



INTERIM REPORT 2019

ON THE 2ND QUARTER

GROWING CASHFLOWS

TAG
Immobilien AG

CONTENS

GROUP FINANCIALS

in EUR m

Income statement key figures	01/01/2019 - 06/30/2019	01/01/2018 - 06/30/2018
Net rent	157.3	150.7
EBITDA (adjusted)	106.2	103.0
Consolidated net income	233.7	218.3
FFO I per share in EUR	0.55	0.49
FFO I in EUR m	80.3	71.2
AFFO per share in EUR	0.34	0.30
AFFO in EUR m	50.2	43.6

Balance sheet key figures	06/30/2019	12/31/2018
Total assets	5,325.9	5,033.3
Equity	2,172.1	2,048.3
Equity ratio in %	40.8	40.7
EPRA NAV per share in EUR	18.59	17.32
LTV in %	46.2	47.3

Portfolio data	06/30/2019	12/31/2018
Units	84,264	84,426
Real estate volume	5,058.5	4,815.5
Vacancy in % (residential units)	5.2	4.7
Vacancy in % (total)	5.6	5.3
I-f-I rental growth in %	2.5	2.3
I-f-I rental growth in % (incl. vacancy reduction)	3.0	2.6

Employees	06/30/2019	12/31/2018
Number of employees	1,145	993

Capital market data	
Market cap at 06/30/2019 in EUR m	2,976.9
Share capital at 06/30/2019 in EUR	146,498,765
WKN/ISIN	830350/ DE0008303504
Number of shares at 06/30/2019 (issued)	146,498,765
Number of shares at 06/30/2019 (outstanding, without treasury shares)	146,336,950
Free float in % (without treasury shares)	99.89
Index	MDAX/EPRA

TABLE OF CONTENTS

Group Financials	02
Management Report	04
Consolidated Balance Sheet	26
Consolidated Income Statement	28
Consolidated Statement of Comprehensive Income	29
Consolidated Cash Flow Statement	30
Consolidated Statement of Changes in Equity	32
Consolidated Segment Report	33
Notes on the Abridged Consolidated Interim Financial Statements	34
Review Report	44
Responsibility Statement	45
Financial Calendar/Contact	46

MANAGEMENT REPORT

BUSINESS PERFORMANCE IN THE FIRST SIX MONTHS OF THE 2019 FINANCIAL YEAR

Foundations of the Group

Overview and Group strategy

TAG Immobilien AG ('TAG' in the following) is a Hamburg-based property company focused on the German residential real estate sector. The Group's properties are located in various regions of Northern and Eastern Germany and North Rhine-Westphalia. Overall, at 30 June 2019 TAG managed around 84,300 (31 December 2018: approx. 84,400) residential units. TAG shares are listed in the MDAX of the Frankfurt Stock Exchange; TAG's market capitalisation at 30 June 2019 was EUR 3.0bn (31. December 2018: EUR 2.9bn).

TAG's business model is the long-term letting of flats. All functions essential to property management are carried out by the Group's own employees. In many inventories, the company also delivers caretaker services and repair craftsman services. It specialises in inexpensive housing that appeals to broad sections of the population. The Group's in-house multimedia company facilitates the provision of multimedia to tenants and expands the range of property management services offered. Energy management is pooled in a subsidiary, which handles the supply of commercial heating to the Group's 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 not only invests in and near big cities, but deliberately in medium and smaller towns as well, to take advantage of growth potential and opportunities for profit there. Newly acquired portfolios regularly have higher vacancies, which are then reduced following the acquisition through targeted investments and proven asset-management concepts. Investments are made exclusively in regions where TAG already manages properties, so as to use existing administrative structures. In addition, local market knowledge is indispensable when buying up new portfolios.

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

The economy

The overall economy

The German economy showed a moderate slowdown in its rate of growth. According to the Kiel Institute for World Economy (IfW), a decline in gross domestic product is expected for the second quarter of 2019. However, overall economic production should resume its upwards trend in the second half of the year, and the institute forecasts an overall increase of 0.6% in 2019 (1.6% in 2020). This is supported by the fact that private consumption is likely to increase noticeably again as incomes continue to rise. Exports, which have recently lagged significantly behind the strong expansion of the global economy, are also expected to gradually catch up. Construction investment is likely to remain on a clearly upward trend, with the continuing capacity bottlenecks leading to further increases in construction costs.

Uncertainty about future economic policy conditions is likely to remain high during the forecast period. A further escalation of the trade conflict between the United States and China, or its extension to trading relations with the EU poses a risk to the world economy. IfW in Kiel has therefore lowered its forecast for the increase in global output by 0.1 percentage points, to 3.2% for 2019 and 3.3% for 2020.

The weaker economy is also making itself felt on the labour market. Although employment still increased in the first quarter of this year, there are signs of a smaller increase in the second quarter of 2019. "The number of reported jobs is falling rapidly and employment growth is losing momentum", according to the Federal Labour Office. The unemployment rate is unchanged from the previous month at 4.9% as of 30 June 2019.

The German residential property market

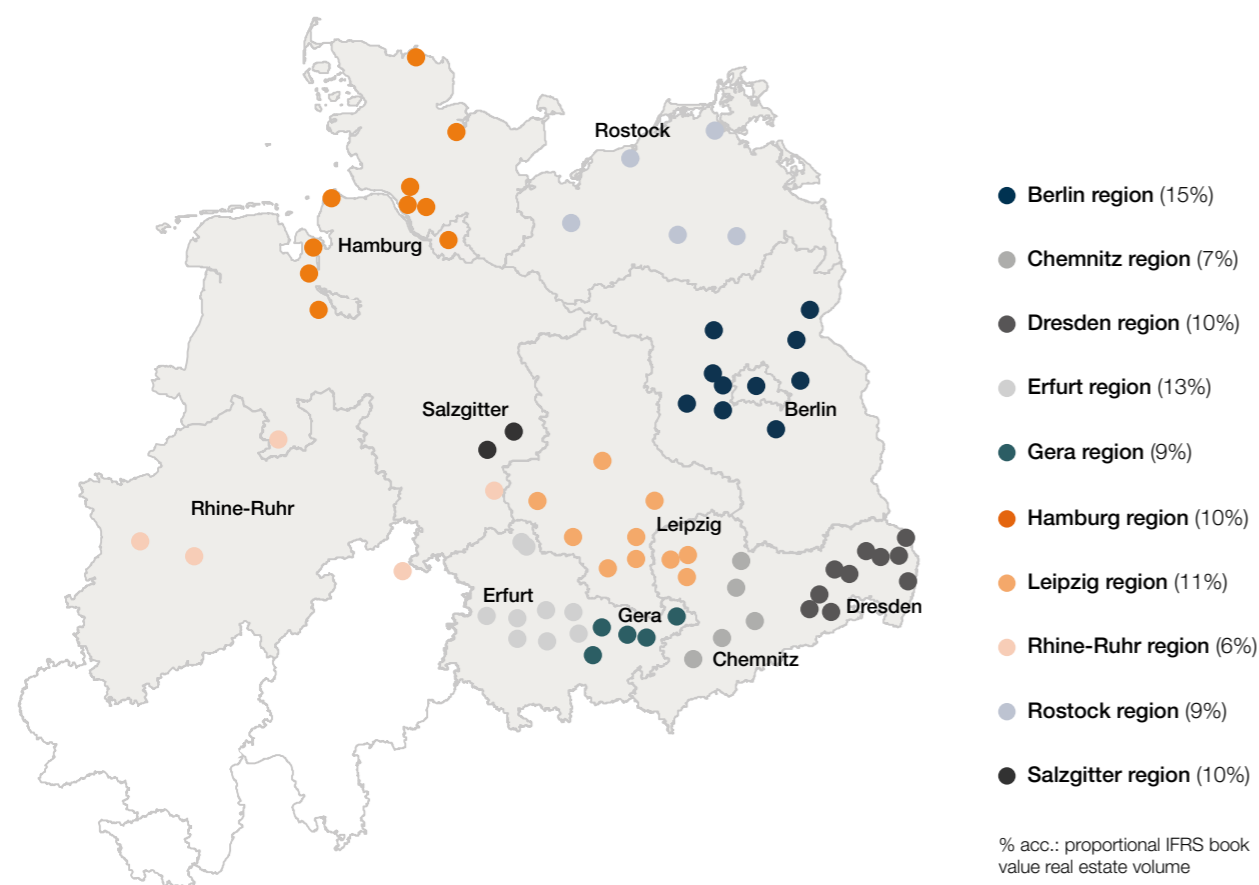
There continues to be extensive investment in German residential property, partly due to the prolonged period of low interest rates, but also to the low supply of investment opportunities. Demand from insurance companies, pension funds, private investors, and family offices has also increased significantly. The imbalance between supply and demand increases predatory competition and therefore prices, according to a study by Ernst & Young in June 2019.

According to data from Savills Research, the transaction volume in the residential investment market in Germany fell 36% year-on-year in the first half of 2019, to EUR 6.16 bn, while the number of sales fell by 18% to 165 transactions or 43,800 residential units. The regional focus was on A cities (52%) with Berlin remaining at the top. The buyers in the first half of the year were almost exclusively German investors (95%). Comparatively complex legal framework conditions and the government's regulatory efforts to curb price developments on the rental market make it more difficult for foreign investors to enter the market. Nevertheless, on the basis of this study, a transaction volume on par with the previous year's level of EUR 15bn by the end of the year appears realistic.

Development of the TAG portfolio

Overview of the portfolio

At the end of the second quarter of 2019, the TAG property portfolio comprised approximately 84,300 units. The focus is on the management of attractive yet affordable housing, with great awareness of our social responsibility towards tenants. The regional focus remains mainly on Northern and Eastern Germany.



