2011

Growing Assets

Interim Report on the 2nd quarter of 2011

TAG Immobilien AG

Group Financials (IFRS)

in TEUR	01/01 - 06/30/2011	01/01 - 06/30/2010
A. Income statement key figures		
Revenues	72,691	39,827
a) Property sales	15,178	15,401
b) Rental income	53,489	23,864
c) Property management and other services	4,024	562
EBIT	64,374	17,225
EBT	33,742	6,221
Consolidated net profit	27,725	6,256
Earnings per share in EUR	0.49	0.19

B. Balance sheet key figures	06/30/2011	12/31/2010
Total assets	1,887,601	1,190,507
Equity before minorities	440,435	356,461
Equity ratio in %	23	30
Bank loans	1,082,134	634,002
Of which non-current	990,186	523,512
Real estate volume	1,810,931	987,007
EPRA NAV per share in EUR	8.19	6.67

C. Employees	30.06.2011	30.06.2010
Number of employees	258	115

Further figures	
Market capitalisation in TEUR as of June 30, 2011	449,673
Subscribed capital in EUR	64,422,999.00
WKN / ISIN	830350 / DE0008303504 WKN A1KRLG WKN A1E89W WKN A1ELQF WKN A1CR8L
Number of shares	64,422,999
Free float in %	96
Stock exchange	SDAX / EPRA

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Preface

Dear shareholders,
Ladies and gentlemen,

In the first half of 2011, TAG Immobilien AG ('TAG' in the following) made significant progress on several levels.

First, we were able to continue our strategy of creating value for our shareholders and can now report a Net Asset Value (NAV), calculated according to EPRA guidelines, of EUR 8.19 per share. This means that our old annual target of EUR 8.00 was already exceeded at the end of the first half, so we can raise the NAV forecast as of 31 December 2011 to EUR 8.75 per share. The growth resulted from a revaluation in our commercial portfolio, where we managed to sign several new commercial leases; an increase in our stake in Colonia Real Estate AG ('Colonia' in the following), which we were able to expand to over 60 percent in the weak market; and the successful closing of new acquisitions.

Second, the integration of Colonia is going much better and faster than we had planned or hoped. We have already achieved EUR 20 million of the planned synergies of EUR 25-30 million per year, even if this amount is, of course, not visible in its entirety in these half-year figures. We are now raising our synergy target to EUR 30-35 million per annum. We were able to reduce Colonia's general administrative costs from EUR 13 million in 2010 to a new annual level of less than EUR 2 million. Colonia's high-interest loans have been repaid. It was crucial that we succeeded in bringing the operational and property management of the Salzgitter portfolio fully under the responsibility of the Group's in-house administration as early as 1 July 2011, and that in future it will be administered by departments from within the Group.

Third, the TAG Group is even more financially sound today than it was six months ago. It is important to us that we continue to have a solid balance sheet and financing structure as we continue on our growth course. For instance, in the past half year, we were able to reduce our loans by more than EUR 100 million, increase the equity ratio from 19 percent in the first quarter to 23 percent, and slightly lower the LTV ratio from around 60 percent in the first quarter of 2011 to 59 percent. There are no essential loans to be refinanced in either 2011 or 2012, so that we are not exposed on the refinancing side.

Fourth, we were able to continue our value-enhancing acquisitions policy with several smaller acquisitions. All of these transactions are NAV-enhancing and will have a disproportionately positive impact on our profits and cash flow. An overview of our acquisitions and their impact on the NAV can be found on page 13.

Finally, we succeeded in making several improvements to our commercial portfolio. For example, we were able to completely re-let one of the three Munich Siemens properties on a long-term basis. The rents are well above those previously paid by Siemens. This rental success naturally increases the value of this property.

Total revenue increased from EUR 39.8 million in the first half of 2010 to EUR 72.7 million in 2011. Rental revenues rose from EUR 23.9 million in the first half of 2010 to EUR 53.5 million in 2011. This results in a net rental income of EUR 39.2 million. Revaluation gains, which were mainly achieved in the commercial real estate portfolio through new leases, amount to EUR 5.5 million. As a result, the Group's earnings before tax (EBT) came to EUR 33.7 million at the end of the first half of 2011, compared to EUR 6.22 million in the same period in 2010.

Following the acquisition of Colonia Real Estate AG and other acquisitions, TAG now manages a total of 27,073 residential units at 30 June 2011. The capital increase against cash of around 5.8 million new shares adopted at an extraordinary General Meeting on 7 April 2011 was several times over-subscribed and was fully placed at the beginning of May 2011 at EUR 7 per share.

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

Yours sincerely,

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

Portfolio

Colonia's integration into the TAG Group is progressing well

The restructuring process initiated at Colonia in the first quarter is progressing well and already showing signs of success. The merging of administrative units already resulted in savings of around EUR 11 million by the end of the second quarter. The Colonia portfolio is now largely managed in-house and various external mandates have been terminated. For example, the contract outsourcing the management of Colonia's largest single property portfolio (approximately 8,900 units) in Salzgitter was terminated on 1 July 2011. TAG expects millions of euros in savings from the strategically justified „insourcing" of property management - from, among other things, improvements in operating profitability, the realisation of synergies, and the reduction of vacancy costs.

As announced 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 will do business as POLARES Real Estate Asset Management GmbH ('POLARES REAM' in the following), and is Germany's fourth-largest asset and property management service provider in the commercial real estate sector with approximately EUR 4 billion in assets under management. POLARES REAM handles all real-estate related services. In addition to commercial properties the company also looks after retail and logistics properties.

