, even if these are hardly detectable to date. This applies in particular in the event that the economic consequences of the Covid-19 pandemic turn out to be more severe and long-lasting than previously expected.

Beyond this, there is a risk that, e.g. in the event of another lockdown, our targets for reducing vacancies are not achieved because viewings cannot be held as planned. Also, restrictions in the implementation of rent increases, possibly caused by further legal requirements in connection with the Covid-19 pandemic, could negatively impact our rental growth targets. Higher vacancy and lower rental growth would have a negative impact on our rental revenues, at least temporarily.

In Poland, delays in the construction or sale of apartments could result in the event of a renewed lockdown. This could lead to the postponement of rental and sales revenues to later periods.

The Covid-19 pandemic has also led to widening credit spreads in some areas of the financing market and thus temporarily made refinancing more expensive. In the event of a renewed strong emergence of crisis-related developments, such as a further lockdown, financing costs could rise again even for companies with an investment grade rating like TAG, which could reduce the profitability of investments.

However, even taking this theoretical risk into consideration, we do not feel the positive future prospects of our business model are at risk. With an average net actual rent of only EUR 5.43 per square meter, our rents remain in the inexpensive and affordable residential segment. Even in the event of a prolonged economic recession, we see this market segment, which forms the core of our business activities, as stable and in demand. We therefore do not expect a fundamental trend reversal, even if the negative effects of the Covid-19 pandemic on the overall economic environment become much more severe.

With regard to the financing side, too, we view our situation as positive and very solidly positioned. on 30 June 2020, we had EUR 176.4m in cash and cash equivalents and credit lines of EUR 120.0m with banks, which have not been used in full. There are no material refinancing activities planned für the financial years 2020 and 2021.

Hamburg, 14 August 2020

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

CONSOLIDATED BALANCE SHEET

Assets in TEUR	06/30/2020	12/31/2019
Non-current assets		
Investment properties	5,462,314	5,199,993
Intangible assets	22,249	2,629
Property, plant and equipment	32,585	30,926
Right-of-use assets	9,095	9,180
Other financial assets	10,282	9,003
Deferred taxes	49,664	49,730
	5,586,188	**5,301,461**
Current assets		
Property held as inventory	192,598	58,452
Other inventories	815	164
Trade receivables	17,342	17,432
Income tax receivables	642	1,431
Other current assets	32,296	10,996
Prepayments on business combinations	0	131,192
Cash and cash equivalents	176,448	91,306
	420,139	**310,973**
Non-current assets held for sale	**52,663**	**34,536**
	6,058,990	**5,646,970**

Equity and liabilities in TEUR	06/30/2020	12/31/2019
Equity		
Subscribed capital	146,269	146,337
Share premium	520,635	522,985
Other reserves	-5,492	1,035
Retained earnings	1,757,975	1,672,212
Attributable to the equity holders of the parent company	2,419,387	2,342,569
Attributable to non-controlling interests	75,813	51,667
	2,495,200	**2,394,236**
Non-current liabilities		
Liabilities to banks	1,913,411	1,788,324
Liabilities from corporate bonds and other loans	350,533	350,354
Liabilities from convertible bonds	259,018	258,329
Derivative financial instruments	62,914	71,508
Retirement benefit provisions	5,622	5,799
Other non-current liabilities	23,412	17,048
Deferred taxes	549,819	497,027
	3,164,729	**2,988,389**
Current liabilities		
Liabilities to banks	87,979	112,872
Liabilities from corporate bonds and other loans	164,525	52,622
Liabilities from convertible bonds	546	546
Income tax liabilities	14,322	11,908
Other provisions	25,338	22,824
Trade payables	26,909	21,797
Other current liabilities	78,641	41,001
	398,260	**263,570**
Liabilities associated with non-current assets held for sale	**802**	**775**
	6,058,990	**5,646,970**

