2011

Growing Assets

Interim Report on the 3rd quarter of 2011

TAG Immobilien AG

Group Financials (IFRS)

in TEUR	01/01 - 09/30/2011	07/01 - 09/30/2011
A. Income statement key figures		
Revenues	108,346	35,655
a) Property sales	18,824	3,646
b) Rental income	83,046	24,557
c) Property management and other services	6,476	2,452
EBIT	95,765	31,391
EBT	53,403	19,661
Consolidated net profit	40,796	13,071
Earnings per share in EUR	0.67	0.18

B. Balance sheet key figures	**09/30/2011**	**12/31/2010**
Total assets	1,926,003	1,190,507
Equity before minorities	444,872	356,461
Equity ratio in %	23	30
Bank loans	1,109,873	634,002
Of which non-current	968,512	523,512
Real estate volume	1,842,255	978,007
EPRA NAV per share in EUR	8.43	6.67

C. Employees	**09/30/2011**	**09/30/2010**
Number of employees	277	120

Further figures	
Market capitalisation in TEUR as of September 30, 2011	388,501
Subscribed capital in EUR	64,428,083.00
WKN / ISIN	830350 / DE0008303504 WKN A1E89W WKN A1ELQF WKN A1CR8L
Number of shares	64,428,083
Free float in %	96
Stock exchange	SDAX / EPRA

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Preface

Dear Shareholders, Ladies and Gentlemen,

Now that we have completed the third quarter of 2011, we can show you the 'new' TAG following the integration of Colonia for the first time - and after the initial restructuring expenses and other one-off effects. These Q3 figures also show, for the first time, some of the synergies that have already been achieved.

For instance, administrative expenses decreased by EUR 5 million compared to the second quarter. The restructuring of our financing also made itself felt: financing expenses decreased by nearly EUR 5 million. At the same time, we increased our rental income during the third quarter by 1.5 percent over the previous quarter. These factors contributed to an operating profit of EUR 2.6 million in the third quarter, which of course is still far from satisfactory, but does show that we are on the right track.

Together with upward revaluations of investment properties amounting to approximately EUR 17 million, we therefore achieved a quarterly profit of EUR 19.7 million. The rents of the reappraised properties have increased by approximately 2.5 percent year-on-year; the reappraisals themselves represent an increase of about 1.5 percent. This leads, moreover, to an NAV per share of EUR 8.43 after EUR 8.19 in the second quarter. The NAV-boosting effects of TAG's capital increase, approved on 26 July 2011 and executed on 1 November 2011, as well as from Colonia's capital increase approved on 25 August 2011, in which TAG will contribute a portion of its loans in kind, are not yet included in this. Both effects will accrue in the fourth quarter. As a result we are very much on track to comfortably meet our forecasts for 2011.

In addition to these encouraging operational improvements the Group continues to grow. After all, the economies of scale in property management, as well as the reduction of vacancy, are important drivers of our profitability. Therefore, we are pleased to report that the capital increase approved on 26 July 2011 to acquire a further

3,228 residential units on 1 November 2011 went according to plan and was successfully completed at the earliest possible date. The residential units in this portfolio fit well with our current portfolio geographically, so that following a transition period it can be managed cost-effectively by our existing management and structures. The fact that the sellers accepted our shares at a price of EUR 8 underlines the confidence placed in our company.

We also managed to further reduce vacancy in the third quarter. Following the takeover of Colonia's residential portfolio, vacancy in the Group fell from 13.3 percent to 12.5 percent in the third quarter. Vacancy within the Colonia portfolio was reduced from 16.0 percent to 15.8 percent, while vacancy throughout TAG fell from 6.3 percent to 5.4 percent. It is worth noting that TAG managed to reduce vacancy in its 'existing inventory' stock from 5.0 percent to 4.1 percent in the third quarter alone. This proves once again that sustainable long-term management is required to bring vacancy down to adequate levels. TAG began doing so in Salzgitter as well at the beginning of the quarter. The first reactions are extremely positive, as we reported recently.

The strategic and operational successes of recent acquisitions and integrations have us looking to the future with confidence. We will continue to seek growth opportunities. As before, any acquisitions must have a positive impact on our cash flows, operating profits and NAV per share.

We hope that the figures and measures described in this report will show that we are on the right path to create additional value for you and that you will continue to accompany us on our promising growth path. Many thanks for your confidence in us.

Yours sincerely,

Rolf Elgeti **Hans-Ulrich Sutter** **Dr. Harboe Vaagt**

Wohnanlage Ottobrunn, Munich

Portfolio

Colonia's integration into the TAG Group completed

The restructuring process initiated at Colonia in the first quarter progressed well and is nearly complete. By the end of the second quarter, both companies had already recorded administrative savings of around EUR 11 million through the merger of administrative departments and key tasks. Furthermore, Colonia's portfolio is largely managed in-house at this point. Wherever possible all external contracts have been terminated. For instance, the external property management contract for Colonia's largest single property portfolio (approximately 8,700 units) in Salzgitter was terminated on 1 July 2011 and taken over by TAG units. This measure alone will result in savings of approximately EUR 4 million.

Also in the second quarter, the two asset management companies Colonia Real Estate Solutions GmbH and LARUS Asset Management GmbH were merged under the Colonia umbrella. The newly created asset and property management company operates under the name POLARES Real Estate Asset Management GmbH and is Germany's fourth-largest asset and property management service provider in the commercial real estate sector, with approximately EUR 4 billion assets under management.

These initial and quickly realised successes that TAG has been able to achieve in just six months as part of the process of restructuring Colonia and integrating it into the TAG Group show that various process steps could be implemented much faster and more easily than expected. In addition, other measures for concentrating services on companies within the Group, and especially for reducing vacancy were initiated - the resulting positive synergy effects and measurable results are expected to become visible at the end of 2011.

Changes within the commercial real estate portfolio - particularly in Munich

TAG's commercial properties are located in desirable business locations in German urban centres such as Hamburg, Munich and North Rhine-Westphalia / Mannheim. The high-performance properties are characterised by varying lease terms and creditworthy tenants.

In Munich there have been changes in the property rented to Siemens AG until now. At Kustermannpark at the end of the second quarter new lease agreements led to better terms and to an appreciation of the property's value. Also in the first half of the year, TAG did all the groundwork for having the property on Tübinger Strasse in Munich rezoned for new use, and realise value improvement potential through a property development project. In this connection, the existing building rights (approx. 20,000 sqm gross floor area) were increased by over 100 percent to 41,000 sqm of approved new building area. In October 2011 TAG sold the property for a total of EUR 31 million to a project developer from Munich and another buyer. Based on IFRS book values, the proceeds will result in a profit of EUR 7 million during the fourth quarter.