These initial successes, which TAG was able to achieve after only three months of restructuring Colonia and integrating it into the TAG Group, show that various stages of the process can be implemented much more quickly and easily than expected. Other measures for concentrating services on companies within the Group, and especially on reducing vacancy were simultaneously initiated in the second quarter - however, the resulting positive synergy effects and measurable results won't become visible (in our accounts) until the end of 2011.

Savings potential through the acquisition of Colonia Real Estate AG

The following table shows the various sources for the synergies we expect, and when we expect them to appear in the figures. Thanks to the good progress and an optimisation potential we did not entirely expect, we are now expecting EUR 30-35 million in improved future annual profit from the Colonia takeover.

	Old target m EUR	Already achieved m EUR	Visible from	New target m EUR	Comment
General administrative expenses	10	11	Largely already visible; the rest from Q3/2011	11	EUR 11.2 million per year already achieved
Property management costs	4	4	Q3/2011	4	Transfer of substantial external contracts from 1 Jul 2011
Merge external asset management	3	1	2012	3	Merger carried out, restructuring underway
Refinancing costs	3	2	Q3/2011	3	First few expensive loans have been refinanced
Operations (rents and vacancy costs)	8	2	Continuously for about 3 years	13	Initial vacancy reduction and various cost reductions in Salzgitter
Total	**28**	**20**		**34**	

Vacancy reduction

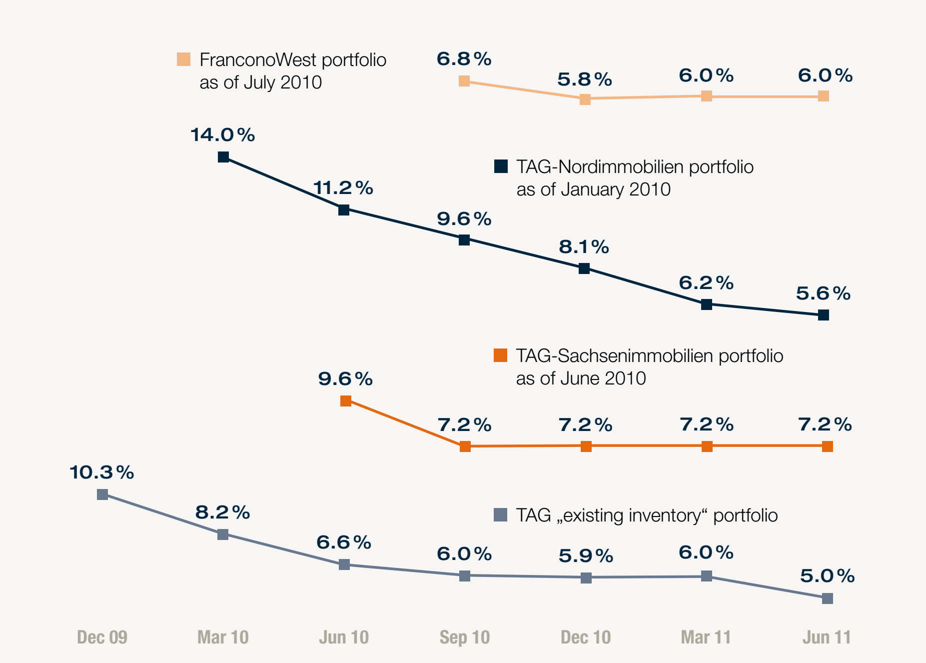
There was a substantial increase in the number of residential units in the TAG Group in the first half of 2011 due to the Colonia acquisition. The locations of both companies' residential properties overlap with a few exceptions and are located - with the exception of the Salzgitter portfolios - in German metropolitan regions with growth potential such as Berlin, Hamburg/North Germany, North Rhine-Westphalia and Leipzig/ Saxony. As a holder of investment properties, TAG's focus is on active leasing and asset management, with the aim of profitably managing properties and realising potential appreciation. One core area of this is the reduction of vacancy within the overall portfolio, which was further advanced in the first half of 2011.

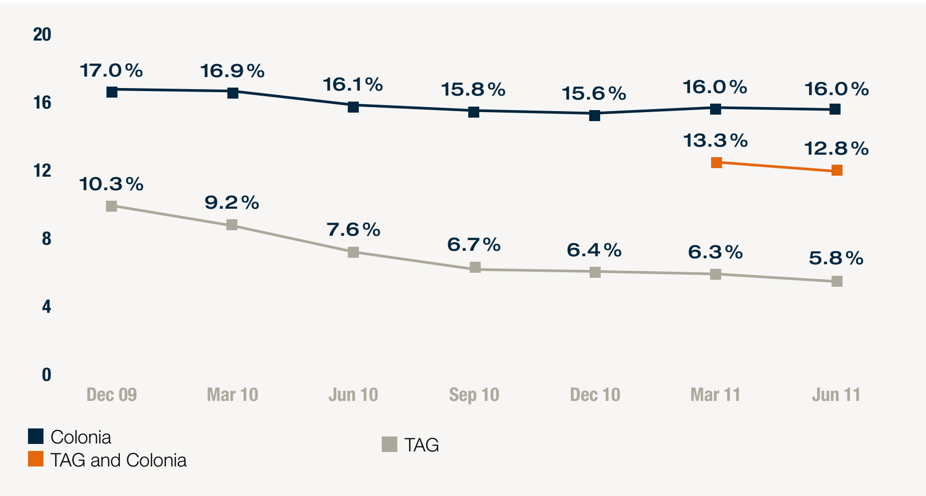
The trend in vacancy was as follows for the residential sector: vacancy in TAG's 'existing inventory' portfolio fell from 5.9 percent at the end of 2010 to 5.0 percent at the end of the second quarter of 2011. In the entire residential property portfolio including all of last year's acquisitions except Colonia, vacancy was reduced from 6.4 percent at the end of 2010 to 5.8 percent at the end of the first half of 2011. The already very low vacancy of the Marzahn portfolio acquired in April has also developed positively: since it was first included in the balance sheet in June 2011, this portfolio's vacancy was 1.8 percent and dropped to 1.5 percent in a single month.