CONSOLIDATED INCOME STATEMENT

in TEUR	01/01/-06/30/2020	01/01/-06/30/2019	04/01/-06/30/2020	04/01/-06/30/2019
Rental income	213,032	205,070	104,171	98,666
Impairment losses	-1,904	-2,218	-1,115	-1,227
Rental expense	-78,088	-74,881	-35,993	-33,006
Net rental income	**133,040**	**127,971**	**67,063**	**64,433**
Revenues from the sale of real estate	22,982	5,776	9,191	1,370
Expenses on the sale of real estate	-24,374	-5,574	-9,562	-1,122
Sales result	**-1,392**	**201**	**-371**	**248**
Revenues from services	28,295	24,758	14,284	12,779
Impairment losses	-239	-263	-157	-152
Expenses from property services	-15,349	-14,655	-7,217	-7,644
Services result	**12,707**	**9,840**	**6,910**	**4,983**
Other operating income	2,874	1,755	1,304	1,107
Fair value changes in investment properties and valuation of properties held as inventory	172,387	211,429	173,328	211,454
Personnel expense	-28,094	-24,289	-14,171	-12,373
Depreciation/amortisation	-3,438	-3,122	-1,782	-1,593
Other operating expense	-9,295	-8,276	-4,161	-4,232
EBIT	**278,788**	**315,509**	**228,119**	**264,027**
Other financial result	1,367	375	544	305
Interest income	9,859	232	9,656	117
Interest expense	-25,564	-32,492	-12,805	-19,995
EBT	**264,450**	**283,624**	**225,514**	**244,454**
Income taxes	-51,612	-49,886	-44,802	-44,018
Consolidated net income	**212,838**	**233,737**	**180,712**	**200,436**
attributable to non-controlling interests	7,134	6,390	6,298	5,460
attributable to equityholders of the parent company	205,704	227,347	174,414	194,976
Earnings per share (in EUR)				
Basic earnings per share	1.41	1.55	1.20	1.33
Diluted earnings per share	1.32	1.46	1.12	1.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	01/01-06/30/2020	01/01-06/30/2019	04/01-06/30/2020	04/01-06/30/2019
Net income as shown in the income statement	**212,838**	**233,737**	**180,712**	**200,436**
Items that will later be classified as expense				
Unrealised gains and losses from hedge accounting	0	0	0	0
Currency differences of foreign subsidiaries	-7,411	0	1,966	0
Deferred taxes on unrealised gains and losses	0	0	0	0
Other comprehensive income after taxes	-7,411	0	1,966	0
Total comprehensive income	**205,427**	**233,737**	**184,644**	**200,436**
attributable to non-controlling interests	6,250	6,390	5,414	5,460
attributable to equity holders of the parent company	199,177	227,347	179,230	194,976

CONSOLIDATED CASH FLOW STATEMENT

in TEUR	01/01-06/30/2020	01/01-06/30/2019
Consolidated net income	**212,838**	**233,737**
Net interest income/expense through profit and loss	15,705	32,260
Current income taxes through profit and loss	5,622	2,551
Depreciation/amortisation	3,438	3,122
Other financial result	- 1,367	- 375
Fair value changes in investment properties and valuation of properties held as inventory	- 172,387	- 211,429
Result from the disposal of investment properties	300	42
Result from the disposal of other non-current assets	- 15	3
Impairments accounts receivables	2,143	2,481
Changes to deferred taxes	45,991	47,335
Changes in provisions	2,337	705
Interest received	420	0
Interest paid	- 28,523	- 25,245
Income tax payments	- 2,998	1,726
Changes in receivables and other assets	- 36,327	- 11,332
Changes in payables and other liabilities	10,232	3,692
Cash flow from operating activities	**57,409**	**79,273**