Portfolio	06/30/2019	12/31/2018
Number of units	84,264	84,426
Rentable area in sqm	5,126,312	5,132,860
Real estate volume in EUR m	5,058.5	4,815.5
Annualised net rent in EUR m p.a. (total)	317.2	314.1
Net rent in EUR/sqm/month (total portfolio)	5.47	5.39
Net rent in EUR/sqm/month (residential units)	5.34	5.29
Vacancy rate in % (total portfolio)	5.6	5.3
Vacancy in % (residential units)	5.2	4.7
I-f-I rental growth in %	2.5	2.3
I-f-I rental growth in % (incl. vacancy reduction)	3.0	2.6

Purchases and sales

The following overview shows the acquisitions made in the 2019 financial year to date:

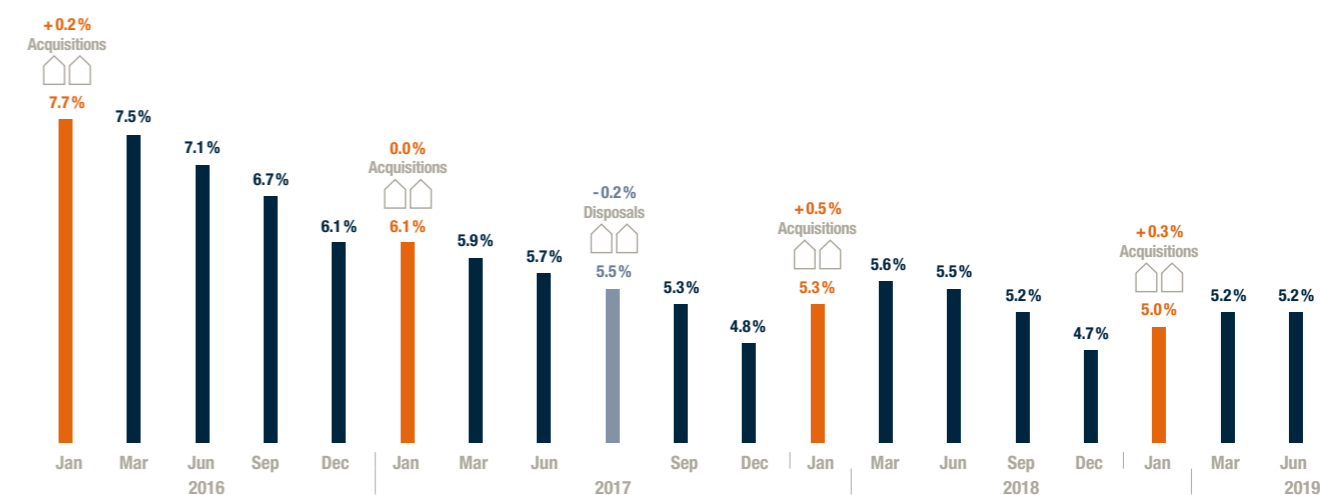
Acquisition	Thuringia	Saxony-Anhalt	Mecklenburg-Western Pomerania	Mecklenburg-Western Pomerania	Total
Conclusion of the contract	March 2019	June 2019	June 2019	August 2019	
Units	35	320	275	342	972
Net rent in EUR/sqm/month	5.79	4.92	9.35	5.07	6.23
Vacancy in %	0.0	22.4	4.8	1.6	10.6
Purchase price in EUR m	-	-	-	-	36.2
Net rent in EUR m p.a.	0.14	0.83	1.27	0.83	3.1
Location	Jena	Halle	Greifswald	Stralsund/Greifswald	-
Closing (expected)	July 2019	September 2019	Sep. 2019	December 2019	-
Multipliers	-	-	-	-	11.8

So in total, purchase agreements for about 1,000 residential units were notarised by the date of this interim management report. The average purchase multiplier (as the ratio between the purchase price excluding transaction costs and the current annual net rent) of 11.8 achieved is very attractive given the intense competition in the residential property market; it corresponds to an initial gross yield of 8.5%.

Meanwhile, sales of 149 residential units were notarised in the ongoing sales business in the first half of 2019. The total sales price was EUR 5.4 m or 13.6 times the annual net rent. These sales are expected to generate a net inflow of liquidity of around EUR 4.5 m and a book profit of around EUR 0.4 m after repayment of the bank loans connected with the properties.

Vacancy

The following table illustrates the positive development of vacancy rate in the Group's residential units in the past three financial years and the first half of 2019:

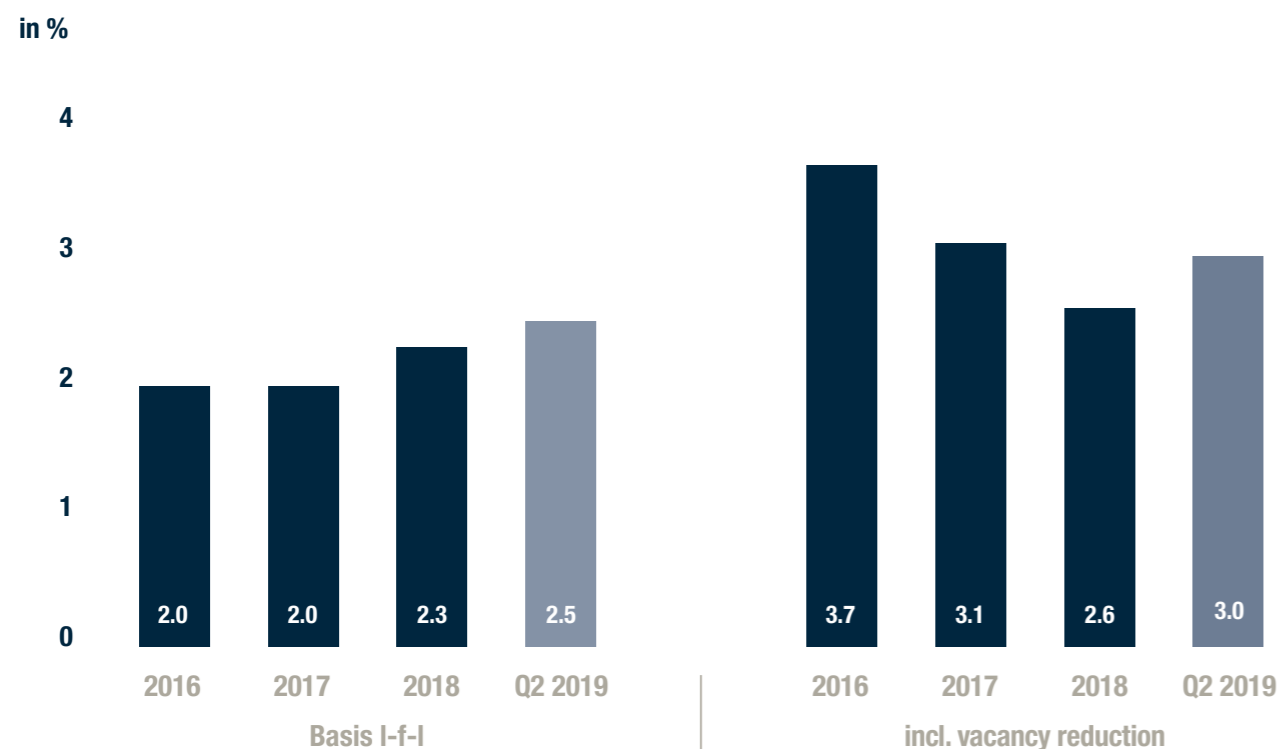


As a result of the integration of the previous year's acquisitions and through ongoing modernisation programmes to reduce vacancy, especially in the Chemnitz region, vacancy rate in the residential units of the portfolio rose from 5.0% at the beginning of the year to 5.2%. However, a decline in the vacancy rate is expected during the further course of the year as guided. Across the entire portfolio, the vacancy rate in June 2019 was 5.6%, after 5.3% at the beginning of the year.

Growth in rents

Growth in rents from the Group's residential units amounted to 2.5% per annum on a like-for-like basis (i.e. not including the acquisitions and sales of the previous twelve months) at 30 June 2019, after 2.3% in the financial year 2018. This rental growth of 2.5% consisted of ongoing rent increases for existing tenants (1.3%), rent increases in the context of a change of tenant (1.1%) and rent increases through modernisation levies (0.1%). If one additionally includes the effects of the vacancy reduction in the growth in rents, total rental growth on a like-for-like basis amounted to 3.0% per annum, after 2.6% in the financial year 2018.

The following chart shows the rental growth in the Group's residential units in the financial years 2016 to 2018 and until 30 June 2019:



Total investments in the residential units in the first six months of 2019 amounted to EUR 9.46 per sqm (maintenance costs recognised as expenses of EUR 3.37 per sqm and capitalised modernisations of EUR 6.09 per sqm). Extrapolated to a full financial year of twelve months, this would come to EUR 18.92 per sqm compared to EUR 19.24 per sqm in 2018, EUR 15.12 per sqm in 2017, and EUR 15.41 per sqm in 2016. So the Group continues to achieve attractive rental growth with only moderate investment requirements and without extensive modernisation programmes for residential units already let.