Looking at the residential property portfolio throughout the TAG Group - including the Colonia portfolio - vacancy was slightly reduced from 13.3 percent at the end of the first quarter 2011 to 12.8 percent at the end of June 2011. Within the Colonia portfolio, vacancy in the Salzgitter portfolio also developed positively from 24.0 percent to 23.5 percent. This is particularly encouraging because the Salzgitter portfolio is Colonia's largest single portfolio and is by far the biggest operational challenge. Of course, beyond the investments Colonia has made to date, more are required in order to create the conditions for reducing vacancy. In any case, despite the short time that has elapsed since the acquisition in mid-February, first rental successes have already been achieved, although more significant results are only expected after we have taken over the property management ourselves. We take a positive view of the various initiatives launched in the current quarter.

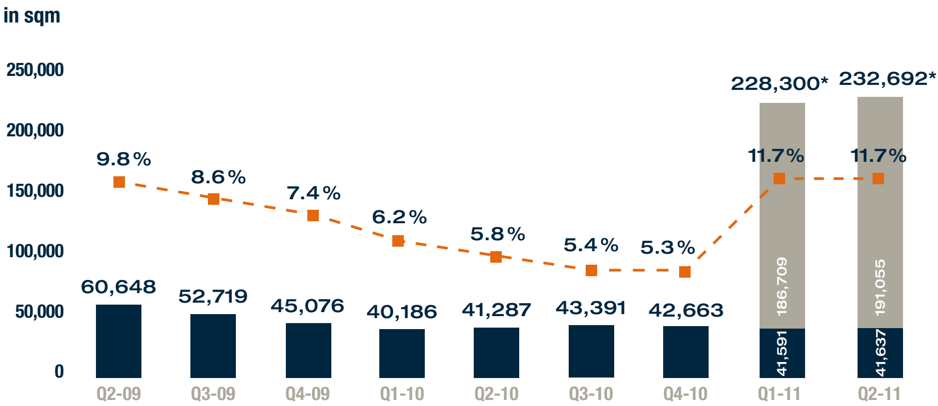
In the commercial real estate portfolio, vacancy across the Group is just 3.8 percent at the end of the first half of 2011, and is therefore at the same level as at the end of 2010.

Vacancy rate reduction - Residential





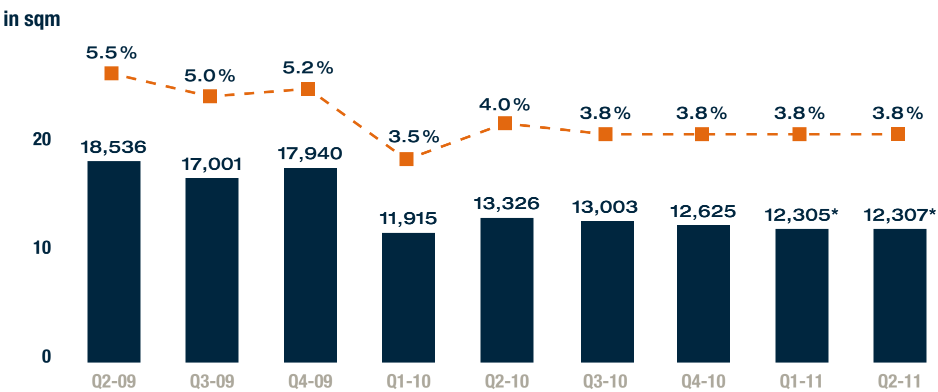
Vacancy rate reduction - Total



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

Changes within the „Siemens portfolio“ lead to an appreciation of the commercial portfolio in the second quarter

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.

Since the beginning of the year, there have been changes in the commercial real estate in Munich in particular. At the end of 2010, Siemens AG moved out of the property in Tübinger Strasse where TAG is planning to realise the value improvement potential as part of a project development and at the same time put the property to new use. In this context, the existing building rights (approximately 20,000 sqm gross floor area) have been able to be increased by over 100 percent to 41,000 sqm of approved new building area. Because of the development project, the property will no longer be reported in the commercial portfolio.

Furthermore, the property in Kustermannpark is an example of the successful transformation of a „single-tenant property“. While Siemens AG was previously TAG's sole rental partner, it had sublet the premises to various companies for the duration of the original fixed term. At the beginning of 2011, Siemens AG was prematurely released from its contractual obligations in order to exploit the current positive market phase and reposition the property. TAG agreed better rates directly with the existing tenants in Kustermannpark. The sublet spaces no longer used by Siemens AG were also renegotiated, along with the extension of contracts with existing tenants (including the anchor tenant Epcos AG to the end of 2016) and a moderate increase in rents for the current year as well as an increase of 18 percent in 2012. The new, improved rental terms led to a EUR 5.5 million upgrade in the value of the commercial portfolio in the second quarter of 2011.