in TEUR	01/01-06/30/2020	01/01-06/30/2019
Payments received from the disposal of investment properties (less selling costs)	12,990	4,411
Payments made for investments in investment properties	- 96,994	- 34,280
Cash and cash equivalents acquired of company acquisitions	68,642	0
Payments received from the disposal of intangible assets and property, plant and equipment	15	5
Payments made for investments in intangible assets and property, plant and equipment	- 1,484	- 3,958
Payments received from other financial assets	434	165
Cash flow from investing activities	**- 16,397**	**- 33,657**
Purchase of treasury shares	- 2,162	0
Proceeds from the issuance of treasury shares	0	317
Dividends paid	- 119,941	- 109,754
Distribution to minority investors	0	- 300
Payments made for the purchase of minority interest	- 6	- 44
Payments made for the repayment of corporate bonds	- 82,977	- 35,000
Proceeds from the issuance of corporate bonds	158,937	151,332
Proceeds from new bank loans	176,238	34,430
Repayment of bank loans	- 82,677	- 31,269
Repayment of lease liabilities	- 1,302	- 827
Cash flow from financing activities	**46,110**	**8,885**
Net change in cash and cash equivalents	87,122	54,501
Cash and cash equivalents at the beginning of the period	88,686	89,016
Currency differences	- 2,720	0
Cash and cash equivalents at the end of the period	**173,088**	**143,517**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Attributable to the parent's shareholders								
			Other reserves						
in TEUR	Subscri-bed capital	Share premium	Retained earnings	Currency differ-ences	Hedge accoun-ting reserve	Retained earnings	Total	Non-control-ling interests	Total equity
Amount on 01/01/2020	**146,337**	**522,985**	**1,035**	**0**	**0**	**1,672,212**	**2,342,569**	**51,667**	**2,394,236**
Consolidated net income	0	0	0	0	0	205,704	205,704	7,134	212,838
Other comprehensive income	0	0	0	-6,527	0	0	-6,527	-884	-7,411
Total comprehensive income	**0**	**0**	**0**	**-6,527**	**0**	**205,704**	**199,177**	**6,250**	**205,427**
Colonia settlement offer	0	-343	0	0	0	0	-343	0	-343
Purchase of treasury shares	-100	-2,059	0	0	0	0	-2,159	0	-2,159
Costs related to purchase of treasury shares	0	-3	0	0	0	0	-3	0	-3
Share-based compensation	32	55	0	0	0	0	87	0	87
Dividends paid	0	0	0	0	0	-119,941	-119,941	0	-119,941
Acquisition of Vantage Development S.A.	0	0	0	0	0	0	0	17,896	17,896
Amount on 06/30/2020	**146,269**	**520,635**	**1,035**	**-6,527**	**0**	**1,757,975**	**2,419,387**	**75,813**	**2,495,200**
Amount on 01/01/2019	**146,322**	**773,417**	**1,035**	**0**	**0**	**1,085,705**	**2,006,479**	**41,847**	**2,048,326**
Total comprehensive income	0	0	0	0	0	227,347	227,347	6,390	233,737
Colonia settlement offer	0	-284	0	0	0	0	-284	0	-284
Disposal of minority interests	15	302	0	0	0	0	317	0	317
Share-based compensation	0	68	0	0	0	0	68	0	68
Dividends paid	0	0	0	0	0	-109,754	-109,754	-300	-110,054
Amount on 06/30/2019	**146,337**	**773,503**	**1,035**	**0**	**0**	**1,203,298**	**2,124,174**	**47,938**	**2,172,113**

NOTES

SELECTED EXPLANATORY NOTES ON THE ABRIDGED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2020

General information

These abridged consolidated interim financial statements have been prepared by TAG Immobilien AG (hereinafter referred to as the "Company" or "TAG") in accordance with the provisions contained in Section 115 in connection with Section 117 of the German Securities Trading Act (WpHG) pertaining to interim financial reporting. The period under review comprises the first six months of 2020. The comparison figures refer to 31 December 2019 with respect to the consolidated balance sheet and otherwise to the first six months of 2019. In addition, the consolidated income statement and the consolidated statement of comprehensive income contain figures pertaining to the second quarter of 2020 together with the corresponding comparison figures for the same period of the previous year.

The consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) in the version endorsed for application in the EU concerning interim reporting (IAS 34 – Interim Reporting) subject to mandatory application as of the reporting date. The figures reported in the consolidated interim financial statements are mostly denominated in EUR m (millions of euros) or TEUR (thousands of euros). This may result in rounding differences between the individual parts of the financial statements.

Consolidation group

On 8 November 2019, TAG signed a contract for the acquisition of all the shares in Vantage Development S.A. ("Vantage"). Vantage is a real estate developer with headquarters and its primary business in Wroclaw in the western part of Poland. As of the date of acquisition, Vantage's firm project pipeline consisted of several residential projects with a total of approximately 5,300 units.

The acquisition of the shares in Vantage became legally effective on 13 January 2020 (acquisition date). On the basis of a takeover bid price of PLN 11.50 per share, the total transaction price (based on a PLN/EUR exchange rate of 4.235) came to PLN 558.5m (EUR 131.9m), of which PLN 197.0m (EUR 46.5m) was returned to Vantage, and thus indirectly to TAG, following the carve-out of the commercial real estate business which was sold back to the previous shareholders. Accordingly, the net purchase price payable for the residential real estate business and the Vantage Development platform amounts to PLN 361.5m (EUR 85.4m) and was financed entirely from TAG's existing liquidity position. In addition, transaction costs, particularly legal and consulting fees, of EUR 1.0m were incurred and recognised within other operating expenses in the income statement.

The provisional allocation of the total purchase price to the assets and liabilities acquired is as follows:

Purchase price allocation in EUR m	01/13/2020
Real estate assets	133.9
Deferred tax assets	1.5
Other assets	3.7
Cash and cash equivalents*	82.7
Assets total	**221.8**
Financial liabilities	42.1
Deferred taxes	9.0
Other liabilities	40.7
Non-controlling interests	17.9
Liabilities total	**109.7**
Net asset at fair value	**112.1**
Purchase price	**131.9**
Goodwill	**19.8**

* Including cash from the sale of the commercial segment

The book value of the goodwill after currency-translation effects stands at EUR 18.8 million as of 30 June 2020 (31 March 2020: EUR 18.4 million).