Residential properties are the focus of acquisition

In the second quarter, TAG had already continued to expand its residential property portfolio in line with its growth strategy, in particular through two acquisitions in Berlin. At the end of April 2011, TAG acquired a residential complex with 612 units and a total of 43,600 sqm in Berlin-Marzahn with an expected initial yield of over 9 percent. The acquisition of a second portfolio in Berlin followed in July 2011. Here TAG acquired a closed residential complex with 454 residential and seven commercial units in Hellersdorf. The rental area of the complex built in the early nineties is 26,900 sqm and the occupancy rate is 92 percent.

As the two Berlin acquisitions in the districts of Marzahn and Hellersdorf are in the north-east of the capital and lie in close proximity to Colonia properties, the integration of the new properties into the TAG portfolio and other property and asset management can be quickly and cost-effectively carried out by the Berlin branch. As a result, TAG has not incurred any significant additional administrative costs despite significantly expanding its portfolio.

TAG further augmented its portfolio, especially in Northern Germany and Saxony, with a further acquisition of 3,228 residential and 76 commercial units in late July 2011. Approximately three-quarters of the properties (in terms of total area) are located in various cities in northern Germany with a focus on the peripheries of Hamburg, Wolfsburg and Cuxhaven and about a quarter are in Saxony - in and around Dresden and Leipzig. These properties can in turn be managed at a very low cost by the TAG Group existing offices in Hamburg and Leipzig. The acquired total rentable area is 208,757 sqm, the average actual rent is EUR 5.44 per sqm and the vacancy rate is 6.2 percent. The purchase price was approximately EUR 150 million and is partly funded by a capital increase against contribution in kind, through the issuance of approximately 5.5 million new shares at EUR 8 per share.

TAG's entire residential property portfolio consists of a total of 30,860 units on an area of 1,906,798 sqm (as of October 2011).

Vacancy reduction

TAG made further progress in reducing its vacancy rates during the third quarter:

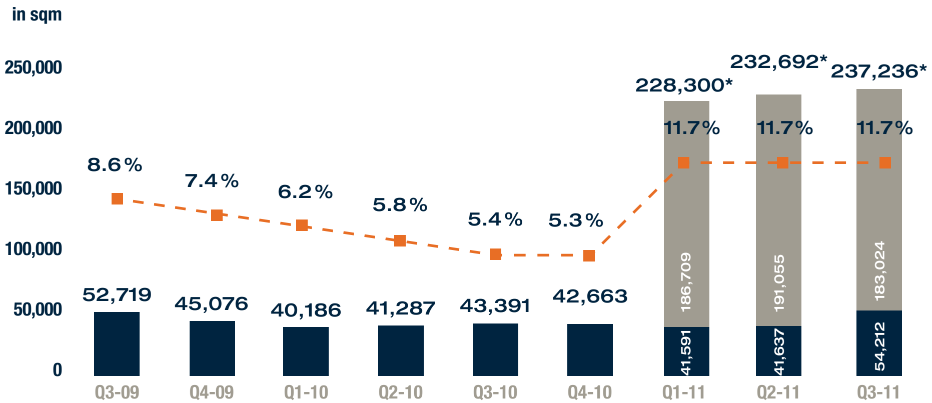
The vacancy rate **across the Group** (residential and commercial) is still at 11.7 percent. This is partly explained by the increase in vacancy in the **commercial portfolio** from 3.8 percent in late June to 7.7 percent in late September, as a tenancy contract for a property in northern Germany could not be renegotiated in good time.

Things look good in the **residential sector**. Following the takeover of Colonia's residential portfolio, vacancy in the Group fell from 13.3 percent to 12.5 percent in the third quarter. Vacancy within the Colonia portfolio was reduced from 16.0 percent to 15.8 percent, while vacancy throughout TAG fell from 6.3 percent to 5.4 percent. It is worth noting that TAG also managed to reduce vacancy in its 'existing inventory' stock from 5.0 percent to 4.1 percent in the third quarter alone.

In the residential real estate segment, **Salzgitter** is the largest single portfolio within the TAG Group. Following the Colonia takeover, this is where the biggest changes were made. The 'insourcing' of property management on 1 July 2011 not only contributes to a reduction in administrative costs, but will also significantly reduce maintenance costs over the next few years (costs in 2010: EUR 3.5 million, expected in 2012 (e): EUR 2.5 million). In addition, lease and asset management was intensified, and initial success was seen from the second quarter on, in positive rental figures that are significantly above those of the apartments whose tenancies were terminated. Currently, net absorption amounts to about 30 residential units per month.

At the same time rent per square metre for new leases was able to be increased by about 30 cents from EUR 4.41. Our cash flow also benefits from the improved cost structure within the Salzgitter portfolio, and in the third quarter of 2011 it was positive for the first time ever - in spite of renovation expenses for 350 residential units. Alongside the rental and asset management measures, vacancy in the Salzgitter portfolio has fallen from 24.0 percent to 23.4 percent between the end of March and September.

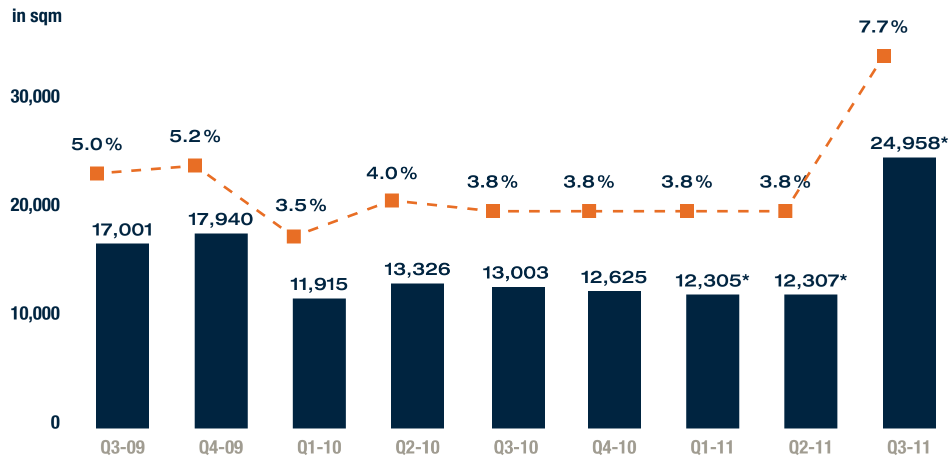
Vacancy rate reduction - Total



- Vacancy by floor area TAG „existing inventory“
- Vacancy by floor area Colonia
- Vacancy in %