Even after these changes, Siemens AG is still among the top five tenants in the commercial sector and accounts for 37 percent of total revenues in the commercial real estate portfolio.

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

	Total	TAG	Colonia
Units	27,106	8,095	19,012
Floor space in sqm	2,012,844	840,402	1,172,442
Real estate volume in TEUR	1,709,272	892,326	816,946
Vacancy in %	11.7	5.1	16.3
Actual net rent in EUR/sqm per month	5.32	5.95	4.82

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

	Total	TAG	Colonia
Units	27,073	8,062	19,011
Floor space in sqm	1,670,854	504,857	1,165,997
Real estate volume in TEUR	1,286,478	481,433	805,046
Vacancy in %	12.8	5.8	16.0
Actual net rent in EUR/sqm per month	4.98	5.43	4.76

Acquisitions as part of the growth strategy

Apart from this, in the second quarter TAG realised acquisitions and expanded its residential portfolio in Berlin in particular through two acquisitions. At the end of April 2011, TAG acquired a residential complex consisting of 612 units and a total of 43,600 sqm in Berlin-Marzahn, with an expected initial yield of over 9 percent. It was financed by inflows from a capital increase against cash contributions. This was followed by the acquisition of another portfolio in Berlin 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 94 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 carried out quickly and cost-effectively by the Berlin office. As a result, TAG has not incurred any significant additional administrative costs despite significantly expanding its portfolio. Together with Colonia's 2,500 residential units and the two new acquisitions, TAG now has a total of over 8,268 units in Berlin.

TAG is expanding its portfolio, particularly in Northern Germany and Saxony with a further acquisition of 3,083 residential and 71 commercial units notarised in July 2011. Approximately three-quarters of the properties (in terms of 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 through the TAG Group existing offices in Hamburg and Leipzig. The acquired total rentable area is 208,300 sqm, the average actual rent is EUR 5.43 / sqm and vacancy is currently 6.3 percent. The purchase price is 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, among other things. The company expects this transaction to be completed in the fourth quarter of 2011.

Acquisitions 2011

Portfolio	Acquired when	Closing when	No. of units	Purchase price incl ancillary costs in TEUR	sqm	PP incl AC per sqm	Rental income p.a.	Initial yield (gross on PP incl AC)	Budgeted rental income per 1,000 EUR appraised value	Impact on NAV per share (in cents)
Marzahn	04/26/11	06/01/11	612	25,240	43,591	579	2,296,608	9.1	59	5
Hellersdorf	07/14/11	Q3/2011	461	18,656	26,921	693	1,740,077	9.3	56	6
Northern Germany/ Saxony	07/27/11	Q4/2011	3,343	151,110	208,287	725	13,709,337	9.1	61	17
Dresden	07/22/11	Q3/2011	156	7,700	11,427	674	610,047	7.9	54	2
Total			**4,572**	**202.706**	**290.226**	**698**	**18,356,069**	**9.1**	**60**	**30**
For comparison, TAG (residential) „existing inventory“ in 2010:									42	

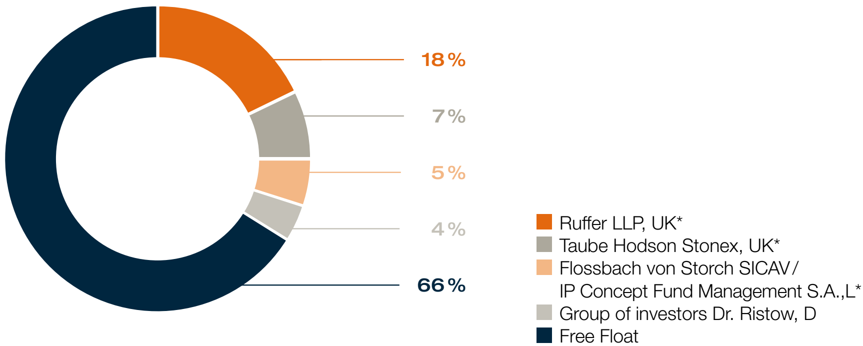
TAG share

The price of TAG shares, which are member of the SDAX, showed a positive development during the first half of 2011: from EUR 6.36 at year-end 2010, the TAG share price increased by 10 percent during the first six months of the year, closing at EUR 6.98 on 30 June 2011. With this positive trend, the TAG share outperformed both the EPRA und SDAX comparison indexes. However, TAG has not been able to escape the turmoil seen in the capital markets in recent weeks.

TAG convened an extraordinary General Meeting on 7 April 2011 at which a capital increase against cash contributions through the issuance of 5,856,636 new no-par value shares to a total of 64,422,999 shares was authorised. At EUR 7 per share, the issue was several times oversubscribed and fully placed on 4 May 2011. In addition, the creation of authorised capital of up to EUR 25,000,000 was resolved.