Vantage revenues from the sale of properties amounted to EUR 15.8m for the first half of 2020. For the presentation of Vantage contribution to the TAG-Group income and FFO II, please refer to section "Analysis of the earnings, assets, and financial position" in the management report for the first six months of 2020. Revenues and profit or loss prior to the acquisition date were not material.

The goodwill arising from the acquisition particularly comprises expected synergistic effects from the future management of the real estate portfolio by the TAG Group as well as the value of the acquired platform in Poland to the extent that this cannot be expressed in individually identifiable assets. Besides the acquisition of Vantage and one newly incorporated company, there were no further changes in the scope of consolidation during the reporting period.

Currency translation

Polish subsidiaries that are included in the consolidated financial statements following the acquisition of Vantage conduct their business activities independently using polish zloty as their functional currency. Financial statements of these subsidiaries are translated in the presentation currency using the modified closing rate method. Translation differences are presented as a separate component within other income in the consolidated statement of comprehensive income and recognized separately in equity without effecting profit or loss. The exchange rate between the euro and the Polish złoty changed as follows:

Currency rate (basis 1 EUR)	Closing rate			Average rate
	06/30/2020	01/13/2020	12/31/2019	01/01-06/30/2020
PLN – Polish Złoty	4.4560	4.2348	4.2568	4.4120

Accounting and valuation methods

The consolidated interim financial statements were prepared using the same recognition and valuation principles applied to the consolidated financial statements for the year ending 31 December 2019 except for the following accounting policies considering goodwill. For more details concerning the recognition and valuation principles applied, please refer to the IFRS consolidated financial statements for the year ending 31 December 2019, which form the material basis for these interim financial statements pursuant to IAS 34.

Goodwill arises from a business combination and is defined as the excess of the acquisition costs of shares in a company or group of companies over the proportionate net assets acquired. Net assets are defined as the identifiable assets acquired and measured at their fair value in accordance with IFRS 3 net of the liabilities and contingent liabilities acquired. Goodwill acquired under a business combination is assigned to the cash-generating units (CGUs) or groups of CGUs that are expected to derive benefits from the synergistic results of the business combination. For this purpose, the CGU is the lowest level at which goodwill is monitored for management purposes.

Goodwill is not subject to any systematic depreciation. However, it is tested for impairment at least once a year and on an ad-hoc basis in the event of any evidence suggesting that the value of the goodwill may have diminished.

Goodwill is tested for impairment at the level of the CGU or group of CGUs to which the goodwill is allocated. For this purpose, the recoverable amount is compared with the book value of the CGU or group of CGUs. The recoverable amount is the higher of value in use and fair value less costs to sell. Value in use is calculated by discounting estimated future cash flows to their present value. Discount rates before tax that reflect the current market situation as well as the special risks to which the business unit is exposed are applied.

At TAG, the lowest level within the Company at which goodwill is monitored for internal management purposes is the business activities in Poland (Poland CGU). Accordingly, impairment testing is performed at the level of the Poland CGU. If the book value of the assets attributable to the Poland CGU is higher than the recoverable amount, the goodwill is impaired by an amount equalling the difference. Any additional impairment requirements beyond this are distributed across the other assets attributable to the CGU proportionately to their book value provided that this is no less than the fair value less costs to sell.

Amendments to accounting standards

Amended standards taking effect in the first half of 2020 did not have any material impact. Amendments to accounting standards which are subject to mandatory application in future accounting periods have not been early adopted. The effects of future application on the consolidated financial statements are currently being reviewed.

Material judgements and estimates

All discretionary decisions and estimates were carried over without any changes in the descriptions contained in the consolidated financial statements as of 31 December 2019 except for the following descriptions considering goodwill.

The preparation of the abridged consolidated interim financial report requires the use of assumptions and estimates by the Management Board. These discretionary decisions impact the amount of the income, expenses, assets and liabilities as well as contingent liabilities reported. The actual amounts arising in future periods may differ from these estimates.

The recognition of goodwill calls for discretionary decisions on the identification of groups of cash-generating units and on the allocation of goodwill to these groups of cash-generating units. Moreover, regular impairment testing, which requires estimates of the recoverable amount of the group of cash-generating units, is based on assumptions concerning future cash flows. Possible changes in these assumptions may result in impairment expense.