*One property in Munich (17,200 sqm) is not included in these statistics due to a development project currently underway

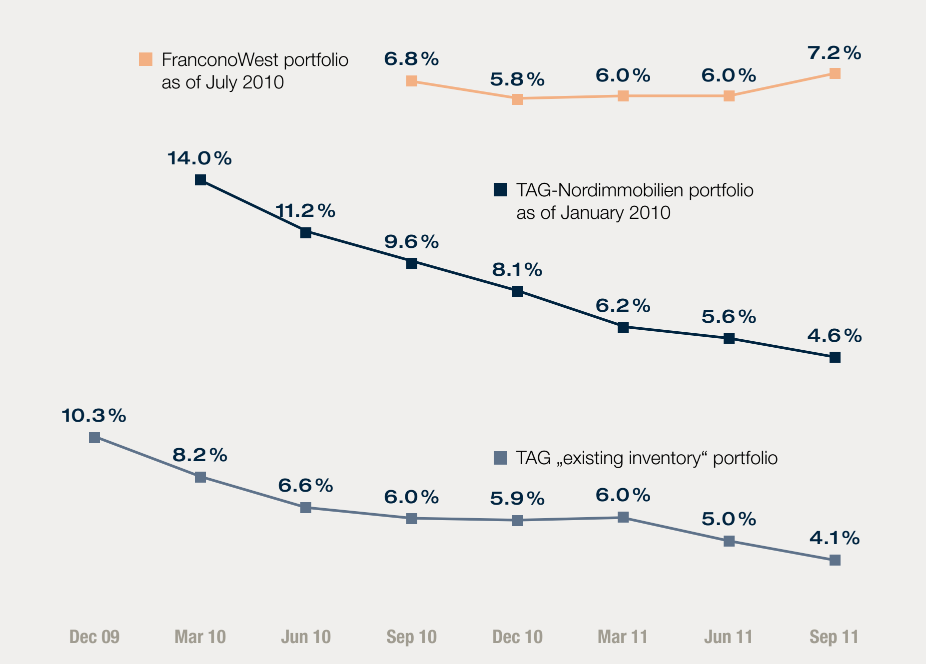
Vacancy rate reduction - Commercial real estate

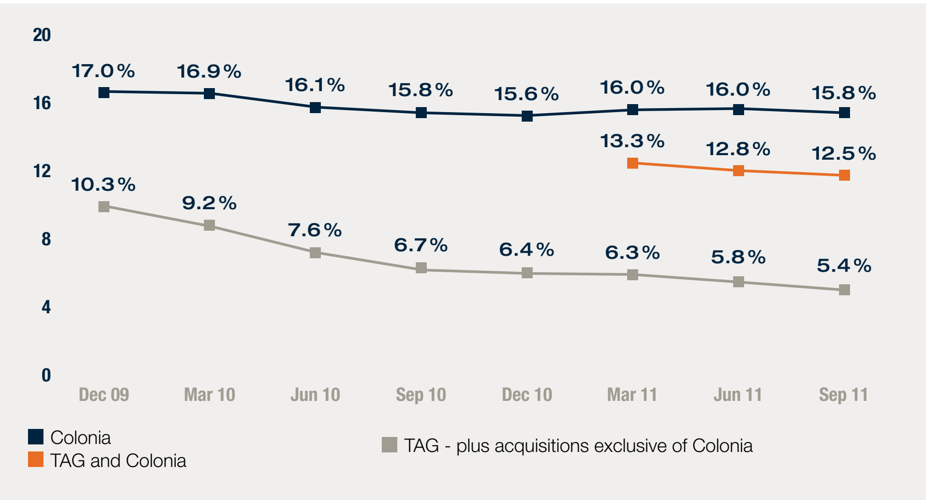


- Vacancy by floor area
- Vacancy in %

*One property in Munich (17,200 sqm) is not included in these statistics due to a development project currently underway

Vacancy rate reduction - Residential





Portfolio - TAG and Colonia total (as of 30 September 2011)

	Total	TAG	Colonia
Units	27,586	8,699	18,887
Floor space in sqm	2,021,943	859,193	1,162,750
Real estate volume in TEUR	1,724,357	904,246	820,111
Vacancy in %	11.7	6.3	15.7
Actual net rent in EUR/sqm per month	5.36	6.00	4.84

Portfolio - Residential sector - TAG and Colonia total (as of 30 September 2011)

	Total	TAG	Colonia
Units	27,556	8,670	18,886
Floor space in sqm	1,698,041	541,736	1,156,305
Real estate volume in TEUR	1,321,291	513,080	808,211
Vacancy in %	12.5	5.4	15.8
Actual net rent in EUR/sqm per month	4.99	5.38	4.78

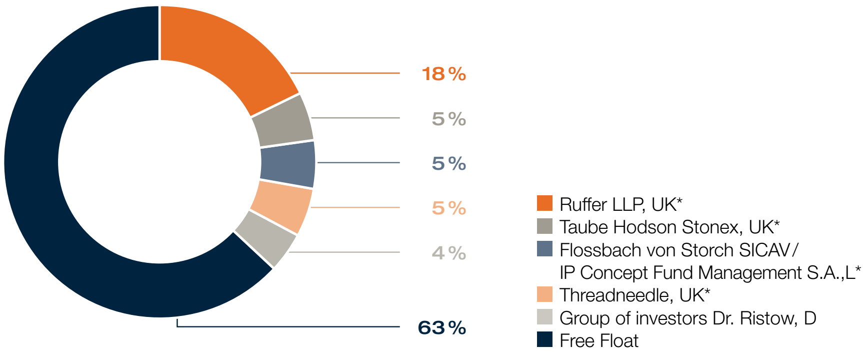
TAG share

The price of TAG shares listed on the SDAX TAG showed a gratifying development in the first half of 2011, but could not escape the negative third-quarter developments on the stock exchange resulting from the financial market crisis, and was at EUR 6.03 on 30 September 2011 (year-end 2010: EUR 6.36).