The portfolio in detail by region

The following table shows further details of the TAG property portfolio, by region, as of 30 June 2019:

Region	Units	Rentable area sqm	IFRS BV 06/30/19 EUR m	In-place yield %	Vacancy Jun-2019 %	Vacancy Dec-2018** %	Current net rent EUR/sqm	Reletting rent EUR/sqm	L-f-I rental growth y-o-y %	L-f-I rental growth y-o-y*** %	Maintenance EUR/sqm2	Capex EUR/sqm
Berlin	10,496	602,873	745.9	5.3	4.0	4.4	5.69	6.30	3.3	5.0	4.06	5.41
Chemnitz	7,667	447,114	337.3	7.1	9.2	9.6	4.89	5.06	1.7	3.2	2.96	20.12
Dresden	6,335	411,409	505.1	5.4	3.0	2.5	5.67	6.04	1.8	2.1	1.84	2.85
Erfurt	10,593	595,977	623.3	5.8	3.3	2.9	5.21	5.54	2.6	2.8	2.13	5.03
Gera	9,729	566,170	422.8	7.4	7.9	8.1	4.99	5.26	1.9	3.6	2.43	5.65
Hamburg	7,073	434,924	513.0	5.5	4.9	4.2	5.73	5.98	2.7	2.1	5.19	4.46
Leipzig	10,481	623,854	565.8	6.4	6.1	4.1	5.18	5.56	2.6	2.6	3.35	1.98
Rhine-Ruhr	4,187	266,405	305.7	5.6	2.6	1.9	5.46	5.71	2.4	2.6	5.20	3.87
Rostock	7,146	426,509	424.9	6.2	5.1	3.0	5.39	5.77	1.7	1.4	3.84	4.59
Salzgitter	9,180	563,124	513.2	6.7	5.0	4.5	5.35	5.46	3.5	3.8	3.75	7.64
Total residential units	82,887	4,938,359	4,957.0	6.1	5.2	4.7	5.34	5.64	2.5	3.0	3.37	6.09
Acquisitions						12.9						
Commercial units within res. portfolio	1,209	154,756			17.4	16.8	7.94					
Total residential portfolio	84,096	5,093,115	4,957.0	6.3	5.6	5.3	5.41					
Other*	168	33,197	101.5	4.8	4.4	5.1	12.88					
Grand total	84,264	5,126,312	5,058.5	6.3	5.6	5.3	5.47					

* including commercial properties and serviced apartments

** without acquisitions 2018

***including effects from vacancy reduction

Valuation of the portfolio as at 30 June 2019

As at 30 June, a valuation of the entire portfolio was carried out by the independent expert CBRE GmbH. Besides this valuation, a further full valuation as at 31 December 2019 will be carried out in the course of the year.

Overall, there was a valuation gain of EUR 211.4 m for the first half of 2019. This valuation gain is attributable to the good operating performance (effect amounted to 23% of the valuation gain, EUR 48.9 m) and to 'yield compression', i.e. lower capitalisation rates due to lower yield requirements on the part of potential purchasers (effect amounted to 77% of the valuation gain, EUR 162.5 m). With a valuation gain of EUR 211.4 m in relation to the IFRS carrying amount of EUR 4,815.5 m as at 31 December 2018, the Group's entire portfolio was upwardly revalued by 4.4% in the first half of 2019.

The following table shows the valuation effects for the individual regions in detail:

Region (in EUR m)	06/30/ 2019 Fair value (IFRS)	06/30/ 2019 Fair value (EUR/sqm)	06/30/ 2019 Implied multiple	Jun 2019 Valuation result	Share of operational performance/ other market developments	Share of yield compression	12/31/ 2018 Fair value (IFRS)	12/31/ 2018 Fair value (EUR/ sqm)	12/31/ 2018 Implied multiple
Berlin	745.9	1,175.6	17.9x	48.5	15.5	33.0	668.7	1,120.2	17.3x
Chemnitz	337.3	726.8	13.8x	6.0	1.9	4.1	318.9	696.2	13.2x
Dresden	505.1	1,192.0	18.0x	24.7	4.2	20.4	479.4	1,130.6	17.1x
Erfurt	623.3	1,006.6	16.3x	29.1	8.0	21.1	589.8	958.5	15.8x
Gera	422.8	711.7	13.1x	4.4	3.0	1.4	412.1	693.5	12.9x
Hamburg	513.0	1,154.3	17.3x	24.8	2.9	21.9	486.2	1,094.0	16.5x
Leipzig	565.8	888.5	15.1x	27.2	4.3	22.9	534.0	861.6	14.4x
Rhine-Ruhr	305.7	1,102.0	16.9x	14.4	4.1	10.2	290.3	1,046.5	16.3x
Rostock	424.9	975.6	15.7x	19.8	0.3	19.5	325.6	955.5	15.0x
Salzgitter	513.2	909.0	14.7x	10.9	4.8	6.1	498.0	882.0	14.4x
Total residential units	4,957.0	973.0	15.9x	209.7	49.2	160.5	4,603.1	932.6	15.3x
Acquisitions	0.0	0.0	0.0x	0.0	0.0	0.0	115.4	704.0	13.3x
Total residential portfolio	4,957.0	973.0	15.9x	209.7	49.2	160.5	4,718.5	925.3	15.2x
Other	101.5	3,169.5	20.7x	1.7	-0.3	2.0	97.0	2,915.6	21.0x
Grand total	5,058.5	986.8	15.9x	211.4	48.9	162.5	4,815.5	938.2	15.3x

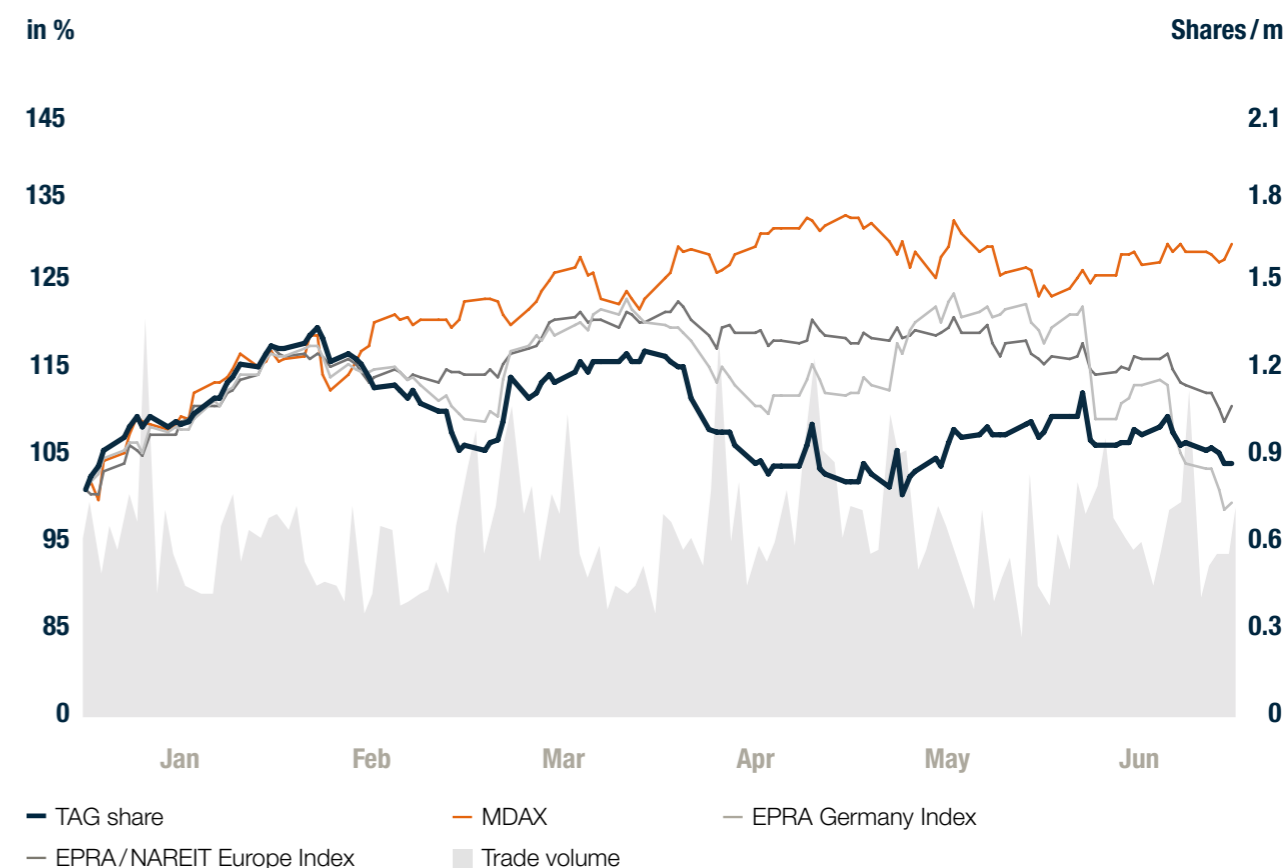
The portfolio's valuation factor (as the ratio of the IFRS carrying amount to the net rent) rose from 15.3 at the end of 2018 to 15.9 as at 30 June 2019. This corresponds to an initial annual gross interest rate of 6.3% (31 December 2018: 6.5%). Based on the price sqm, the entire portfolio now has a value of around EUR 990 after around EUR 940 as at 31 December 2018.

The TAG share and the capital market

Share performance

In the first half of 2019 the MDAX-listed TAG share continued its positive performance with share prices continuing to increase and closing at EUR 20.32 (+2%) on 28 June 2019, after a closing price of EUR 19.91 at the end of 2018. Additionally taking into account the dividend of EUR 0.75 per share paid out in May 2019, the overall performance of the TAG share for the first half of 2019 was +6%.

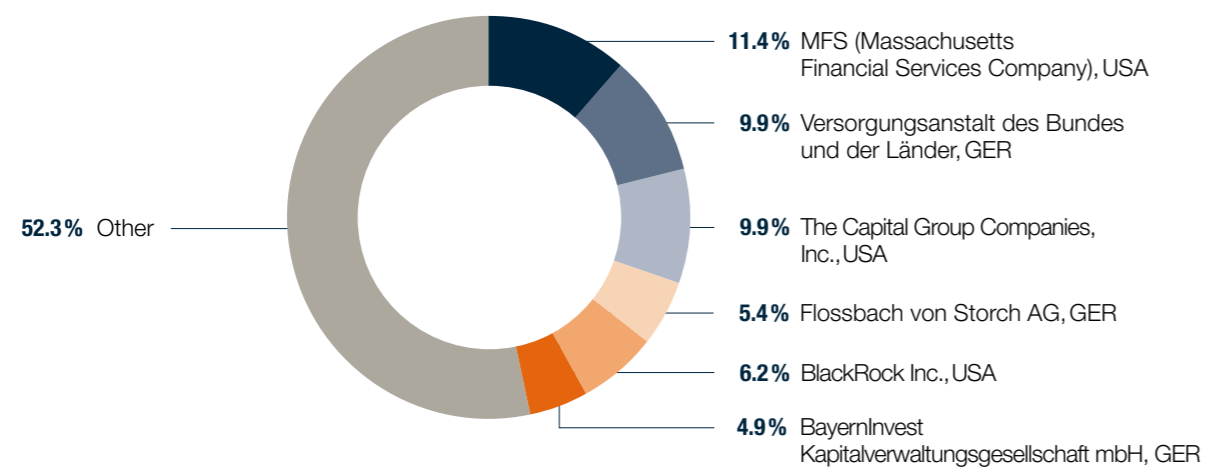
The MDAX rose significantly by 19% in the first six months of 2019, while the EPRA Europe rose by around 6%. EPRA Germany, the index comprising German real-estate stocks, recorded a minus of 1% during the same period.