Investment properties

The table below sets out the changes in the value of the portfolio of investment properties during the period under review:

Investment properties in EUR m	H1 2020	2019
Amount on 01 January	**5,199,993**	**4,666,673**
Transfer from investment properties	72,359	39,674
Investments	41,825	66,716
Transfers from properties held as inventories	1,300	0
Transfers to non-current assets held for sale	-26,162	-6,055
Transfers from non-current assets held for sale	1,854	18,332
Sales of investment properties	-177	-26,752
Change in market value	172,256	415,444
Effects from currency translation	-994	0
Amount on 30 June/31 December	**5,462,314**	**5,199,993**

The fair value of all of TAG's real estate assets was measured by CBRE GmbH as an independent expert effective 30 June 2020 and 31 December 2019. The independent expert is suitably qualified and experienced in the valuation of real estate. The valuation reports are based on:

- information provided by the Company on such matters as current rentals, maintenance and administration costs or current vacancy rates,
- assumptions made by the independent expert on the basis of market data and assessed in the light of his professional skills, e.g. future market rentals, typical maintenance and administration costs, structural vacancy rates and discount or capitalisation rates.

The information with which the independent expert is furnished and the underlying assumptions as well as the results of the valuation are analysed by Central Real Estate Controlling and the Chief Financial Officer.

The fair value of the investment properties is calculated using the discounted cash flow method in line with the International Valuation Standards. For this purpose, the expected future income surpluses for each period are discounted using a market-oriented discount rate for the property in question as of the valuation date. Whereas the cash inflows are normally comprised of net rentals, the cash outflows chiefly include the property management costs borne by the owner.

The underlying detailed planning period is generally ten years. A potential discounted terminal value for the property in question is forecast for the end of this period, reflecting the most likely price which can be achieved at the end of this period. For this purpose, the discounted cash surpluses for the tenth year are capitalised at the exit rate to produce the perpetual annuity.

The sum total of the discounted cash surpluses and the discounted potential selling value equals the gross present value of the property in question. The net present value is calculated by deducting the costs arising in an orderly transaction.

The following table sets out the fair value of the investment properties per region and the material assumptions underlying this valuation method:

Segment	Berlin		Chemnitz		Dresden		Rhine-Ruhr		Erfurt	
	06/30/ 2020	12/31/ 2019	06/30/ 2020	12/31/ 2019	06/30/ 2020	12/31/ 2019	06/30/ 2020	12/31/ 2019	06/30/ 2020	12/31/ 2019
Market value (in EUR m)	**792.4**	**772.8**	**371.8**	**347.1**	**555.5**	**527.1**	**331.8**	**317.7**	**680.7**	**666.7**
Net actual rent p.a. (in EUR m)	40.8	41.3	24.6	24.5	28.1	27.9	18.3	18.2	38.9	37.8
Vacancy (in %)	4.5	4.0	8.2	8.4	2.4	2.4	3.5	2.9	3.9	3.6
Valuation parameters (average)										
Net actual rent to market rent (in %)	88	88	95	94	92	92	92	92	93	92
Increase in market rent p. a. (in %)	1.1	1.1	0.6	0.6	1.2	1.0	1.2	1.1	1.1	1.1
Maintenance costs (in EUR / sqm)	8.9	8.9	8.8	8.8	9.1	9.1	9.0	9.1	9.5	9.5
Administration costs (in EUR per unit)	221	221	234	234	245	245	260	259	228	228
Structural vacancy (in %)	3.4	3.4	4.5	4.5	2.7	2.7	1.7	1.7	2.0	2.0
Discount rate (in %)	4.8	4.9	5.2	5.3	5.0	5.1	5.0	5.2	4.9	5.0
Capitalisation rate (in %)	3.6	3.8	4.6	4.7	3.7	3.9	3.8	4.0	3.9	3.9

Segment	Gera		Hamburg		Leipzig		Rostock		Salzgitter	
	06/30/ 2020	12/31/ 2019	06/30/ 2020	12/31/ 2019	06/30/ 2020	12/31/ 2019	06/30/ 2020	12/31/ 2019	06/30/ 2020	12/31/ 2019
Market value (in EUR m)	**435.4**	**429.9**	**580.7**	**549.6**	**623.4**	**568.3**	**490.3**	**473.7**	**546.3**	**525.1**
Net actual rent p.a. (in EUR m)	32.3	32.2	29.7	29.2	37.6	36.0	29.6	28.4	35.2	34.9
Vacancy (in %)	7.6	7.7	4.2	4.8	6.6	6.3	4.4	4.1	5.4	5.5
Valuation parameters (average)										
Net actual rent to market rent (in %)	93	92	93	92	92	91	92	92	97	97
Increase in market rent p. a. (in %)	0.6	0.6	1.2	1.1	0.8	0.9	0.8	0.8	0.8	0.8
Maintenance costs (in EUR / sqm)	9.0	9.0	8.4	8.4	8.8	8.8	8.9	8.9	9.1	9.1
Administration costs (in EUR per unit)	238	238	245	245	234	235	242	244	245	244
Structural vacancy (in %)	4.8	4.8	1.6	1.6	4.0	4.0	3.3	3.3	2.2	2.2
Discount rate (in %)	5.5	5.6	5.0	5.1	5.1	5.2	4.8	4.9	5.2	5.3
Capitalisation rate (in %)	4.9	4.9	3.7	3.8	4.2	4.3	4.0	4.1	4.4	4.5