Following a capital increase against cash contribution in early May, the number of TAG shares increased from a total of 5,856,635 shares to 64,422,999 shares. The issue price was EUR 7.00. In addition, in September 5,084 shares were converted from convertible bonds, which led to an increase in the share capital to a total of 64,428,083 shares.

The free float of shares is at 96 percent. TAG's market capitalisation amounts to EUR 388.5 million at 30 September 2011 - based on the closing price of EUR 6.03. As before, German and international investors constitute the majority of TAG's shareholders, and most have a long-term investment strategy.

Shareholder structure as of September 30, 2011



* part of Free Float according to the Deutsche Börse definition

Share price 2011

Group management report for the first nine months of 2011

Economic conditions in Germany

During the reporting period, the euro debt issue and the weak global economy slowed down the economic dynamic in Europe and around the world. In the first half of the year, the German economy was able to buck this trend, however, economists expect average growth in gross domestic product (GDP) of just 0.5 percent in the third quarter. The outlook for the winter quarters has deteriorated. In fact shrinking economic output is expected in some parts for the fourth quarter, with forecasts for a slight upturn again during the coming year. However, many experts still do not seriously expect a recession in Germany, as German companies are well positioned. (Source: Handelsblatt.de, Fragile world economy becomes a risk for Germany, October 2011)

The BdB banking association halved its forecast for 2012 from 2.3 percent to 1.1 percent. Experts expect GDP to increase by 2.8 percent for the current year, after previously predicting growth of 3.0 percent. (Source: Handelsblatt.de, No threat of a crash into recession, October 2011)

The German Federal Government also assumes that economic performance will stagnate at the end of the year, but does not fear a recession. For 2012 it predicts growth of 1.0 percent and 2.9 percent for the current year. (Source: FTD.de, Ifo index confirms economic concerns, 21 October 2011)

The German real estate market

Commercial real estate

The market for commercial real estate in Germany has developed well in the first three quarters of 2011 and the leading real estate service providers are optimistic about the future. For the full year 2011 they expect transaction volumes of EUR 22 to 24 billion in the commercial real estate sector, against EUR 20 billion the previous year. The transaction volumes in the first three quarters of 2011 totalled EUR 16.6 billion, or 37 percent above than previous year's volume. In the third quarter alone, revenues amounted to EUR 5.7 billion. Core real estate, i.e. buildings in good locations and with long-term leases, is in highest demand. The extent to which banks can or want to finance real estate must be seen as critical. This uncertainty especially affects the financing of buildings that are not in the top segment in terms of location and fittings. Banks are clearly trying to avoid higher-risk loans.

In addition, retail properties are in demand like never before. This segment accounted for approximately EUR 8.5 million of revenues in the first nine months. A transaction volume of around EUR 11 billion is forecast for the full year 2011. (Source: Handelsblatt, October 17, 2011; Hefty increase in commercial real estate sales, Reiner Reichel)

Residential real estate

Due to continuing uncertainty in the international capital markets, demand for relatively low-risk investments in the German residential property market remains very high, especially among institutional investors.

This is reflected in the volume of residential real estate transactions in the first three quarters of 2011. Revenues increased to EUR 3.42 billion or EUR 4.16 billion - depending on the broker - an increase of 30 or just over 40 percent over the previous year's volume. Total transaction volumes of around EUR 6 billion are forecast for the current year.

According to CB Richard Ellis, in the first three quarters of 2011 62,000 apartments changed hands with a volume of EUR 3.42 billion - this represents an increase of 39 percent. According to Savills the price per square meter ranged between EUR 300 for existing portfolios and EUR 3,000 for development projects in city centres. The average price therefore amounted to about EUR 860 per square meter. More than half of the buyers (about 55-60 percent) of the total transaction volume of approximately EUR 3.4 billion were from Germany, 11 percent were from the United States. Apartments in Berlin were in high demand: the capital accounts for about one third of the transaction volume. (Source: Immobilien-Zeitung, October 10, 2011: Homes for EUR 6 billion sold in 2011, Christine Rebhan)

TAG Group net assets, financial position and results of operations

The first-time consolidation of Colonia in February 2011 was formative for the result of the first nine months of 2011. It pushed the Group's revenues for the first three quarters from EUR 64.1 million in 2010 to EUR 108.3 million in 2011. Since its inclusion in the Group, Colonia has accounted for EUR 44.4 million of revenues; this represents approx. 41 percent of total revenues.

Overall, first-half net rental profit increased from EUR 30.2 million in the first nine months of 2010 to EUR 58.8 million in the first nine months of 2011. In the TAG portfolio without Colonia, net rental profit increased by nearly 22 percent from EUR 30.2 million to EUR 36.7 million. This increase was achieved mainly through the reduction of vacancy in the residential portfolio (TAG's existing inventory), from 5.9 percent at the end of 2010 to 4.1 percent at the end of September 2011. Overall vacancy in the Group including Colonia was 11.7 percent as of 30 September 2011.

Personnel expenditure in the first nine months of 2011 was EUR 8.4 million (previous year: EUR 6.6 million). Other operating expenses increased from EUR 11.2 million to EUR 15.2 million. These increases in costs were mainly the result of ongoing expenses for Colonia as well as restructuring expenses resulting from TAG's acquisition of Colonia.

The acquisition of Colonia resulted in gains from the first-time consolidation of EUR 28.7 million. These gains resulted from a comparison between the re-appraised share in Colonia's equity and TAG's lower acquisition costs for the majority shares. Furthermore, the first-time consolidation of another property company in Berlin-Marzahn generated earnings of EUR 4.8 million, and the investment properties generated a positive valuation yield of EUR 23.0 million. These yields are the reason behind the increase in TAG Group EBIT, in addition to an improvement in net rental profits by 28.6 million to EUR 58.8 million. EBIT improved from EUR 32.8 million in the first nine months of 2010 to EUR 95.8 million in the first nine months of 2011.

Net interest income dropped from EUR -22.0 million in the first nine months of 2010 to EUR -44.6 million in the first nine months of 2011. This was due to interest expenses at Colonia, interest paid on TAG's convertible bonds and higher interest paid on property financing as the result of acquisitions.

The TAG Group's earnings before tax (EBT) rose to EUR 53.4 million in the first three quarters, after EUR 14.1 million last year. Earnings after tax increased from EUR 12.1 million to EUR 40.8 million. Tax expenditure in the first nine months of 2011 is primarily attributable to deferred tax expenses due to valuation differences.