Share capital and shareholder structure

The share capital and number of shares at the balance sheet date, at EUR 146,498,765, remained unchanged compared to the end of 2018. TAG's market capitalisation was EUR 3.0bn at 30 June 2019, after 2.9bn at 31 December 2018. At the reporting date, free float was 99.89% of the share capital, while 0.11% of the share capital (161,815 shares at 30 June 2019 after 177,115 shares at 31 December 2018) is held by TAG as treasury shares for Management Board and staff remuneration.

As before, the majority of TAG shareholders are German and international investors with a predominantly long-term investment strategy, as the following overview (at 30 June 2019) 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 took place in Hamburg on 7 May 2019, the distribution of a dividend of EUR 0.75 per share, after EUR 0.65 per share in the previous year, for the 2018 financial year was approved and subsequently paid out.

To establish the share as an attractive dividend stock in the future as well, we plan to distribute a further increased dividend of EUR 0.80 per share for the 2019 financial year, which continues to correspond to a pay-out ratio of 75% of the FFO I.

Analysis of net assets, financial position, and results of operations

Results of operations

The breakdown of rental income for the first half of 2019 is as follows:

Rental income in EUR m	H1 2019	H1 2018
Net rent	157.3	150.7
Rechargeable ancillary costs	35.8	33.7
Recharged proportionate land taxes and building insurance	12.0	11.5
Total	205.1	195.9

In the first six months of the 2019 financial year, the Group increased its net rents by about 4.4% year-on-year, from EUR 150.7m to EUR 157.3m. The main reasons for the increase in rental income were the new real estate portfolio taken over in the 2018 financial year, and the good operational growth in rents.

The individual items of rental expenses are as follows:

Rental expense in EUR m	H1 2019	H1 2018 (adjusted)
Maintenance expenses	16.7	16.0
Ancillary costs of vacant real estate	5.6	5.9
Non-recoverable ancillary costs	4.8	3.7
Non-recharged expenses	27.1	25.6
Recharged costs, taxes and insurance	47.8	45.2
Total	74.9	70.8

Mainly as a result of the increased rental revenues, rental profit – the balance of rental revenues and expenses, as well as impairment losses on rent receivables – also improved from EUR 122.7m in the prior-year period to EUR 128.0m in the first quarter of 2019. Impairment losses on rent receivables decreased by EUR 0.2m compared with the first half of 2018 to EUR 2.2m in the first half of 2019

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

Income from sales in EUR m	H1 2019	H1 2018
Revenues from the sale of investment properties	5.1	54.0
Expenses on the sale of investment properties	-5.1	-54.0
Net income from the sale of investment properties	0.0	0.0
Revenues from the sale of properties held as inventory	0.6	5.3
Expenses on the sale of properties held as inventory	-0.4	-5.2
Expenses on the sale of inventories	0.2	0.1
Total	0.2	0.1

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

Net income from property services in EUR m	H1 2019	H1 2018 (adjusted)
Internally generated ancillary costs	20.9	18.2
Recharged proportionate land tax and building insurance	1.2	1.0
Other service income	2.7	2.6
Income from property services	24.8	21.8
Expenditure from property services	-14.7	-13.3
Impairment accounts receivables	-0.3	-0.3
Total	9.8	8.2

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

Other operating income in EUR m	H1 2019	H1 2018 (adjusted)
Income from the reversal of provisions and from the derecognition of liabilities	0.6	0.6
Other income not relating to the accounting period (e.g. income from the disposal of fixed assets)	0.6	0.2
Other	0.6	1.2
Total	1.8	2.0

The item 'changes in fair value of investment properties and valuation of investment properties' includes gains and losses from the ongoing valuation of investment properties held in the portfolio, the valuation result on the purchase of investment properties, and effects from the valuation of properties held in inventories.

The breakdown is as follows:

Valuation result real estate in EUR m	H1 2019	H1 2018
Investment properties		
Valuation result on portfolio properties	212.3	229.8
Properties held as inventory		
Reversal of impairment losses on inventory properties	0.0	0.2
IFRS 5 properties		
Valuation result of properties held for sale	-0.9	0.0
Total	211.4	230.0

Personnel expenses increased to EUR 24.3m in the reporting period (prior-year period: EUR 21.6m), especially due to the continued expansion of in-house caretaker and maintenance services. At 30 June 2019, TAG had 1,145 employees, including all caretakers and craftsmen, compared with 993 employees at the end of the financial year 2018.

Amortisation of intangible assets and depreciation of property, plant and equipment mainly comprise scheduled depreciation of owner-occupied properties as well as IT and other office equipment. At EUR 3.1m they are slightly above the previous year's level of EUR 2.0m. The increase of EUR 1.1m is entirely attributable to the leasing agreements capitalised as at 1 January 2019 in connection with the new IFRS 16 accounting regulations.

The composition of other operating expenses is shown below:

Other operating expenses in EUR m	H1 2019	H1 2018
Legal, consulting and auditing costs (incl. IT consulting)	2.5	2.8
IT costs	0.9	0.9
Telephone costs, postage, office supplies	0.8	0.7
Occupancy costs	0.7	1.0
Travel expenses (incl. vehicles costs)	0.7	0.7
Ancillary staff cost	0.7	0.3
Other	2.0	2.0
Total	8.3	8.4

The valuation of derivatives (here, mostly on the derivative portion of the EUR 262.0 million convertible bond issued in the financial year 2017) resulted in a valuation loss of EUR 7.7 million (prior-year period: EUR 21.9 million) as of the balance sheet date, resulting in an overall negative financial result of EUR 31.9 million as of 30 June 2019 (net of financial income and financial expenses), compared to EUR 61.7 million for the first six months of the financial year 2018. Net financial result, which is used in determining FFO, adjusted for one-off effects, was again up year-on-year to EUR 22.7m as of 30 June 2019, compared to EUR 29.4m in the same period of the previous year.

Financial result in EUR m	H1 2019	H1 2018
Net income from Investments	0.4	0.4
Interest income	0.2	0.6
Interest expense	-32.5	-62.7
Net financial result	-31.9	-61.7
Non-cash financial result from convertible/corporate bonds	0.7	0.9
Breakage fees bank loans and early repayment of bonds	0.1	9.5
Other non-cash financial result (e.g. from derivatives)	8.4	21.9
Net financial result (cash effective, after one-offs)	-22.7	-29.4

Income taxes are composed as follows:

Taxes on income in EUR m	H1 2019	H1 2018
Actual income taxes current financial year	2.9	2.2
Actual income taxes previous years	-0.3	-0.2
Deferred taxes	47.3	49.1
Total	49.9	51.1

Overall, TAG generated pre-tax earnings (EBT) of EUR 233.7m in the first six months of the 2019 financial year, after EUR 218.3m in the first half of 2018. This EUR 15.4 million improvement in earnings was due in particular to the EUR 29.8 million year-on-year improvement in the financial result. This was offset mainly by an EUR 18.6 million year-on-year decline in valuation gains and losses.

This yields the following adjusted EBITDA / EBITDA margin for the first six months of 2019 (excluding net proceeds from sales):

EBITDA margin in EUR m	H1 2019	H1 2018
EBIT	315.5	331.1
Valuation result	-211.4	-230.0
Depreciation	3.1	2.0
Adjustment for IFRS 16 effects	-0.8	0.0
Result from sales	-0.2	-0.1
EBITDA (adjusted)	106.2	103.0
Net rent	157.3	150.7
EBITDA margin (adjusted)	67.5%	68.3%

The following table shows the calculation of FFO I, the adjusted EBITDA, AFFO (adjusted funds from operations excl. capex, but not including capex for project developments) and FFO II (FFO I incl. net revenue from sale) in the first half of 2019, in comparison to the same period of the previous year:

Funds From Operations in EUR m	H1 2019	H1 2018
Net income	233.7	218.3
Taxes	49.9	51.1
Net financial result	31.9	61.7
EBIT	315.5	331.1
Adjustments	-	
Valuation result	-211.4	-230.0
Depreciation	3.1	2.0
On-off's (real estate transfer tax)	-0.8	0.0
Result from sales	-0.2	-0.1
EBITDA (adjusted)	106.2	103.0
Net financial result (cash, after one-off's)	-22.7	-29.4
Cash Taxes	-2.6	-2.0
Dividend payments to minorities	-0.6	-0.4
FFO I	80.3	71.2
Capitalised maintenance	-5.1	-4.6
AFFO before modernisation capex	75.2	66.6
Modernisation capex	-24.9	-23.0
AFFO	50.2	43.6
Result from sales	0.2	0.1
FFO II (FFO I + Result from sales)	80.6	71.3
Weighted average number of shares outstanding (in 000)	146.328	146.360
FFO I per share (in EUR)	0.55	0.49
AFFO per share (in EUR)	0.34	0.30
Weighted average number of shares fully diluted (in 000)	161.090	160.984
FFO I per share (in EUR), fully diluted	0.50	0.45
AFFO per share (in EUR), fully diluted	0.32	0.28

Thus FFO I during the reporting period increased significantly year-on-year as planned, by EUR 9.1m (+13%). In addition to a EUR 3.2m increase in adjusted EBITDA, a EUR 6.7m increase in net financial income (cash change, without one-off effects) also contributed to this positive development.

Net Assets and Capital Expenditures

Total assets rose to EUR 5,325.9m at 30 June 2019, after EUR 5,033.3m at 31 December 2018. As of 30 June 2019, the carrying amount of the total real estate volume amounted to EUR 5,058.5m (31 December 2018: EUR 4,815.5m), of which EUR 4,931.1m (31 December 2018: EUR 4,666.7m) is attributable to investment properties.