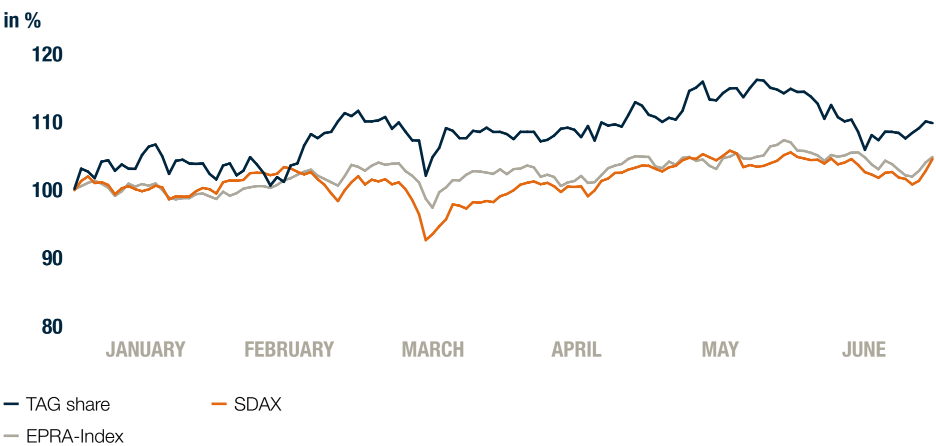
The Free Float accounts for 96 percent of shares. Based on the closing price of EUR 6.98 on 30 June 2011, TAG's market capitalisation amounts to EUR 449 million. German and international investors, mostly with a long-term investment strategy, still constitute the majority of TAG's shareholders.

Shareholder structure as of June 30, 2011



* part of Free Float according to the Deutsche Börse definition

Share price 2011



Group Management Report for the first half of 2011

Economic conditions in Germany

During the reporting period, the euro debt issue weakened the European and global economy and economic growth. The German economy has bucked this trend, showing itself to be robust. This was also evident in the labour market.

The unemployment rate fell to 6.9 percent in June 2011. Workers also benefited from higher wages, albeit inflation rose simultaneously and absorbed any increases. In June 2011 the leading institutes are still forecasting German gross domestic product (GDP) to grow by as much as 3.8 percent in 2011.

The German real estate market

The commercial real estate market

The German commercial real estate market continued to develop well in the second quarter of 2011. At the same time, expectations for growth in the coming quarters fell slightly. Investor interest remains positive, though not at the same high level as in the previous quarter. Nevertheless, analysts remain optimistic for the third quarter of 2011. However, expectations regarding growth rates in rents and capital values fell slightly compared to the previous quarter. The strong economic growth means that Germany is particularly well prepared for rising interest rates in the eurozone.

The survey shows that economic conditions are negatively affecting the commercial real estate markets in some European countries - despite the general optimism of market participants. Expectations regarding rental prices and capital values are negative in half of the surveyed countries in Europe. The findings for the past three months show that there has been a continued decline in confidence among market participants in some countries on the edge of the eurozone, especially against the background of the situation in Greece.

The residential real estate market

Demand for relatively low-risk investments in the German residential real estate market remains very high, especially among institutional investors, due to continuing uncertainty in the international capital markets. In the first half of 2011, residential parcels of 100 or more residential units worth a total of EUR 2.26 billion were notarised, resulting in a mid-year transaction volume that was up by 17 percent year-on-year. The number of traded units has increased by about 9 percent to 36,000 (this also includes the acquisition of a majority stake in Colonia Real Estate AG by TAG Immobilien AG).

In the first half of the year, there was a particularly striking division of the market in terms of buyer structure. While portfolio transactions of over EUR 100 million were exclusively realised by foreign real-estate investors - who were responsible for a total of about two-fifths of the investments made - German investors dominated the mid-to low-volume price segment. On average, around EUR 830 per sqm was paid during the first half of 2011. And in the majority of transactions, the multiplier paid was between 11 and 15 times the annual net rental income. The dynamics in the Berlin market were particularly striking. More than 10,000 units changed hands in the first half of 2011 as part of portfolio sales in the capital.

TAG Group net assets, financial position and results of operations

The first-time consolidation of Colonia in February 2011 was formative to the result of the first half of 2011. It pushed the Group's revenues from EUR 39.8 million to EUR 72.7 million in the first half of 2011. Since its inclusion in the Group, Colonia's has accounted for EUR 27.7 million of revenues.

Overall, first-half 2010 net rental profit increased from EUR 19.3 million to EUR 39.2 million in the first half of 2011. In the TAG portfolio without Colonia, net rental profit increased by nearly 30 percent from EUR 19.1 million to EUR 24.6 million. This increase was achieved mainly through the reduction of vacancy in the residential portfolio, from 7.6 percent at the end of June 2010 to 5.8 percent at the end of June 2011. Overall vacancy in the Group including Colonia was 12.8 percent as of 30 June 2011, and there was also initial success in the vacancy reduction in the largest single portfolio in Salzgitter, to 23.5 percent (24 percent at the end of March 2011).

Personnel expenditure in the first half of 2011 was EUR 5.9 million (first half 2010: EUR 4.0 million). Other operating expenses increased from EUR 7.1 million to EUR 11.5 million. These increases in costs were mainly the result of ongoing expenses for Colonia as well as restructuring expenses from the acquisition of Colonia by TAG.

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 of shares. Furthermore, in the first half of the year, the first-time consolidation of another property company in Berlin-Marzahn generated earnings of EUR 5.2 million, and the investment properties generated a positive valuation yield of EUR 5.5 million. These yields are the reason behind the increase in TAG Group EBIT in addition to improving net rental profits by EUR 19.8 million to EUR 39.2 million. EBIT improved from EUR 17.2 million in the first half of 2010 to EUR 64.4 million in first half year 2011.

During the first half of 2010, special items from the first-time consolidation of property companies amounting to EUR 5.0 million were reported, which were shown under other operating income. Further, there was a EUR 3.0 million write-up to the book value of the associated company ESTAVIS AG.