In addition, there are activities that cannot be directly allocated to the regions and their respective managers. These take the form of the serviced apartments operated by the Group and commercial real estate assets with a market value of EUR 22.9 million (previous year: EUR 21.9 million) as well as development projects in Poland within the investment properties with a value of EUR 31.1 million.

The assumptions underlying the valuation of the fair value of the real estate are made by the independent valuer on the basis of his professional experience and are subject to uncertainty. The effects of possible fluctuations in the valuation parameters are shown in the following table in the form of a sensitivity analysis:

Sensitivity analysis in EUR m	**06/30/2020**	**12/31/2019**
Market value investment properties	5,462	5,200
Change in market value due to adjustments of parameters		
Market rent (+/- 2.0%)	84/-90	79/-83
Increase in market rent (+/- 0.2%)	335/-300	308/-277
Maintenance costs (-/+ 10%)	111/-112	106/-106
Administration costs (-/+ 10%)	47/-47	47/-49
Structural vacancy (-/+ 1.0%)	91/-88	83/-84
Discount and capitalisation rate (-/+ 0.5%)	832/-632	759/-582

Possible interdependencies between the individual parameters are of secondary importance or cannot be determined due to their complexity.

Non-current assets held for sale
Non-current assets held for sale are composed solely of real estate assets previously classified as investment properties that are outside the Group's strategic core portfolio and are therefore to be sold.

The table below sets out the movements in this item:

Non-current assets held for sale in TEUR	H1 2020	2019
Amount on 1 January	34,536	86,995
Reclassification from investment properties	26,162	6,055
Investments	44	243
Changes in market value	168	-1,402
Sales	-6,393	-39,023
Reclassification from investment properties	-1,854	-18,332
Amount on 31 December	52,663	34,536

Sales contracts have already been signed for a portion valued at EUR 11.4 million (previous year: EUR 9.9 million), with ownership, rights of use and liabilities expected to be transferred in the second half of 2020 in most cases.

The assets are allocated to Level 3 of the fair value hierarchy and their value is measured on the basis of the independent expert's report. The procedure underlying the calculation as well as the main valuation inputs are described in the notes on investment properties.

Liabilities in connection with the assets held for sale comprise lease liabilities under leasehold rights.

Revenue from contracts with customers
Revenue from contracts with customers as defined in IFRS 15 is composed of the externally generated utility and ancillary costs reported as rental revenue and the internally generated operating and ancillary costs reported in net service income, plus recharged proportionate land tax and building insurance, as well as other service income. In addition, proceeds from the sale of investment properties or inventory real estate constitute revenue within the meaning of IFRS 15. Revenue is categorised in accordance with the disclosures contained in the Group management report.

Further information
Details of further events and transactions during the period under review, the Group's net assets, financial conditions and results of operations and other disclosures can be found in the Group management report.

Notes on segment reporting

TAG manages its residential portfolio on a regional basis and has divided its real estate holdings in the "Rental" segment into the following regions: Berlin, Chemnitz, Dresden, Erfurt, Gera, Hamburg, Leipzig, Rhein-Ruhr, Rostock, Salzgitter and other activities. The "other activities" segment is composed of various rented commercial real estate assets as well as the serviced apartments operated by TAG. The business activities of these segments are based on the rental of portfolio properties to TAG customers. Accordingly, they are reported at an aggregated level within the rental segment.

The "Services" segment includes the business activities attributable to the internal service companies. In addition to rental business, TAG has been expanding its activities in real-estate-related services over the past few years. This explains the aggregated disclosure of information for the rental and services segment since the end of 2019. The comparison figures in the segment report for the first half of 2019 have been duly restated.

In view of the currently low volumes involved, TAG's business activities in Poland and selling business in Germany do not constitute distinct reportable segments and are included in other.