In the first half of 2019, TAG's portfolio incurred expenses totalling EUR 46.8m (prior-year period: EUR 43.6m) for ongoing maintenance and modernisation. EUR 16.7m (prior-year period: EUR 16.0m) was spent on maintenance recognised in profit or loss and EUR 30.1m (prior-year period: EUR 27.6m) was spent on modernisations eligible for capitalisation. The breakdown of this amount is as follows:

Modernisation expenses in EUR m	H1 2019	H1 2018
Major measures (e.g. modernisation of entire blocks of flats)	15.3	11.9
Modernisation of flats		
Previously vacant flats	9.6	11.1
Tenant turnover	5.1	4.6
Total modernisation expenses	30.0	27.6

In addition, modernisation expenses of EUR 2.9m were incurred for project developments (previous year: EUR 2.9m), for a former commercial property that is currently being converted into an apartment house. These modernisation costs are considered separately from the residential portfolio.

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

Deferred tax assets in EUR m	06/30/2019	12/31/2018
Tax loss carryforwards	60.9	64.7
Derivate financial instruments	14.4	11.9
Other (including netting)	-25.3	-6.6
Total	50.0	70.0

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

Deferred tax liabilities in EUR m	06/30/2019	12/31/2018
Valuation of investment properties	483.1	437.1
Other (including netting)	-22.3	-3.6
Total	460.8	433.5

Financial position and equity

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

Cash and cash equivalents in EUR m	06/30/2019	12/31/2018
Cash and cash equivalents as per balance sheet	146.3	91.7
Restricted cash in banks	-2.8	-2.7
Financial resources	143.5	89.0

Equity increased by EUR 123.8m in the first six months of the 2019 financial year, after taking into account the EUR 109.8m dividend pay-out in May 2019, mainly due to the positive Group result, so that equity as of 30 June 2019 amounts to EUR 2,172.1m (31 December 2018: EUR 2,048.3m). The equity ratio was 40.8% as of the reporting date, compared with 40.7% at 31 December 2018.

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

Net asset value in EUR m	06/30/2019	12/31/2018
Equity (before interest of non-controlling shareholders)	2,124.2	2,006.5
Deferred taxes on investment properties and derivate financial instruments	468.7	425.2
Fair value derivate financial instruments	49.7	42.0
Hidden reserves on real estate held as property, plant and equipment and inventories	78.1	60.0
EPRA NAV	2,720.7	2,533.6
Number of shares outstanding (in 000)	146,337	146,322
EPRA NAV per share in EUR	18.59	17.32
Number of shares outstanding, diluted (in 000)	161,174	161,023
EPRA NAV per share in EUR, diluted	18.48	17.33

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

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

Loan-to-value in EUR m	06/30/2019	12/31/2018
Non-current and current liabilities to banks	1,858.4	1,855.5
Non-current and current liabilities from corporate bonds	400.4	285.8
Non-current and current liabilities from convertible bonds	258.2	257.5
Cash and cash equivalents	-146.3	-91.7
Net financial debt	2,370.7	2,307.1
Book value of investment properties	4,931.1	4,666.7
Book value of property reported under tangible assets	9.4	9.5
Book value of property held as inventory	54.6	52.3
Book value of property reported under non-current assets held for sale	63.3	87.0
Real estate volume	5,058.5	4,815.5
Difference between fair value and book value for properties valued at cost	78.1	60.0
Book value of property for which purchase prices have already been paid in advance	-1.4	-0.2
Relevant real estate volume for LTV calculation	5,135.2	4,875.3
LTV	46.2%	47.3%

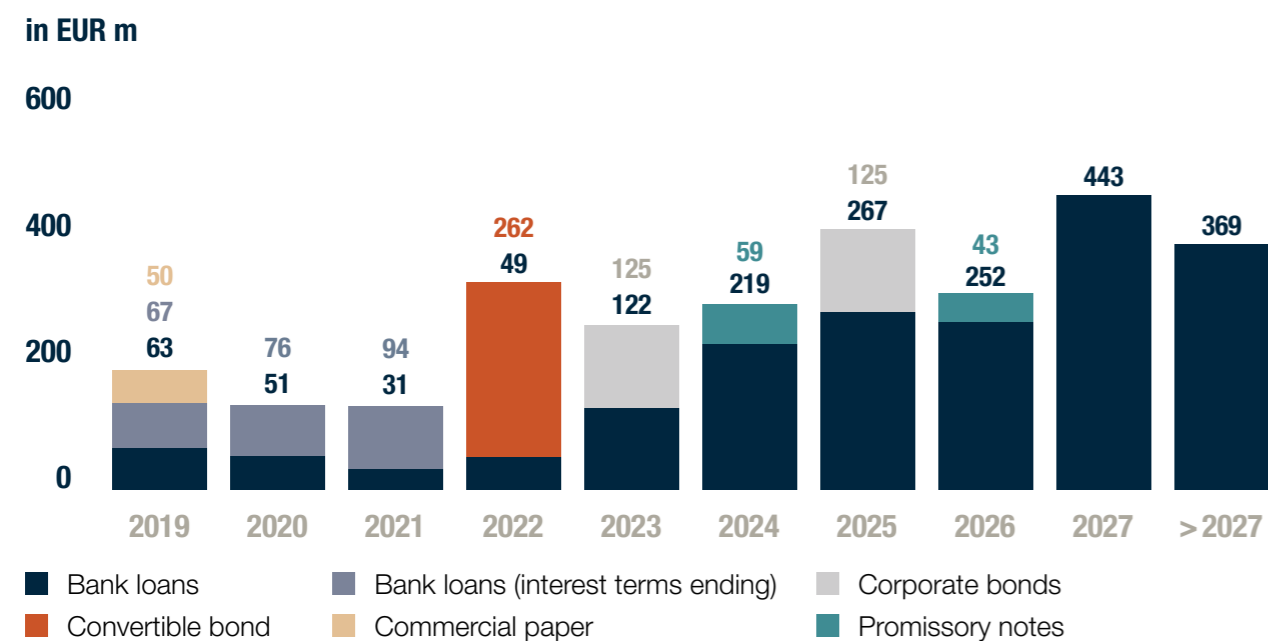
The reduction of the LTV to 46.2% as of 30 June 2019 (prior year: 47.3%) is mainly attributable to the positive effects of the property valuation in addition to the improved operating results.

The average volume rated interest rate on bank loans was further reduced to 2.09% as of 30 June 2019, after 2.19% on 31 December 2018. Total borrowing costs, i.e. including interest rates for corporate and convertible bonds, promissory notes, and commercial papers amounted in average to 1.80% as of 30 June 2019, compared to 1.92% at 31 December 2018.

Placement of a EUR 102m promissory note maturing in 2024/2026

In June 2019, TAG Immobilien AG further optimised its financing structure and placed a EUR 102.0m promissory note with institutional investors by way of a private placement with maturities of 5 years (EUR 59.0 m) and 7 years (EUR 43.0m). The interest coupon amounts to 1.125% and 1.250% p.a. respectively.

The maturities of all financial liabilities as of 30 June 2019 are shown in the following diagram:



The average remaining term of bank loans was 9.0 years (31 December 2018: 9.3 years) at the balance sheet date, while the average remaining term of total financial liabilities was 7.5 years (31 December 2018: 8.1 years).

Fixed-interest liabilities to banks totalling EUR 382m (Q3 and Q4 2019: EUR 130m; 2020: EUR 127m; 2021: EUR 125m) will mature within the next two-and-a-half years, or can be refinanced on maturity without prepayment penalty as the contractual interest commitment ends. The average interest rates on these bank loans are 2.1% (loans maturing in 2019) and 3.6% (loans maturing in 2020). Given the current significantly lower market interest rates, a further reduction in financing costs is to be expected in subsequent years.

TAG continues to receive an investment grade rating from Moody's (Baa3 with stable outlook). This rating underscores TAG's strong operating performance and stable financing structure. At the same time, it forms the basis for low-interest capital market financing and thus creates flexibility within the Group's financing structure.

Overview of the economic situation

In the first half of 2019, TAG once again achieved excellent results in relation to its key operative indicators, such as rental growth. In addition, the previous year's acquisitions were successfully integrated and the costs of financing were further reduced. FFO I subsequently rose to EUR 80.3 m in the first half of 2019 (prior-year period: EUR 71.2 m), NAV per share amounted to EUR 18.59 as of 30 June 2019 after EUR 15.15 as of 30 June 2018, and LTV was reduced from 50.2% at the end of the first half of 2018 to 46.2%.

This means that the Group's earnings and asset position continues to develop positively. TAG has sufficient liquidity and is financed for the long term.

Employees

The average number of employees at TAG is shown in the following table:

	06/30/2019	06/30/2018
Employees in operations	554	526
Administration and central functions	106	107
Caretakers	416	312
Craftsmen	69	56
Total	1,145	1,001

Other information

There were no transactions with related parties with the exception of the remuneration paid to the Company's governance bodies.

Material events after the reporting date

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

Outlook, opportunities and risks

Its business activities expose TAG to various operational and economic opportunities and risks. For more information on this and other details regarding the outlook, please refer to the detailed presentation in the „Outlook, Opportunities and Risks“ section of the Group Management Report for the 2018 financial year.

In this section, under the heading “Market risks – regulatory and political risks,” reference was already made to the risk of a future material adverse change in existing tenancy law to the detriment of landlords. This risk became more substantiated in the 2019 financial year. For instance, in June 2019, the Berlin Senate resolved not to allow any more rent increases in the federal state of Berlin for existing residential units in the next 5 years (‘rent caps’), with a few exceptions. Although there are currently no similar concrete resolutions in other cities and federal states and there are doubts as to the legitimacy of this draft law, there is support in the political debate for these and similar considerations which all aim at a tighter restriction of rent increases in future.

From our point of view, however, the current discussions are mainly focused on two areas, namely new letting rents, which have risen sharply in recent years in large cities, and extensive rent increases as a result of modernisation measures. Many tenants fear that current or future rents will no longer be affordable. This is to be counteracted by tighter regulation of rents.