Total assets increased by 62 percent from EUR 1,191 million at 31 December 2010 to EUR 1,926 million at 30 September 2011. This increase is primarily due to the first-time consolidation of Colonia on 1 February 2011. Real estate assets also increased accordingly, from EUR 978 million at 31 December 2010 to EUR 1,842 million. Liabilities to banks amounted to EUR 1,118 million at 30 September 2011 after EUR 648 million at 31 December 2010. Overall, this leads to an increase in the loan-to-value (LTV) ratio from 53 percent at 31 December 2010 to 59 percent as of 30 September 2011.

Cash and cash equivalents were down as expected due to the acquisition of Colonia, from EUR 129 million at the end of December 2010 to EUR 22 million at the end of September 2011.

The Group's equity before minority interests increased significantly by 25 percent to EUR 445 million. In addition to the capital increase against cash that was carried out, the Group's positive net income was the main driver behind the increase in equity. The equity ratio at the end of September 2011 was 23 percent (previous year 30 percent).

Forecasts, opportunities and risks

TAG is exposed to various operational and economic risks in its business. Please refer to the corresponding section in the Annual Report 2010 (Group Management Report from p. 47) for details. No risks that would result in a different assessment have arisen or become discernible since 1 January 2011.

In our 2010 Annual Report, we forecast earnings before tax (EBT) of at least EUR 50 million to EUR 60 million for the current fiscal year and a Net Asset Value (NAV) of EUR 8.00 per share at year-end 2011. Based on the positive performance during the first half of 2011 – including the integration of Colonia and the acquisitions completed to date – we raised our forecast for the NAV to EUR 8.75 when we published our half-year results. We confirm this guidance as well as the EBT forecast for the full 2011 fiscal year.

Hamburg, 3 November 2011

Rolf Elgeti **Hans-Ulrich Sutter** **Dr. Harboe Vaagt**

Consolidated balance sheet

Assets in TEUR	09/30/2011	12/31/2010
Non-current assets		
Investment properties	1,791,661	837,204
Intangible assets	7,458	4,911
Property, plant and equipment	12,161	11,990
Investments in associates	11,385	59,379
Other financial assets	5,820	335
Deferred taxes	3,489	3,996
	1,831,974	**917,815**
Current assets		
Land with unfinished and finished buildings	40,148	113,973
Other inventories	32	1,102
Trade receivables	15,725	6,654
Income tax receivables	1,531	1,324
Derivative financial instruments	443	16
Other current assets	4,467	4,006
Cash and cash equivalents	22,383	129,417
	84,729	**256,492**
Assets-held-for-sale	**9,300**	**16,200**
	1,926,003	**1,190,507**

Equity and liabilities in TEUR	09/30/2011	12/31/2010
Equity		
Subscribed capital	64,428	58,566
Share premium	293,814	248,568
Other reserves	-13,777	-9,507
Unappropriated surplus / loss	100,407	58,834
Attributable to the equity-holders of the parent company	**444,872**	**356,461**
Non-controlling interests	98,742	8,849
	543,614	**365,310**
Non-current liabilities		
Bank borrowings	968,512	523,512
Pensions	1,833	1,801
Non-current liabilities from convertible bonds	103,082	101,712
Derivative financial instruments	25,523	15,752
Other non-current liabilities	2,773	2,622
Deferred taxes	64,491	12,894
	1,166,214	**658,293**
Current liabilities		
Other provisions	11,601	15,537
Income tax liabilities	1,455	1,664
Bank borrowings	141,361	110,490
Trade payables	14,308	7,762
Derivative financial instruments	12,434	9,537
Current liabilities from convertible bonds	15,354	0
Other current liabilities	11,550	8,261
	208,063	**153,251**
Liabilities in connection with the assets-held-for-sale	**8,112**	**13,653**
	1,926,003	**1,190,507**

Consolidated income statement

in TEUR	01/01/ - 09/30/2011	(adjusted) 01/01/ - 09/30/2010	07/01/ - 09/30/2011	(adjusted) 07/01/ - 09/30/2010
Total revenues	**108,346**	**64,076**	**35,655**	**24,249**
Rental revenues	83,046	37,509	29,557	13,645
Rental expenses	-24,284	-7,322	-9,951	-2,789
Net rental income	58,762	30,187	19,606	10,856
Revenues from the sale of inventory real estate	6,431	17,103	1,510	5,749
Expenses on the sale of inventory real estate	-6,390	-17,353	-1,524	-5,748
Net income from sale of inventory real estate	41	-250	-14	1
Revenues from the sale of investment properties	12,393	8,611	2,136	4,564
Expenses on the sale of investment properties	-12,485	-8,347	-2,189	-4,419
Net income from sale of investment properties	-92	264	-53	145
Revenues from property management	6,476	853	2,452	291
Expenses for the provision of property management	-6,441	-341	-2,098	-110
Net income from the provisions of property management	35	512	354	181
Other operating income	36,395	13,394	1,141	4,126
Revaluation of investment properties	23,022	7,287	17,543	8,285
Net gains from the first-time consolidation of property companies	4,765	0	-472	-998
Total net gains from the remeasurement of investment properties	27,787	7,287	17,071	7,287
Gross profit	**122,928**	**51,394**	**38,105**	**22,596**
Personnel expenses	-8,422	-6,581	-2,545	-2,571
Depreciation/amortisation	-780	-489	-269	-168
Impairment losses on receivables and inventories	-2,782	-260	-269	-72
Other operating expenses	-15,179	-11,218	-3,631	-4,164
EBIT	**95,765**	**32,846**	**31,391**	**15,621**
Share of profit of associates	2,221	3,314	6	-30
Interest income	6,105	2,275	2,684	993
Interest expenses	-50,688	-24,286	-14,420	-8,656
EBT	**53,403**	**14,149**	**19,661**	**7,928**
Income taxes	-12,460	-2,007	-6,593	-2,049
Other taxes	-147	-67	3	-60
Consolidated net profit/loss	**40,796**	**12,075**	**13,071**	**5,819**
of which attributable non-controlling interests	-776	140	912	297
of which attributable to the Parent Company's equityholders	41,572	11,935	12,159	5,522
Earnings per share (EUR)				
Basic earnings per share	0.67	0.34	0.18	0.14
Diluted earnings per share	0.58	0.33	0.17	0.14