Net interest income dropped from EUR -14.3 million in the first half of 2010 to EUR -32.8 million in the first half 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 33.7 million in the first half of the year after EUR 6.2 million last year. Earnings after tax increased by EUR 6.2 million to EUR 27.7 million. Tax expenditure in the first half of 2011 is primarily attributable to deferred tax expenses due to valuation differences.

Total assets increased by 59 percent from EUR 1,191 million at 31 December 2010 to EUR 1,888 million at 30 June 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 979 million at 31 December 2010 to EUR 1,813 million. Liabilities to banks amounted to EUR 1,082 million at 30 June 2011 after EUR 634 million at 31 December 2011. Overall, this leads to an increase in the loan-to-value (LTV) ratio from 52.9 percent at 31 December 2010 to 58.9 percent as of 30 June 2011.

EPRA NAV first half of 2011

EPRA NAV - TAG Group		06/30/2011	12/31/2010
Equity (before minority interests)		440,435	356,461
Adjustment to derivatives	Receivables from derivatives Liabilities from derivatives	-94 28,334	-16 25,289
Adjustment to deferred taxes	Deferred tax assets Deferred tax liabilities	-5,834 65,056	-3,996 12,894
EPRA NAV		**527,897**	**390,632**
Number of shares		**64,422,999**	**58,566,364**
NAV per share		**8.19**	**6.67**

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 23 million at the end of June 2011.

The Group's equity ratio before minority interests increased significantly by 24 percent to EUR 440 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 June 2011 was 23.3 percent (previous year 29.9 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 seen in the first half of 2011 - including the integration of Colonia and successful acquisitions to date - we are raising our NAV forecast to EUR 8.75. We continue to stand by our earlier forecast of pre-tax profits of EUR 50 to 60 million for the full year 2011.

Hamburg, 9 August 2011

Der Vorstand

Consolidated balance sheet

Assets in TEUR	06/30/2011	12/31/2010
Non-current assets		
Investment properties	1,685.073	837,204
Intangible assets	7,584	4,911
Property, plant and equipment	12,295	11,990
Investments in associates	11,165	59,379
Other financial assets	6,355	335
Deferred taxes	5,834	3,996
	1,728,306	**917,815**
Current assets		
Land with unfinished and finished buildings	106,071	113,973
Other inventories	32	1,102
Trade receivables	15,419	6,654
Income tax receivables	1,491	1,324
Derivative financial instruments	94	16
Other current assets	3,928	4,006
Cash and cash equivalents	22,960	129,417
	149,995	**256,492**
Assets-held-for-sale	**9,300**	**16,200**
	1,887,601	**1,190,507**

Equity and liabilities in TEUR	06/30/2011	12/31/2010
Equity		
Subscribed capital	64,423	58,566
Share premium	293,313	248,568
Other reserves	-5,549	-9,507
Unappropriated surplus	88.248	58,834
Attributable to the equity-holders of the parent company	**440,435**	**356,461**
Non-controlling interests	101,085	8,849
	541,520	**365,310**
Non-current liabilities		
Bank borrowings	990,186	523,512
Pensions	1,836	1,801
Non-current liabilities from convertible bonds	102,524	101,712
Derivative financial instruments	16,739	15,752
Other non-current liabilities	5,232	2,622
Deferred taxes	65,056	12,894
	1,181,573	**658,293**
Current liabilities		
Other provisions	12,536	15,537
Income tax liabilities	1,519	1,664
Bank borrowings	91,948	110,490
Trade payables	14,376	7,762
Derivative financial instruments	11,595	9,537
Other current liabilities	24,119	8,261
	156,093	**153,251**
Liabilities in connection with the assets-held-for-sale	**8,415**	**13,653**
	1,887,601	**1,190,507**

Consolidated income statement

in TEUR	01/01/ - 06/30/2011	(adjusted) 01/01/ - 06/30/2010	04/01/ - 06/30/2011	(adjusted) 04/01/ - 06/30/2010
Total revenues	**72,691**	**39,827**	**36,673**	**18,726**
Rental revenues	53,489	23,864	29,123	11,907
Rental expenses	-14,333	-4,533	-9,018	-2,252
Net rental income	39,156	19,331	20,105	9,655
Revenues from the sale of inventory real estate	4,921	11,354	3,195	5,109
Expenses on the sale of inventory real estate	-4,866	-11,605	-3,228	-5,371
Net income from sale of inventory real estate	55	-251	-33	-262
Revenues from the sale of investment properties	10,257	4,047	2,152	1,428
Expenses on the sale of investment properties	-10,296	-3,928	-2,227	-1,578
Net income from sale of investment properties	-39	119	-75	-150
Revenues from property management	4,024	562	2,203	282
Expenses for the provision of property management	-4,343	-231	-2,583	-133
Net income from the provisions of property management	-319	331	-380	149
Other operating income	35,254	9,268	19,629	4,390
Revaluation of investment properties	5,479	0	5,479	0
Net gains from the first-time consolidation of property companies	5,237	0	5,237	0
Total net gains from the remeasurement of investment properties	10,716	0	10,716	0
Gross profit	**84,823**	**28,798**	**49,962**	**13,782**
Personnel expenses	-5,877	-4,010	-3,071	-2,208
Depreciation/amortisation	-511	-321	-177	-160
Impairment losses on receivables and inventories	-2,513	-188	-2,192	-144
Other operating expenses	-11,548	-7,054	-6,393	-4,864
EBIT	**64,374**	**17,225**	**38,129**	**6,406**
Share of profit of associates	2,215	3,344	2,246	3,329
Interest income	3,421	1,282	1,341	677
Interest expenses	-36,268	-15,630	-19,975	-8,330
EBT	**33,742**	**6,221**	**21,741**	**2,082**
Income taxes	-5,867	42	-5,117	-116
Other taxes	-150	-7	-20	1
Consolidated net profit/loss	**27,725**	**6,256**	**16,604**	**1,967**
of which attributable non-controlling interests	-1,688	-157	-2,186	-110
of which attributable to the Parent Company‘s equityholders	29,413	6,413	18,790	2,077
Earnings per share (EUR)				
Basic earnings per share	0.49	0.19	0.31	0.06
Diluted earnings per share	0.41	0.19	0.25	0.06