Segment reporting is consistent with internal reporting, which fundamentally conforms to IFRS accounting requirements (with the exception of the reconciliation of segment earnings II with EBIT described below). Segment earnings I are derived from the recognised segment revenue. Segment earnings II includes the attributable personnel expenses and other income and expenses and is calculated as follows:

Segment report		Rental	Services	Other	Total
Segment revenues	H1 2020	159,702	26,936	22,982	209,620
	H1 2019	157,292	23,583	5,776	186,651
Segment expenses	H1 2020	-35,543	-14,229	-24,374	-74,146
	H1 2019	-34,945	-13,743	-5,574	-54,262
Rental expenses	H1 2020	-5,525	0	0	-5,525
	H1 2019	-5,817	0	0	-5,817
Investment costs	H1 2020	-28,908	0	0	-28,908
	H1 2019	-27,833	0	0	-27,833
Impairment losses on receivables	H1 2020	-1,904	-239	0	-2,143
	H1 2019	-2,218	-263	0	-2,481
Service expenses	H1 2020	0	-13,990	0	-13,990
	H1 2019	0	-13,480	0	-13,480
Other revenues	H1 2020	794	0	0	794
	H1 2019	923	0	0	923
Segment result I	H1 2020	124,159	12,707	-1,392	135,474
	H1 2019	122,347	9,840	201	132,388
Personnel expenses	H1 2020	-8,841	-8,329	0	-17,170
	H1 2019	-8,495	-7,587	0	-16,082
Other income/other expenses	H1 2020	-1,819	1,078	0	-741
	H1 2019	-1,394	1,122	0	-272
Segment result II	H1 2020	113,499	5,456	-1,392	117,563
	H1 2019	112,458	3,375	201	116,034
Segment assets	06/30/2020	5,495,470	0	221,641	5,717,111
	12/31/2019	5,248,270	0	54,085	5,302,355

Revenue arising from business activities between the segments is primarily generated by internal services provided by TAG service companies for TAG's companies operating in the rental segment.

Reflecting internal reporting practices, rental segment revenue is reported solely on a net basis. In line with internal reporting practices, revenues in the services segment comprise the revenues generated by the internal service companies less land tax and building insurance in accordance with IFRS 15. Reference should be made to the section on revenue in the management report for the reconciliation with the respective items of profit and loss.

The following table reconciles segment earnings II with EBT as stated in the income statement:

Segment earnings in TEUR	01/01-06/30/2020	01/01-06/30/2019
Segment earnings II	**117,563**	**115,833**
Capitalised investment costs not deducted from segment earnings	12,042	11,152
Non-allocated ancillary costs of vacant real estate	-3,215	-5,621
Fair value changes in investment properties and valuation of properties held as inventory	172,387	211,429
Non-allocated personnel expenses	-10,924	-8,207
Depreciation	-3,438	-3,122
Other non-allocated income and expenses	-5,627	-6,156
Net finance expense	-14,338	-31,885
EBT	**264,450**	**283,624**

Disclosures on fair values and financial instruments

The fair value of assets and liabilities is determined by using inputs which are as market-oriented as possible. The valuation hierarchy divides the input factors into three levels depending on the availability of data:

- Level 1: Prices quoted in active markets for identical assets or liabilities (such as share prices)
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Valuation techniques for which any significant input is not based on observable market data

If input factors for different hierarchical levels are applied, the fair value is calculated on the basis of the lower hierarchical level. There were no transfers between the individual hierarchical levels in the period under review.

The fair values of the financial instruments recorded in the consolidated balance sheet break down as follows:

Fair values of financial instruments in TEUR	Fair value hierarchy	06/30/2020	2019
Assets			
Other financial assets	Level 2	5,033	4,793
Other financial assets	Level 3	5,867	3,848
Equity and liabilities			
Derivatives with no hedging relationship	Level 2	62,914	71,508

The changes of the book value of other financial assets allocated to level 3 are based on additions and disposals of TEUR -55 (previous year: TEUR -63) and changes in fair value through profit and loss of TEUR 74 (previous year: TEUR 75).

They primarily comprise non-listed minority interests in real estate companies and funds. Equity investments are measured partially on the basis of observable market prices (Level 2) and partially on the basis of company-specific models such as customary net asset value models in the light of non-observable market data (Level 3). The inputs used in these methods include assumptions on future cash flows and future real estate prices and are based as closely as possible on market data. A change in the fair value of real estate assets held by associates would have a proportionate effect on the fair value of such associates. At the moment, there is no specific intention for these investments to be sold.

Derivative financial instruments are measured using established methods, the main inputs for which are derived from active markets. The purchase price guarantees, which are recognised as a derivative financial instrument with no hedging relationship, are measured using a standardised process based on a Monte Carlo (mark-to-model) simulation applying two correlated stochastic processes. The conversion right under the convertible bond, which is recognised separately as a derivative, is measured using a binomial model.