Consolidated statement of comprehensive income

in TEUR	01/01/ - 09/30/2011	01/01/ - 09/30/2010	07/01/ - 09/30/2011	07/01/ - 09/30/2010
Consolidated net profit / loss as shown in the income statement	**40,796**	**12,075**	**13,071**	**5,819**
Unrealised gains and losses from hedge accounting	-7,450	-3,692	-13,323	831
Unrealised gains and losses for the revaluation of securities	0	0	0	-170
Deferred taxes on unrealised gains and losses	1,819	1,192	3,600	-185
Other comprehensive income after taxes	-5,631	-2,500	-9,723	476
Total comprehensive income	**35,165**	**9,575**	**3,348**	**6,295**
of which attributable non-controlling interests	-2,102	184	-578	346
of which attributable to the Parent Company's equityholders	37,267	9,391	3,926	5,949

Consolidated cash flow statement

in TEUR	01/01/ - 09/30/2011	(adjusted) 01/01/ - 09/30/2010
Consolidated net profit/loss	**41,572**	**11,935**
Depreciation/amortisation	780	489
Share of profits/losses of associates	-2,221	-3,314
Revaluation investment property	-27,787	-7,287
Losses from deconsolidation	692	0
Gains from business combinations	-28,702	-8,654
Gains/losses on disposal of financial assets	0	-345
Gains on disposal of jointly held companies	-93	0
Losses on disposal of jointly held companies	25	0
Gains/losses from the disposal of investment properties	92	-264
Impairments on receivables and inventories	2,782	260
Changes in deferred income taxes	9,181	1,277
Changes in provisions	-4,716	-8,206
Changes in receivables and other assets	15,423	826
Changes in payables and other liabilities	-30,465	849
Cash flow from operating activities	**-23,437**	**-12,434**
Payments made for investments in investment properties	-31,399	-22,234
Payments received from the disposal of investment properties	12,393	8,611
Payments received from financial assets	0	1,723
Payments made for investments in intangible assets and property, plant and equipment	-710	-369
Payments made for acquisition of consolidated companies net of cash disposed of	-25,554	-806
Payments received from the disposal of joint ventures net of cash disposed of	-58	0
Payments made for investments in associates and other financial assets	-1,871	-4,903
Cash flow from investing activities	**-47,199**	**-17,978**
Payments issued fort he redemption of convertible bonds	0	-11,400
Payments received from the issue of convertible bonds	0	42,500
Payments received from cash equity issues	40,997	0
Expenses capital increase (net-of-tax)	-691	0
Inflows from the sale of companies	2,950	0
Conversion of convertible bonds	-45,232	0
Payments received from bank borrowings	76,282	49,685
Payments made for repaying bank borrowings	-77,470	-48,357
Payments made for business combinations without change of status	-25,593	-775
Cash flow from financing activities	**-28,757**	**31,653**
Net change in cash and cash equivalents	-99,393	1,241
Cash and cash equivalents at the beginning of the period	121,776	-595
Cash and cash equivalents at the end of the period	**22,383**	**646**

Statement of changes in consolidated equity

	Equity holders of the parent company									
			Other reserves							
in TEUR	Subscribed capital	Share premium	Retained earnings	Available-for-sale securities	Hedge accounting reserve	Currency translation	Unappropriated surplus /accumulated loss	Total	Minority interests	Total equity
01/01/2011	**58,566**	**248,568**	**527**	**0**	**-10,034**	**0**	**58,834**	**356,461**	**8,849**	**365,310**
Consolidated net profit	0	0	0	0	-4,306	0	41,573	37,267	-2,102	35,165
Business combination Colonia	0	0	0	0	0	0	0	0	118,955	118,955
Business combination without change of status	0	9,427	0	0	0	0	0	9,427	-25,612	-16,185
Cash equity issue	5,857	35,140	0	0	0	0	0	40,996	0	40,996
Capital increase from conversion	5	23	0	0	0	0	0	28	0	28
Cost of issuing equity (after income taxes)	0	-692	0	0	0	0	0	-692	0	-692
Foreign currency translation	0	0	0	0	0	37	0	37	0	37
Other changes in non-controlling interests	0	1,348	0	0	0	0	0	1,348	-1,348	0
09/30/2011	**64,428**	**293,814**	**527**	**0**	**-14,340**	**37**	**100,407**	**444,872**	**98,742**	**543,614**

	Equity holders of the parent company									
			Other reserves							
in TEUR	Subscribed capital	Share premium	Retained earnings	Available-for-sale securities	Hedge accounting reserve	Currency translation	Unappropriated surplus /accumulated loss	Total	Minority interests	Total equity
Stand 01/01/2010	**32,566**	**170,307**	**527**	**0**	**-12,393**	**0**	**5,391**	**196,398**	**8,083**	**204,481**
Consolidated net profit	0	0	0	0	-2,544	0	11,935	9,391	184	9,575
Business combination without change of status	0	0	0	0	0	0	0	0	86	86
Buy back of convertible bond	0	-334	0	0	0	0	0	-334	0	-334
Issue of convertible bond	0	1,746	0	0	0	0	0	1,746	0	1,746
Capital increase against contribution in kind	8,000	28,809	0	0	0	0	0	36,809	0	36,809
Other changes in non-controlling interests	0	0	0	0	0	0	0	0	-9	-9
06/30/2010	**40,566**	**200,528**	**527**	**0**	**-14,937**	**0**	**17,326**	**244,010**	**8,344**	**252,354**

Consolidated segment report

01/01/-09/30/2011	Residential real estate							Commercial real estate	Services	Other acitivites	Consolidation	Group
in TEUR	Hamburg	Berlin	Munich	NRW	Others	Salzgitter	Total					
Total revenues	**14,557**	**26,476**	**5,773**	**7,677**	**3,269**	**15,489**	**73,241**	**28,299**	**7,440**	**1,051**	**-1,685**	**108,345**
Previous year	10,230	25,787	1,840	2,592	2,716	0	43,166	19,514	1,065	1,077	-745	64,076
Of which external revenues	14,557	26,401	5,642	7,677	3,269	15,489	73,036	27,783	6,476	1,051	0	108,345
Previous year	10,230	25,715	1,710	2,592	2,716	0	42,963	19,182	853	1,077	0	64,076
Of which internal revenues	0	75	130	0	0	0	205	516	964	0	-1,685	0
Previous year	0	72	130	0	0	0	202	331	212	0	-745	0
Segment profit/loss	**11,195**	**28,106**	**1,702**	**6,230**	**1,922**	**6,314**	**55,470**	**30,144**	**34**	**883**	**0**	**86,532**
Previous year	3,616	6,260	686	3,337	463	0	14,361	22,247	300	1,092	0	38,000
of which revaluation of investment property	2,061	7,111	1,264	-15	920	0	11,341	11,681	0	0	0	23,022
Previous year	819	533	1,290	-216	30	0	2,456	5,829	0	0	0	8,285
of which net gains from first-time consolidation of property campanies	0	4,765	0	0	0	0	4,765	0	0	0	0	4,765
Previous year	-772	0	0	0	0	0	-772	-226	0	0	0	-998
Non-allocated other operating income												**36,395**
Previous year												13,394
Gross profit												**122,927**
Previous year												51,394
Miscellaneous non-allocated income and expenses												-69,523
Previous year												-37,245
EBT												**53,403**
Previous year												14,149
Segment assets as 09/30/2011	**267,750**	**498,742**	**28,763**	**155,930**	**51,950**	**343,780**	**1,346,915**	**491,161**	**0**	**4,180**	**0**	**1,842,255**
12/31/2010	108,876	213,043	32,608	120,175	15,761	0	490,464	483,363	0	4,180	0	978,007
Non-allocated assets as 09/30/2011												83,747
12/31/2010												212,500
Total assets as 09/30/2011												**1,926,003**
12/31/2010												1,190,507