Consolidated statement of comprehensive income

in TEUR	01/01/ - 06/30/2011	01/01/ - 06/30/2010	04/01/ - 06/30/2011	04/01/ - 06/30/2010
Net loss as shown in the income statement	**27,725**	**6,256**	**16,604**	**1,967**
Unrealised gains and losses from hedge accounting	5,873	-4,523	-1,530	-521
Unrealised gains and losses for the revaluation of securities	0	170	0	170
Deferred taxes on unrealised gains and losses	-1,781	1,377	550	85
Other comprehensive income after taxes	4,092	-2,976	-980	-266
Total comprehensive income	**31,817**	**3,280**	**15,624**	**1,701**
of which attributable non-controlling interests	-1,524	-162	-2,107	-64
of which attributable to the Parent Company‘s equityholders	33,341	3,442	17,731	1,765

Consolidated cash flow statement

in TEUR	01/01/ - 06/30/2011	(adjusted) 01/01/ - 06/30/2010
Consolidated net profit/loss	**29,413**	**6,413**
Depreciation/amortisation	511	321
Share of profits/losses of associates	-2,215	-3,344
Revaluation investment property	-10,716	0
Gains from business combinations	-28,702	-5,074
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	39	-119
Impairments on receivables and inventories	2,513	188
Changes in deferred income taxes	7,401	-1,128
Changes in provisions	-3,778	-8,696
Changes in receivables and other assets	15,727	2,975
Changes in payables and other liabilities	-30,026	-4,360
Cash flow from operating activities	**-19,901**	**-12,824**
Payments made for investments in investment properties	-4,867	-17,169
Payments received from the disposal of investment properties	10,257	4,047
Payments made for investments in intangible assets and property, plant and equipment	-615	-241
Payments made for acquisition of consolidated companies net of cash disposed of	-25,554	0
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	-31	-4,909
Cash flow from investing activities	**-20,868**	**-18,272**
Payments issued fort he redemption of convertible bonds	0	-11,400
Payments received from the issue of convertible bonds	0	30,000
Payments received from cash equity issues	40,997	0
Expenses capital increase (net-of-tax)	-691	0
Repayment of convertible bonds	-45,301	0
Payments received from bank borrowings	44,798	30,507
Payments made for repaying bank borrowings	-73,545	-19,852
Payments made for business combinations without change of status	-24,305	-754
Cash flow from financing activities	**-58,047**	**28,501**
Net change in cash and cash equivalents	-98,816	-2,594
Cash and cash equivalents at the beginning of the period	121,776	-595
Cash and cash equivalents at the end of the period	**22,960**	**-3,189**

Statement of changes in consolidated equity

in TEUR	Sub-scribed capital	Share premium	Retained earnings	Avail-able-for-sale securi-ties	Hedge accoun-ting reserve	Currency trans-lation	Unappro-priated surplus /accu-mulated loss	Total	Minority interests	Total equity
	Anteilseigner des Mutterunternehmens									
			Other reserves							
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	3,927	0	29,414	33,341	-1,524	31,817
Business combination Colonia	0	0	0	0	0	0	0	0	118,955	118,955
Business combination without change of status	0	8,949	0	0	0	0	0	8,949	-23,864	-14,915
Cash equity issue	5,857	35,140	0	0	0	0	0	40,997	0	40,997
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	31	0	31	0	31
Other changes in non-controlling interests	0	1,348	0	0	0	0	0	1,348	-1,331	17
06/30/2011	**64,423**	**293,313**	**527**	**0**	**-6,107**	**31**	**88,248**	**440,435**	**101,085**	**541,520**

in TEUR	Sub-scribed capital	Share premium	Retained earnings	Avail-able-for-sale securi-ties	Hedge accoun-ting reserve	Currency trans-lation	Unappro-priated surplus /accu-mulated loss	Total	Minority interests	Total equity
	Equity holders of the parent company									
			Other reserves							
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	114	-3,085	0	6,413	3,442	-162	3,280
Business combination without change of status	0	0	0	0	0	0	0	0	-753	-753
Buy back of convertible bond	0	-335	0	0	0	0	0	-335	0	-335
Issue of convertible bond	0	1,291	0	0	0	0	0	1,291	0	1,291
Capital increase against contribution in kind	2,419	8,464	0	0	0	0	0	10,883	0	10,883
Other changes in non-controlling interests	0	0	0	0	0	0	0	0	-9	-9
06/30/2010	**34,985**	**179,727**	**527**	**114**	**-15,478**	**0**	**11,804**	**211,679**	**7,159**	**218,838**