However, TAG's investments are not made in Germany's major cities but deliberately in ‘B’ and ‘C’ locations, i.e. in the more outlying catchment areas of the cities and in medium-sized towns. As an example given TAG owns around 300 units in the federal state of Berlin. The majority of our housing stock (more than 70%) is located in Eastern Germany. TAG's largest locations are the cities and regions of Salzgitter, Gera, and Erfurt. In our view, rents at these locations and in these regions are affordable in relation to household income. For example, according to our last Housing Market Report Eastern Germany 2018, the housing cost burden ratios (rent including ancillary costs in relation to household income after taxes and social security contributions) amount to 19% in Gera, and 22% in Erfurt. In Salzgitter, the housing cost burden ratio

is around 17%. Modernisation programmes for existing tenants are only being carried out to a very limited extent (they contributed only 0.1% to total rental growth in the last full financial year 2018), and the main focus of investments is on reducing vacancy.

Against this background, we do not expect that the debate about tighter regulation, and especially about a complete rent freeze, will significantly affect our locations. Although we consider the probability to be low, there is still a risk that TAG will no longer be able to increase its rents in future, or only to a limited extent, if rents are regulated more strictly throughout Germany. Although this would not endanger the Group's existence, it could have significant disadvantages for the future development of FFO, EBT, and NAV.


Beyond this, no significant developments have occurred or become apparent since 1 January 2019 that would lead to a different assessment of the opportunities and risks. Forward-looking statements are subject to risk and uncertainty as a result of which the actual figures may deviate substantially from those stated in such forward-looking statements. Many of these risks and uncertainties are related to factors which TAG can neither control, influence nor precisely estimate. This concerns, for example, future market and economic conditions, other market participants' behaviour, the ability to successfully integrate companies after acquisition and tap expected synergistic benefits, as well as changes to tax legislation.

The forecasts for the 2019 financial year, which were published in the 2018 Annual Report, remain unchanged and are as follows:

- FFO (as FFO I without disposals): EUR 154m to EUR 156m (2018: EUR 146.5m), or EUR 1.06 (2018: EUR 1.00) per share
- EBT (excluding results from changes in fair value of investment properties and from the valuation of inventory properties as well as from the valuation of financial derivatives): EUR 155m to EUR 157m (2018: EUR 143.4m), or EUR 1.07 (2018: EUR 0.98) per share
- NAV per share (excluding results from changes in fair value of investment properties as well as from the valuation of inventory properties and of financial derivatives) from EUR 17.50 to 17.60 (31 December 2018: EUR 17.32), after taking into account a dividend payment of EUR 0.75 (previous year: EUR 0.65) per share.

The forecasts for the development of vacancy (reduction to 4.4% to 4.7% in the residential portfolio after 5.0% as of 1 January 2019, including the acquisitions effective as of 31 December) and for like-for-like rental growth (2.5% to 3.0% after 2.6% p.a. in 2018, including the effects of vacancy reduction) also remain unchanged.

Hamburg, 7 August 2019



Claudia Hoyer
COO



Martin Thiel
CFO



Dr Harboe Vaagt
CLO

CONSOLIDATED BALANCE SHEET

Assets in TEUR	06/30/2019	12/31/2018
Non-current assets		
Investment properties	4,931,095	4,666,673
Intangible assets	965	980
Property, plant and equipment	28,007	26,366
Capitalisation of rights of use	9,517	0
Other financial assets	8,150	8,162
Deferred taxes	49,955	69,952
	5,027,689	4,772,133
Current assets		
Property held as inventory	54,622	52,296
Other inventories	784	253
Trade receivables	17,712	14,177
Income tax receivables	1,430	4,706
Other current assets	14,066	11,065
Cash and cash equivalents	146,257	91,718
	234,871	174,215
Non-current assets held for sale	63,344	86,995
	5,325,904	5,033,343

Equity and liabilities in TEUR	06/30/2019	12/31/2018
Equity		
Subscribed capital	146,337	146,322
Share premium	773,503	773,417
Other reserves	1,035	1,035
Retained earnings	1,203,298	1,085,705
Attributable to the equity holders of the parent company	2,124,174	2,006,479
Attributable to non-controlling interests	47,938	41,847
	2,172,112	2,048,326
Non-current liabilities		
Liabilities to banks	1,735,337	1,730,272
Liabilities from corporate bonds and other loans	350,230	248,771
Liabilities from convertible bonds	257,641	256,981
Derivative financial instruments	49,685	42,005
Retirement benefit provisions	5,332	5,505
Other non-current liabilities	20,207	10,850
Deferred taxes	460,794	433,456
	2,879,226	2,727,840
Current liabilities		
Liabilities to banks	123,032	125,271
Liabilities from corporate bonds and other loans	50,136	36,992
Liabilities from convertible bonds	546	546
Income tax liabilities	7,801	6,800
Other provisions	32,791	31,913
Trade payables	21,187	14,093
Other current liabilities	38,294	41,563
	273,787	257,178
Liabilities associated with non-current assets held for sale	779	0
	5,325,904	5,033,343

CONSOLIDATED INCOME STATEMENT

in TEUR	01/01- 06/30/2019	01/01- 06/30/2018 (adjusted*)	04/01- 06/30/2019	04/01- 06/30/2018 (adjusted*)
Rental income	205,070	195,950	98,666	92,381
Impairment losses	-2,218	-2,376	-1,227	-846
Rental expense	-74,881	-70,867	-33,006	-29,460
Net rental income	127,971	122,707	64,433	62,075
Revenues from the sale of real estate	5,776	59,332	1,370	43,805
Expenses on the sale of real estate	-5,574	-59,188	-1,122	-43,174
Sales result	201	144	248	631
Revenues from services	24,758	21,789	12,779	11,509
Impairment losses	-263	-215	-152	-76
Expenses from property services	-14,655	-13,336	-7,644	-7,559
Services result	9,840	8,238	4,983	3,874
Other operating income	1,755	1,958	1,107	988
Fair value changes in investment properties and valuation of properties held as inventory	211,429	230,034	211,454	230,569
Personnel expense	-24,289	-21,558	-12,373	-10,756
Depreciation/amortisation	-3,122	-2,006	-1,593	-976
Other operating expense	-8,276	-8,368	-4,232	-4,691
EBIT	315,509	331,148	264,027	281,712
Net income from investments	375	395	305	339
Interest income	232	629	117	411
Interest expense	-32,492	-62,716	-19,995	-46,759
EBT	283,624	269,456	244,454	235,703
Income taxes	-49,886	-51,098	-44,018	-44,020
Consolidated net income	233,737	218,358	200,436	191,683
attributable to non-controlling interests	6,390	4,069	5,460	3,726
attributable to equityholders of the parent company	227,347	214,289	194,976	187,957
Earnings per share (in EUR)				
Basic earnings per share	1.55	1.46	1.33	1.28
Diluted earnings per share	1.46	1.46	1.21	1.28

*More details on the changes can be found in the section "Presentation changes in the consolidated income statement" in the section "Selected notes on the abridged consolidated interim financial statements".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	01/01- 06/30/2019	01/01- 06/30/2018	04/01- 06/30/2019	04/01- 06/30/2018
Net income as shown in the income statement	233,737	218,358	200,436	191,683
Items that will later be classified as expenses				
Unrealised gains and losses from hedge accounting	0	165	0	-1
Deferred taxes on unrealised gains and losses	0	-53	0	1
Other comprehensive income after taxes	0	112	0	0
Total comprehensive income	233,737	218,470	200,436	191,683
attributable to non-controlling interests	6,390	4,069	5,460	3,726
attributable to equityholders of the parent company	227,347	214,401	194,976	187,957

CONSOLIDATED CASH FLOW STATEMENT

in TEUR	01/01-06/30/2019	01/01-06/30/2018
Consolidated net income	233,737	218,358
Net interest income/expense through profit and loss	32,260	62,085
Current income taxes through profit and loss	2,551	1,961
Depreciation/amortisation	3,122	2,006
Net income from investments	- 375	- 395
Fair value changes in investment properties and valuation of properties held as inventory	- 211,429	- 230,034
Result from the disposal of investment properties	42	- 50
Result from the disposal of other non-current assets	3	18
Impairments accounts receivables	2,481	2,729
Changes to deferred taxes	47,335	49,138
Changes in provisions	705	- 4,643
Interest received	0	312
Interest paid	- 25,245	- 29,404
Income tax payments	1,726	1,242
Changes in receivables and other assets	- 11,332	6,617
Changes in payables and other liabilities	3,692	- 352
Cash flow from operating activities	79,273	79,588

in TEUR	01/01-06/30/2019	01/01-06/30/2018
Proceeds from the disposal of investment properties (less selling costs)	4,411	53,300
Payments made for investments in investment properties	- 34,280	- 31,041
Proceeds from other financial assets	165	432
Proceeds from disposal of other non-current assets	5	0
Payments from disposal of other non-current assets	- 3,958	- 1,583
Cash flow from investing activities	-33,657	21,108
Purchase of treasury shares	0	- 2,377
Proceeds from the issuance of treasury shares (net, after costs)	317	510
Dividends paid	- 109,754	- 95,109
Distribution to minority investors	- 300	0
Payments made for the purchase of minority interest	- 44	- 8
Payments made for the repayment of corporate bonds	- 35,000	- 134,455
Proceeds from the issuance of corporate bonds	151,332	248,639
Proceeds from new bank loans	34,430	30,135
Repayment of bank loans	- 31,269	- 89,229
Repayment of lease liabilities	- 827	0
Cash flow from financing activities	8,885	- 41,894
Net change in cash and cash equivalents	54,501	58,802
Cash and cash equivalents at the beginning of the period	89,016	249,247
Cash and cash equivalents at the end of the period	143,517	308,049