Notes on the condensed interim consolidated financial statements to 30 September 2011

General information

These condensed interim consolidated financial statements of TAG Immobilien AG (the 'Company' or 'TAG' in the following) have been prepared in accordance with the provisions of Section 37x paragraph 3 of the German Securities Trading Act pertaining to 'quarterly financial reports'. The period under review covers the first nine months of fiscal 2011. The comparison figures refer to 31 December 2010 with respect to the consolidated balance sheet and otherwise to the first nine months of fiscal 2010. The consolidated profit and loss statement and the consolidated statement of comprehensive income also contain information for the third quarter of fiscal 2011 (period from 1 July to 30 September 2011), with comparative figures for the previous period. The disclosures in the quarterly financial report are made mainly in thousands of euros (TEUR). This may result in rounding differences between the various parts of the financial statements.

The condensed quarterly financial report is prepared on a consolidated basis in accordance with the International Financial Reporting Standards (IFRS) endorsed by the EU for interim reporting (IAS 34 - Interim Financial Reporting). In addition, the rules contained in German Accounting Standard No.16 (DRS 16 Interim Financial Reporting) are taken into account.

The accounting and valuation principles as well as the notes and explanations on the quarterly financial report are fundamentally based on the recognition and measurement principles applied to the consolidated financial statements for the year ending 31 December 2010. For further information on the accounting and valuation methods, please refer to the consolidated financial statements for the year ending 31 December 2010 compiled pursuant to IFRS, which in accordance with IAS 34 form the material basis for this interim consolidated financial statement.

Consolidation group and company acquisitions during the reporting period

The consolidation group as of 30 September 2011 includes TAG, and basically all companies in which TAG holds, directly or indirectly, a majority of the voting capital. If shares in subsidiaries are considered to be of subordinate importance from the Group's perspective they are recognised as available-for-sale financial assets in accordance with IAS 39.

Effective 1 January 2011, the two companies „An den Obstgärten GmbH & Co. KG“ and „An den Obstgärten Verwaltungs GmbH“, which had been consolidated on a proportionate basis up to this point in time, were sold. The final consolidation of the shares resulted in a profit of EUR 93, which is reported under other operating income. Furthermore, the consolidation group has changed as the result of an intra-group merger. Effective 1 January 2011 Bau-Verein zu Hamburg Bauregie GmbH was amalgamated into Bau-Verein zu Hamburg-Eigenheim Immobilien GmbH.

Also on 1 January 2011, as part of simplifying the group structures, Vierte Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG was taken over by URANIA Grundstücksgesellschaft mbH and thereby dissolved.

In the period from January to September 2011, a further 1.47 percent of shares in Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg (Bau-Verein AG) were acquired for TEUR 1,373 and a further 0.15 percent of shares in FranconoWest AG for TEUR 49. These transactions were recorded within equity as a business acquisition without any change of status.

As of 1 April 2011 the consolidation group was expanded with the founding of the company TAG Wohnimmobilien Beteiligungs AG & Co. KG.

Furthermore, with effect from 1 June 2011, TAG acquired all shares in DOM Immobilien 14 GmbH (in future TAG Marzahn-Immobilien GmbH). The company was first included in the consolidated financial statements of TAG on 1 June 2011. This resulted in profit of TEUR 4,765, shown under Results from first-time consolidation of property companies within the valuation results of investment properties.

Acquisition of Colonia Real Estate AG

On 20 December 2010, TAG AG extended a voluntary takeover offer to the shareholders of Colonia Real Estate AG (‘Colonia’ in the following) to acquire Colonia shares in accordance with the provisions of the German Takeover Act. Colonia Real Estate AG primarily operates in the residential real estate segment and also offers real estate services. The acquisition of Colonia serves the TAG Group’s expansion in both these segments. The voluntary tender process was completed on 18 January 2011. TAG AG thereby initially acquired a total of 38.28 percent of the voting rights in Colonia, including the shares in Colonia it had acquired in 2010, and then gradually further increased this shareholding so that by 15 February 2011 TAG AG held 50.02 percent of the voting rights in Colonia.

At the time of the majority takeover, TAG AG possessed 15,658,191 shares, which were valued on 15 February 2011 at EUR 5.77 per share. The total costs of acquisition that are relevant for first-time consolidation thus amounted to EUR 90.35 million. Minority shares in the pro-rata fair value amount to EUR 118.92 million, or 49.98 percent. By the balance sheet date of 30 September 2011, TAG AG had acquired additional shares and now holds a 61.19 percent stake in Colonia.