In addition, the following financial instruments whose book values are not sufficiently close to their fair value are measured at amortised cost in the consolidated balance sheet:

		06/30/2020		12/31/2019	
Financial instruments in TEUR	**IFRS 13 Valuation**	**Book value**	**Fair value**	**Book value**	**Fair value**
Liabilities to banks	Level 2	2,001,390	2,099,411	1,901,196	1,977,963
Liabilities from corporate bonds and other loans	Level 2	515,058	519,510	402,976	405,856
Liabilities from convertible bonds	Level 2	259,563	268,540	258,875	262,493
Lease liabilities	Level 2	17,493	18,103	14,041	14,531

The fair value of non-current liabilities is calculated as a present value using the discounted cash flow method. The discount rate is based on a market interest rate with matching maturities and risks.

Trade receivables, other current assets and cash and cash equivalents, which are also recognised at historical cost, have short settlement periods. Accordingly, their book value as of the balance sheet date comes close to their fair value. The same thing applies to trade payables and other current liabilities.

Financial risk management

In the light of the uncertainties surrounding the economic impact of the Covid-19 pandemic, the Company has carried out an analysis of the effects of generally impaired creditworthiness on the future risk of rental defaults. On the basis of actual default rates in the second quarter of 2020 and the existing procedure in the light of receivables, deposits and gross rents, there is no evidence of any significant increase in the expected receivables' default risk, so that an adjustment of the estimate of expected credit losses is not necessary as of 30 June 2020.

Other thank this, there were no material changes in the Group's financial risks (interest, credit, liquidity and finance risk) in the period under review compared with 31 December 2019.

Material events after the end of the period covered by this interim report

No reportable events occurred after the end of the period covered by this interim report.

Hamburg, 14 August 2020

Claudia Hoyer
COO

Martin Thiel
CFO

Dr. Harboe Vaagt
CLO

REVIEW REPORT

To TAG Immobilien AG, Hamburg

We have reviewed the condensed interim consolidated financial statements of the TAG Immobilien AG – comprising consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated cashflow statement, statement of changes in consolidated equity and notes on the abriged consolidated interim financial statement as of June 30, 2020 together with the interim group management report of the TAG Immobilien AG, Hamburg, for the period from January 1 to June 30, 2020 that are part of the semi annual financial report according to § 115 WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 „Interim Financial Reporting“ as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 „Interim Financial Reporting“ as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 „Interim Financial Reporting“ as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Hamburg, 14 August 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

Thiede
Wirtschaftsprüfer

Bagehorn
Wirtschaftsprüfer

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated interim financial report gives a true and fair view of the Group's assets, financial position and earnings situation, and the group management report includes a fair review of the development and performance of the business and the Group's situation, as well as a description of the principal opportunities and risks associated with the expected development of the Group in the remaining financial year.

Hamburg, 14 August 2020

Claudia Hoyer
COO

Martin Thiel
CFO

Dr. Harboe Vaagt
CLO

TAG FINANCIAL CALENDAR 2020

Publications/Events

12 November 2020	Publication of Interim Statement Q3 2020

Conferences

20 August 2020	HSBC European Real Estate Conference (virtual)
03 September 2020	Commerzbank Corporate Conference (virtual)
07 September 2020	Jefferies German/European Property Virtual Conference (virtual)
15–17 September 2020	BofAML Global Real Estate Conference (virtual)
21 September 2020	Berenberg & Goldman Sachs Corporate Conference (virtual)
23 September 2020	Baader Investment Conference (held in person or virtual)
01 October 2020	Commerzbank Real Estate Forum 2020, London
26 November 2020	Berenberg Real Estate Seminar 2020, Paris

TAG Headquarter Hamburg (Hamburg)

CONTACT

TAG Immobilien AG
Steckelhörn 5
20457 Hamburg
Telefon +49 40 380 32 - 0
Telefax +49 40 380 32 - 390
info@tag-ag.com
www.tag-ag.com

Dominique Mann
Head of Investor & Public Relations
Telefon +49 40 380 32 - 300
Telefax +49 40 380 32 - 388
ir@tag-ag.com

The English version of the Interim Statement Q2 2020 is a translation of the German version.
The German version is legally binding.

Concept: fischer's brand loft Werbeagentur GmbH
Layout and Typesetting: TAG Immobilien AG

Immobilien AG

Steckelhörn 5
20457 Hamburg
Telefon + 49 40 380 32 - 0
Telefax + 49 40 380 32 - 390
info@tag-ag.com
www.tag-ag.com