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in TEUR	Attributable to the parent's shareholders						Non-controlling interests	Total equity
	Subscribed capital	Share premium	Other reserves		Retained earnings	Total		
			Retained earnings	Hedge accounting reserve				
Amount on 01/01/2019	146,322	773,417	1,035	0	1,085,705	2,006,479	41,847	2,048,326
Consolidated net income	0	0	0	0	227,347	227,347	6,390	233,737
Colonia settlement offer	0	-284	0	0	0	-284	0	-284
Issuance of treasury shares	15	302	0	0	0	317	0	317
Share-based compensation	0	68	0	0	0	68	0	68
Dividends paid	0	0	0	0	-109,754	-109,754	-300	-110,054
Amount on 06/30/2019	146,337	773,503	1,035	0	1,203,298	2,124,174	47,938	2,172,112
Amount on 01/01/2018 before first-time application of IFRS 9	146,439	779,689	46	-112	699,848	1,625,910	20,738	1,646,648
First-time application of IFRS 9	0	0	989	0	0	989	4	993
Amount on 01/01/2018 after first-time application of IFRS 9	146,439	779,689	1,035	-112	699,848	1,626,899	20,742	1,647,641
Consolidated net income	0	0	0	0	214,289	214,289	4,069	218,358
Other comprehensive income	0	0	0	112	0	112	0	112
Total comprehensive income	0	0	0	112	214,289	214,401	4,069	218,470
Colonia settlement offer	0	-354	0	0	0	-354	0	-354
Costs related to issuance of treasury shares	-150	-2,227	0	0	0	-2,377	0	-2,377
Issue of treasury shares	33	477	0	0	0	510	0	510
Share-based compensation	0	94	0	0	0	94	0	94
Dividends paid	0	0	0	0	-95,109	-95,109	0	-95,109
Initial consolidation of real estate asset companies	0	0	0	0	0	0	267	267
Amount on 06/30/2018	146,322	777,679	1,035	0	819,027	1,744,063	25,078	1,769,141

CONSOLIDATED SEGMENT REPORT

in TEUR		Segment by LIM Region										Other activities	Consolidation	Total
		Berlin	Chemnitz	Dresden	Erfurt	Gera	Hamburg	Leipzig	Rhine-Ruhr	Rostock	Salzgitter			
		H1 2019	20,718	12,259	14,002	19,151	16,219	15,460	18,817	8,965	13,552			
H1 2018	19,063	11,764	13,723	18,387	15,843	15,096	18,407	9,639	10,623	16,784	1,888	-509	150,708	
Segment revenues (Rental income)	H1 2019	-4,964	-3,781	-2,258	-4,279	-3,646	-2,934	-3,531	-2,692	-3,378	-4,225	-221	964	-34,945
Segment expenses	H1 2018	-5,647	-3,795	-1,889	-4,225	-3,074	-3,590	-3,083	-3,453	-2,072	-4,660	-589	-457	-36,534
Rental expenses	H1 2019	-459	-573	-530	-1,116	-980	-594	-666	-457	-436	-459	-194	647	-5,817
	H1 2018	-370	-183	-333	-627	-405	-535	-352	-609	-308	-558	-479	-288	-5,047
Investment costs	H1 2019	-4,284	-3,081	-1,729	-2,934	-2,525	-2,358	-2,738	-2,178	-2,577	-3,455	-31	57	-27,833
	H1 2018	-5,174	-3,586	-1,566	-3,325	-2,574	-2,799	-2,533	-2,501	-1,655	-3,829	-99	6	-29,635
Impairment losses on receivables	H1 2019	-403	-168	-39	-289	-188	-135	-205	-249	-418	-358	-29	263	-2,218
	H1 2018	-284	-104	-57	-356	-179	-460	-280	-459	-179	-363	-8	0	-2,729
Other income / expenses	H1 2019	182	41	40	60	47	153	78	192	53	47	33	-3	923
	H1 2018	181	78	67	83	84	204	82	116	70	90	-3	-175	877
Segment results I	H1 2019	15,754	8,478	11,744	14,872	12,573	12,526	15,286	6,273	10,174	13,063	1,430	174	122,347
	H1 2018	13,416	7,969	11,834	14,162	12,769	11,506	15,324	6,186	8,551	12,124	1,299	-966	114,174
Personnel expenses (LIM region)	H1 2019	-1,064	-849	-618	-775	-1,218	-723	-988	-306	-662	-1,088	-204	0	-8,495
	H1 2018	-939	-783	-543	-680	-1,147	-719	-909	-490	-593	-930	-226	0	-7,959
Other operating expenses (LIM region)	H1 2019	-176	-150	-76	-198	-191	-138	-97	-163	-120	-322	-300	537	-1,394
	H1 2018	-164	-128	-90	-201	-131	-127	-124	-170	-119	-286	-97	494	-1,143
Segment results II	H1 2019	14,514	7,479	11,050	13,899	11,164	11,665	14,201	5,804	9,392	11,653	926	711	112,458
	H1 2018	12,313	7,058	11,201	13,281	11,491	10,660	14,291	5,526	7,839	10,908	976	-472	105,072
Segment assets	06/30/19	745,886	337,259	505,147	623,334	422,765	540,172	567,192	305,670	424,865	513,234	72,977		5,058,501
	12/31/18	695,787	322,265	479,368	591,562	412,083	512,493	541,246	290,283	402,879	498,021	69,507		4,815,494

This Group segment report is an integral part of the notes.

NOTES

SELECTED NOTES ON THE ABRIDGED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2019

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 pertaining to interim financial reporting. The period under review comprises the first six months of 2019. The comparison figures refer to 31 December 2018 with respect to the consolidated balance sheet and otherwise to the first six months of 2018. In addition, the consolidated income statement and the consolidated statement of comprehensive income contain figures pertaining to the second quarter of 2019 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.

Basis of consolidation

There were no material changes in the consolidation group as of 30 June 2019 compared with 31 December 2018.

Accounting and valuation methods

The consolidated interim financial statements were prepared using the same recognition and measurement principles applied to the consolidated financial statements for the year ending 31 December 2018 except that IFRS 16 was applied for the first time. For more details concerning the recognition and measurement principles applied, please refer to the IFRS consolidated financial statements for the year ending 31 December 2018, which form the material basis for these interim financial statements pursuant to IAS 34.

The first-time application of IFRS 16 resulted in effects that are described in the following section. Other amendments to existing accounting standards did not have any impact.

Amendments to existing standards which are subject to mandatory application in future accounting periods were explained in the notes to the consolidated financial statements as of 31 December 2018 and have not been early adopted. The effects of future application on the consolidated financial statements are currently being reviewed.

IFRS 16: Leases

IFRS 16 provides revised guidance on the recognition, measurement and presentation of leases as well as disclosure duties and, in accordance with the definitions contained in the standard, also applies to leases for business premises. There are no material changes for lessors. However, lessees must now recognise all assets and liabilities under leases on the face of the balance sheet. An exception may be utilised in the case of short-term or minor-value leases.

At the inception of the lease, a right to utilise the asset is recognised together with a matching liability equalling the present value of all relevant lease payments. Whereas the right to utilise the asset is systematically depreciated, the lease liability is adjusted on the basis of financial mathematics methods. If a right to utilise investment properties is involved, it continues to be recognised at its fair value in accordance with IAS 40.

The Group has applied the modified retrospective method for the implementation of IFRS 16 and refrained from adjusting the comparison figures for the previous year. The first-time application of IFRS 16 as of 1 January 2019 had the following effects on the Group's net assets, financial condition and results of operations in the period under review.

- Recognition of rights of utilisation of EUR 10.4 million as of 1 January 2019 and of a lease liability of a matching amount
- Increase of EUR 1.1 million in depreciation and amortisation
- Increase of EUR 0.1 million in interest expense
- Reduction of EUR 0.2 million in service expense
- Reduction of EUR 0.6 million in other operating expenses

Compared with the other financial obligations liabilities in the Notes reported as of 31 December 2018, the lease liability recognised as of 1 January 2019 breaks down as follows:

Lease liabilities in TEUR	
Other financial obligations as of 31 December 2018	15,942
thereof non-leasing obligations (licenses, service agreements)	-2,594
Other financial obligations from leases (offices, cars, IT)	13,347
Adjustment for non-deductible VAT	-1,795
Adjustment for short-term and low value leases	-124
Adjustment for present value discounting	1,075
Lease liabilities as of 1 January 2019	10,371

Lease payments were discounted on the basis of a maturity-oriented incremental borrowing rate and stood at an average of 2%.

The effects from the first-time application of IFRS 16 had only a very minor effect on Group earnings and caused a slight decline in the equity ratio due to the increase in total assets recognised.

The reduction in operating expenses resulted in an increase in EBITDA, although this effect of EUR 0.8m is eliminated in adjusted EBITDA. With respect to the cash flow statement, the increase in cash flow from operating activities was matched by a reduction of the same amount in cash flow from financing activities.

There was no impact on the key performance indicator funds from operations (FFO). The shift in service expenses and other operating expenses to depreciation and amortisation and interest expense is eliminated in the calculation of this performance indicator and shown in a separate line item. If it had not been for this elimination, FFO would have risen by EUR 0.8 million in the period under review as a result of the first-time application of IFRS 16.

Presentation changes in the consolidated income statement

The presentation changes in the consolidated income statement compared with the consolidated interim financial statements as of 30 June 2018 are due to the adoption of IFRS 9 as of 31 December 2018, which resulted in reclassifications of impairment losses on financial assets and corresponding reversals of impairment losses of a generally insignificant amount. The figures for the comparable periods of the previous year have therefore been adjusted accordingly in the current interim consolidated financial statements.

These presentation changes did not have any impact on Group earnings and equity.

Material judgements and estimates

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.

All discretionary decisions and estimates were carried over without any changes in the descriptions contained in the consolidated financial statements as of 31 December 2018.