Prior to its first-time consolidation, Colonia was shown in the accounts as an associate company in accordance with the at-equity method, and at the time of acquisition there was an appreciation in value of the at-equity carrying amount of EUR 2.17 million. This attribution was shown as income from associated companies. Colonia was first incorporated as a fully consolidated company in the TAG consolidation group on 31 January 2011. The first-time consolidation resulted in a first-time consolidation profit (negative goodwill), which was shown in the consolidated profit and loss account under other operating income and is calculated as follows:

	Fair value at acquisition in TEUR	IFRS book value at acquisition in TEUR
Investment properties	817,720	817,720
Intangible assets	2,451	2,451
Property, plant and equipment	557	557
Investments in associates	1,930	1,930
Deferred tax assets	3,420	3,420
Other long-term assets	5,873	5,873
Land with finished and unfinished buildings	9,478	9,478
Short-term receivables	8,474	8,474
Cash and cash equivalents	10,815	10,815
Other current assets	2,741	2,741
Long-term bank borrowings	-474,002	-487,812
Deferred tax liabilities	-46,327	-44,457
Other long-term debt	-21,072	-19,506
Current liabilities	-18,687	-18,687
Other current liabilities	-65,367	-66,889
Net fair value of assets or IFRS-compliant equity	238,004	226,108
Of which TAG AG holds 50.02 %	119,050	
Cost of the acquisition	-90,348	
First-time consolidation profit	**28,702**	

The first-time consolidation profit resulted from exploiting the low stock prices for publicly traded real estate companies. The purchased assets included gross trade receivables of EUR 12.3 million, for which impairment provisions of EUR 3.8 million had been formed. Since the acquisition date, Colonia has generated revenues of EUR 44.4 million and pre-tax profits of EUR -1.1 million. If the acquisition had taken place on 01 January 2011, Colonia would have contributed revenues of EUR 38.0 million and pre-tax profits of approximately EUR -8.0 million to the TAG Group.

Material business and other transactions during the period covered by this interim report

The corporate acquisitions served to further expand TAG's residential real estate portfolio. As not all the information required to account for this business combination was available when these financial statements were prepared, the profit shown should be regarded as provisional. Accordingly, changes may arise between now and the publication of the consolidated financial statements as at 31 December 2011.

In the second quarter, a capital increase against cash resulted in TEUR 5,857 increase in subscribed capital, from TEUR 58,566 to TEUR 64,423.

During the third quarter, there was another increase in subscribed capital, from TEUR 64,423 to TEUR 64,428, due to the conversion of 27,300 convertible bonds into 5,084 shares.

The „hedge accounting" reserve under shareholders' equity relates to the fair value measurement of interest rate derivatives for safeguarding the payment flows of long-term real estate financing, taking into account the deferred tax effects resulting from this.

The deferred tax assets primarily result from tax loss carry-forwards. Deferred tax liabilities are primarily attributable to the divergent valuation of investment properties in comparison with the tax balance sheet.

Bank borrowings are comprised almost exclusively of liabilities in connection with the purchase of investment properties and/or the acquisition and development of properties slated for sale. Financing for investment real estate is usually long-term; financing for properties slated for sale is usually short-term.

Please refer to the segment reporting – which is an integral part of these notes and for clarity is shown in a separate table above the notes – for developments in sales revenues and gross profit.

Material events after the end of the interim reporting period

On 26 July 2011 TAG acquired a real estate portfolio with 3,228 residential and 76 commercial units for approx. EUR 150 million. The regional focus of the portfolio is Northern Germany and Saxony. As part of the transaction, the seller will contribute their business interests in five property companies that own the portfolio to TAG by way of a contribution in kind.

The Management Board convened an extraordinary General Meeting on 7 April 2011 and subject to the approval of the Supervisory Board agreed a capital increase against contribution of shares in the property companies through the issuance of 5,476,924 new shares. The issue price of the new shares is EUR 8 per share. In addition to the share issuance, the payment of a sum of up to EUR 9 million was agreed. The acquisition of the shares was recorded in the Commercial Register on 1 November 2011. The disclosures required under IFRS 3 were not yet available at the reporting date and will be published in the Notes on the report dated 31 December 2011.

TAG has sold a project development property on Tübinger Strasse in Munich with a total area of approx. 15,000 sqm via its subsidiary, TAG Gewerbeimmobilien-Aktiengesellschaft, Hamburg. The total purchase price comes to approx. EUR 31 million and will result in profits of approx. EUR 7 million based on the IFRS book values.

On 25 October 2011, TAG acquired a residential complex containing approx. 420 units in Chemnitz from a private investor. The apartments, which were renovated between 2001 and 2003 and contain total rentable space of 32,000 sqm, general annual rents of around EUR 1.8 million. The purchase price is EUR 23.75 million and is financed by taking over loans on the one hand, and issuing new shares at EUR 8.25 per share on the other. The pending acquisition of shares in the company is subject to the capital increase being entered in the commercial registry.

Material business relations with related parties

During the reporting period there was an ongoing clearing account in place between Bau-Verein AG and the associated company GIB Grundbesitz Investitionsgesellschaft Bergedorf GmbH & KG, Hamburg in favour of Bau-Verein AG of TEUR 214 (previous year: TEUR 214). The interest on the clearing account is 6 percent per year.

Dr. Lutz R. Ristow, Chairman of the TAG Supervisory Board, received no additional fees for services outside of his work on the Supervisory Board during the reporting period. In the previous year his fees totalled TEUR 65.

Noerr LLP of Munich, which is affiliated with Supervisory Board member Prof. Dr. Ronald Frohne, received fees amounting to TEUR 289 for legal consultation services during the reporting period (previous year: TEUR 63).

WH Vermögensverwaltungs GmbH, Dusseldorf, which is affiliated with Supervisory Board member Rolf Hauschildt, granted TAG supplementary collateral free of charge as security for a bank loan, which at the reporting date amounted to TEUR 15,298 (prior year: TEUR 7,794). TAG primarily provided collateral of its own as security for this loan.

Other disclosures

There has been no material change in the Group's contingent liabilities since 31 December 2010.

On 30 September 2011, TAG Group employed 277 people, as compared to 168 people as of 31 December 2010.

Basis of reporting

The preparation of the condensed interim consolidated financial statements pursuant to IFRS requires the Management Board and managing staff of the consolidated companies to make assumptions and estimates influencing the assets and liabilities carried on the balance sheet, the disclosure of contingent liabilities on the balance sheet date and the expenses and income reported during the periods under review. The actual amounts arising in future periods may differ from those estimates. Moreover, these condensed interim consolidated financial statements include statements that are neither reported financial data or any other type of historical information. These forward-looking statements are subject to risk and uncertainty, as a result of which the actual results may deviate substantially from those stated in 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 realise expected synergistic benefits, and changes to tax legislation. Readers are reminded not to place any undue confidence in these forward-looking statements, which apply only on the date on which they are given.

Hamburg, 3 November 2011

Rolf Elgeti **Hans-Ulrich Sutter** **Dr. Harboe Vaagt**

Scholtzestraße, Plauen

TAG's Financial calender

April 2012	Annual Report 2011

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This quarterly report is available in German and in English.
In cases of doubt, the German version takes precedence.

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