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 TEUR	H1 2019	2018
Amount on 01 January	4,666,673	4,166,008
Transfer from investment properties	2,964	123,173
Additions from purchase of real estate portfolios	31,317	61,229
Additional acquisition and production costs	0	88
Transfers from non-current assets held for sale	19,545	0
Transfers to non-current assets held for sale	-1,513	-86,935
Sales of investment properties	-185	-26,752
Change in market value	212,295	429,862
Amount on 30 June and 31 December	4,931,095	4,666,673

The fair value of all of TAG's real estate assets was measured by CBRE GmbH as an independent expert effective 30 June 2019 and 31 December 2018. 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 of the independent expert 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 measurement 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 segment and the material assumptions underlying this valuation method:

Segment	Berlin		Chemnitz		Dresden		Rhine-Ruhr		Erfurt	
	06/30 2019	12/31 2018	06/30 2019	12/31 2018	06/30 2019	12/31 2018	06/30 2019	12/31 2018	06/30 2019	12/31 2018
Market value (in EUR m)	734.2	683.3	330.3	316.5	498.5	472.4	305.4	290.1	620.7	587.7
Net rent p.a. (in EUR m)	40.5	37.4	24.2	23.4	27.5	27.2	18.1	17.8	37.5	36.8
Vacancy (in %)	4.6	5.1	9.5	10.1	2.9	2.8	3.4	3.3	3.7	4.2
Valuation parameters (average)										
Net rent to market rent (in %)	88	88	94	95	92	94	92	93	91	90
Increase in market rent p.a. (in %)	1.1	1.1	0.6	0.6	1.0	1.0	1.1	1.1	1.1	1.1
Maintenance costs (in EUR / sqm)	8.9	8.7	8.9	8.6	9.1	9.0	9.1	9.1	9.4	9.4
Administration costs (in EUR per unit)	221	216	236	228	244	242	260	260	228	227
Structural vacancy (in %)	3.7	3.7	4.6	4.7	2.7	2.9	1.7	1.7	2.0	2.4
Discount rate (in %)	5.1	5.2	5.4	5.7	5.0	5.2	5.3	5.4	5.2	5.4
Capitalisation rate (in %)	3.9	4.1	4.8	5.1	4.0	4.1	4.1	4.2	4.1	4.3

Segment	Gera		Hamburg		Leipzig		Rostock		Salzgitter	
	06/30 2019	12/31 2018	06/30 2019	12/31 2018	06/30 2019	12/31 2018	06/30 2019	12/31 2018	06/30 2019	12/31 2018
Market value (in EUR m)	417.4	390.6	518.3	490.4	545.5	515.4	424.2	402.0	513.2	498.0
Net rent p.a. (in EUR m)	31.9	30.2	29.0	30.1	35.6	34.6	27.0	21.7	34.7	34.2
Vacancy (in %)	8.5	9.1	4.7	4.0	6.6	5.0	5.0	3.9	4.8	5.1
Valuation parameters (average)										
Net rent to market rent (in %)	92	92	93	93	91	93	92	92	97	96
Increase in market rent p.a. (in %)	0.6	0.5	1.1	1.1	0.8	0.8	0.8	0.9	0.8	0.8
Maintenance costs (in EUR / sqm)	9.0	8.6	8.4	8.1	8.8	8.3	8.9	8.9	9.1	9.1
Administration costs (in EUR per unit)	237	221	245	235	235	222	237	240	244	244
Structural vacancy (in %)	4.9	4.9	2.0	1.9	4.3	4.2	3.4	3.3	2.4	2.5
Discount rate (in %)	5.7	5.8	5.2	5.4	5.3	5.4	5.1	5.3	5.4	5.5
Capitalisation rate (in %)	5.1	5.2	4.0	4.2	4.5	4.7	4.3	4.4	4.5	4.6

The segment "Other" predominantly includes the commercial real estate activities and the serviced apartments operated by the Group. EUR 23.3 million (31 December 2018: EUR 20.3 million) of the market value of EUR 73.0m (31 December 2018: EUR 69.5 million) accounted for investment properties.

The measurements effective 30 June 2019 are based on the tenant lists and vacancies as of 31 March 2019. The measurements effective 31 December 2018 were based on the tenant lists and vacancies as of 30 September 2018. Allowance is made for any fluctuation as of the applicable reporting date where there is evidence of any material differences.

The assumptions underlying the measurement of the fair value of the real estate were made by the independent valuer on the basis of his professional experience and are subject to uncertainty. If the discount and capitalisation rate were 0.5 percentage points higher, the fair value would decline by EUR 537 million (31 December 2018: EUR 491 million); if the discount and capitalisation rate were 0.5 percentage points lower, the fair value would increase by EUR 692 million (31 December 2018: EUR 623 million). Changes in future net rental income exert a similar influence depending on rental income, vacancies and administration and maintenance costs.

Non-current assets held for sale

Non-current assets held for sale are composed solely of real estate assets previously classified as investment properties.

The table below sets out the movements in this item:

Non-current assets held for sale in TEUR	
Amount on 01 January 2018	51,502
Reclassification from investment properties	86,935
Sales	-51,442
Amount on 31 December 2018	86,995
Transferred from investment properties	1,513
Transferred to investment properties	-19,545
Change in market value	-905
Sales	-4,714
Amount on 30 June 2019	63,344

Sales contracts have already been signed for a portion valued at EUR 32.5 million (31 December 2018: EUR 32.8 million), with ownership, rights of use and liabilities expected to be transferred in the second half of 2019 in most cases. The assets are allocated to Level 3 of the fair value hierarchy and their value 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.

Revenue from contracts with customers

Revenue from contracts with customers as defined by IFRS 15 include rechargeable ancillary costs presented as rental income and internally generated ancillary costs presented within net income from property services, each plus rechargeable proportionate land tax and building insurance, as well as other service income. The categorisation of revenues is presented in respective disclosures of the group interim management report

Other information

More information on events and transactions during the reporting period as well as the development of net assets, financial position and results of operations and other disclosures can be found in the group interim management report.

Notes on segment reporting

TAG pursues a regional diversification strategy for its residential real estate. Accordingly, it has defined the following segments: Berlin, Chemnitz, Dresden, Erfurt, Gera, Hamburg, Leipzig, Rhein-Ruhr, Rostock and Salzgitter. The "Other Activities" segment comprises service business, the remaining commercial real estate activities and the boarding houses operated by the Group.

In the segment report, segment earnings I are derived from net rents and related expenses. In line with internal reporting, segment earnings I have been widened to include personnel expenses and other operating costs directly attributable to the LIM (head of real estate management) regions.

The following table reconciles rental income with segment income as follows:

Segment income in TEUR	H1 2019	H1 2018
Rental income	205,070	195,950
Externally generated operating and incidental expenses	35,801	33,732
Proportionate land tax and building insurance	11,978	11,511
Segment income	157,291	150,707

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

Segment earnings in TEUR	H1 2019	H1 2018
Segment earnings II	112,458	105,072
Capitalised investment costs not deducted from segment earnings	11,152	12,384
Non-allocated vacancy expenses	-5,621	-5,920
Net gains/losses from sales	202	144
Fair value changes in investment properties and valuation of properties held as inventory	211,429	230,034
Non-allocated staff costs	-15,795	-13,600
Depreciation and amortisation	-3,122	-2,006
Other non-allocated income and expenses	4,806	5,040
Net financial result	-31,885	-61,692
EBT	283,624	269,456

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 measurement 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:

in TEUR	Fair value hierarchy	06/30/2019	12/31/2018
Assets			
Other financial assets	Level 2/3	8,150	8,162
Liabilities			
Derivatives with no hedging relationship	Level 2	49,685	42,005

They primarily comprise non-listed minority interests in real estate companies and funds. Investments with a fair value of TEUR 4,792 (31 December 2018: TEUR 4,815) are measured on the basis of observable market prices (Level 2). Investments with a fair value of TEUR 3,358 (31 December 2018: TEUR 3,347) are measured on the basis of company-specific models such as customary net asset value models and also, to a material extent, on the basis of non-observable market data. 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. In the current period, there were no significant changes to the inputs or the composition of these assets valued at level 3. 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. In the case of interest rate hedges, this is chiefly the discounted cash flow method. The purchase price guarantee, which is recognised as a derivative financial instrument with no hedging relationship, is measured using a standardised process based on a Monte Carlo simulation (mark-to-model) 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 carrying amounts are not sufficiently close to their fair value are measured at amortised cost in the consolidated balance sheet:

Financial liabilities in TEUR	IFRS 13 valuation	06/30/2019		12/31/2018	
		Book value	Fair value	Book value	Fair value
Liabilities to banks	Level 2	1,858,369	1,949,055	1,855,543	1,892,918
Liabilities from corporate bonds and other loans	Level 2	400,366	407,646	285,763	286,342
Liabilities from convertible bonds	Level 2	258,187	275,891	257,527	276,007
Other non-current liabilities	Level 2	20,207	20,826	10,850	10,805

The fair value of non-current liabilities is calculated as the present value of future cashflows. The discount rate is based on market interest rates 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 carrying amount 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

There were no material changes in the Group's financial risks (interest, default, liquidity and finance risk) in the period under review compared with 31 December 2018.


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, 7 August 2019


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, consolidated segment report and notes on the abridged consolidated interim financial statement as of June 30, 2019 together with the interim group management report of the TAG Immobilien AG, Hamburg, for the period from January 1 to June 30, 2019 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, 7 August 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Thiede
German Public Auditor

Bagehorn
German Public Auditor


RESPONSIBILITY STATEMENT

"To the best of our knowledge and in accordance with the applicable reporting principles, the interim consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the combined Group management report includes a fair view of the business development including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year."

Hamburg, 7 August 2019


Claudia Hoyer
COO


Martin Thiel
CFO


Dr Harboe Vaagt
CLO

FINANCIAL CALENDAR 2019

Publications/Conferences

08/29/2019	German Sector Conference Commerzbank AG, Frankfurt
09/10 – 09/11/2019	Bank of America Merrill Lynch Global Real Estate Conference, New York
09/23/2019	Berenberg & Goldman Sachs Corporate Conference, Munich
09/23 – 09/26/2019	Baader Investment Conference, Munich
10/30/2019	Publication of Interim Statement Q3 2019
11/28/2019	Berenberg Real Estate Seminar, Paris



TAG Headquarter Hamburg

CONTACT

TAG Immobilien AG

Steckelhörn 5
20457 Hamburg
Telephone +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
Telephone +49 40 380 32-300
Telefax +49 40 380 32-388
ir@tag-ag.com

The English version of the Interim Report Q2 2019 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

TAG

Immobilien AG

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