Consolidated segment report

	Residential real estate											
in TEUR	**Hamburg**	**Berlin**	**Munich**	**NRW**	**Others**	**Salzgitter**	**Total**	**Commercial real estate**	**Services**	**Other acitivites**	**Consolidation**	**Group**
Total revenues	**9,637**	**17,046**	**3,466**	**5,069**	**2,367**	**9,675**	**47,259**	**21,187**	**4,667**	**701**	**-1,123**	**72,692**
Previous year	7,837	14,503	727	1,058	1,745	0	25,871	13,117	681	635	-477	39,828
Of which external revenues	9,637	16,996	3,379	5,069	2,367	9,675	47,123	20,844	4,024	701	0	72,692
Previous year	7,837	14,455	640	1,058	1,745	0	25,736	12,894	562	635	0	39,828
Of which internal revenues	0	50	87	0	0	0	137	343	643	0	-1,123	0
Previous year	0	48	87	0	0	0	135	223	119	0	-477	0
Segment profit/loss	**5,999**	**15,716**	**345**	**4,084**	**754**	**4,027**	**30,926**	**18,380**	**-319**	**584**	**0**	**49,570**
Previous year	2,060	3,547	511	866	281	0	7,265	11,259	331	675	0	19,530
of which revaluation of investment property	-230	-91	0	-200	0	0	-521	6,000	0	0	0	5,479
Previous year	0	0	0	0	0	0	0	0	0	0	0	0
of which net gains from first-time consolidation of property campanies	0	5,237	0	0	0	0	5,237	0	0	0	0	5,237
Previous year	0	0	0	0	0	0	0	0	0	0	0	0
Non-allocated other operating income												35,254
Previous year												9,268
Gross profit												**84,824**
Previous year												28,798
Miscellaneous non-allocated income and expenses												-51,082
Previous year												-22,577
EBT												**33,742**
Previous year												6,221
Segment assets	**265,807**	**466,315**	**29,527**	**155,745**	**51,030**	**343,780**	**1,312,204**	**494,546**	**0**	**4,180**	**0**	**1,810,930**
Previous year	108,876	213,043	32,608	120,175	15,761	0	490,464	483,363	0	4,180	0	978,007
Non-allocated assets												76,670
Previous year												212,500
Total assets												**1,887,601**
Previous year												1,190,507

Notes to the condensed interim consolidated financial statements to 30 June 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 37 of the German Securities Trading Act pertaining to interim financial reporting. The period under review covers the first six months of fiscal 2011. The comparison figures refer to 31 December 2010 with respect to the consolidated balance sheet and otherwise to the first six months of fiscal 2010. The consolidated profit and loss statement and the consolidated statement of comprehensive income also contain information for the second quarter of fiscal 2011 (period from 1 April to 30 June 2011), with comparative figures for the previous period. The disclosures in interim financial statements are made mainly in thousands of euros (TEUR). This may result in rounding differences between the various parts of the financial statements.

The condensed interim consolidated financial statement 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 interim consolidated financial statement 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.

In comparison to the interim consolidated financial statements at 30 June 2010, the following change in presentation was made to the consolidated income statement, which the company feels enables an improved insight into the Group's profitability without affecting Group net income: expenditure in connection with the provision of services are shown separately. These expenditures are comprised solely of personnel costs. The adjustment of the prior-year figures resulted in a TEUR 231 reduction in personnel expenditure for the first half of 2010, from TEUR 4,241 to TEUR 4,010, including a TEUR 133 reduction in personnel expenditure for second quarter 2010, from TEUR 2,341 to TEUR 2,208. Also, a breakdown of the expenditure was included in the balance sheet.

The interim consolidated financial statements were neither reviewed nor audited by the Group auditor.

Consolidation group and company acquisitions during the reporting period

The consolidation group as of 30 June 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 Bauträger 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 disposal of the shares resulted in a profit of TEUR 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, Vierte Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG was transferred to URANIA Grundstücksgesellschaft mbH by way of accretion.

In the first half of 2011, a further 0.74 percent of shares in Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg (Bau-Verein AG) were acquired for TEUR 696 and a further 0.09 percent of shares in FranconoWest AG for TEUR 28. 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 a pre-tax profit of TEUR 5,237, which is 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 its first-time consolidation therefore came 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 June 2011, TAG AG had acquired additional shares and now holds a 60.74 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:

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 27.6 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 to the TAG Group.

	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**	

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.

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

The „hedge accounting" reserve under share-holders' equity relates to the change in 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 14 July 2011, TAG acquired a residential complex of 454 residential and eight commercial units in Berlin-Hellersdorf at a purchase price of EUR 17.6 million.

A residential complex with 158 residential units in Dresden was also purchased under a contract dated 22 July 2011 at a purchase price of EUR 7.4 million.

Furthermore, on 26 July 2011 TAG acquired a real estate portfolio with 3,083 residential and 71 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 in kind 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 up to EUR 9 million was agreed. The acquisition of the shares is contingent on the registration of the capital in the Commercial Register, which is expected in autumn 2011.

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 annum.

Dr. Lutz R. Ristow, Chairman of the TAG Supervisory Board, charged 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 111 for legal consultation services during the reporting period (previous year: TEUR 63).

WH Vermögensverwaltungs GmbH, Düsseldorf, 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 4,260 (prior year: TEUR 10,489). 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 June 2011, TAG Group employed 258 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, 9 August 2011

The Management Board

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

Chemnitzer Straße, Chemnitz

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Hamburg, 9 August 2011

The Management Board

TAG’s Financial calender

26 August	2011 Annual General Meeting in Hamburg
9 November	Publication of the interim report: Q3 2011

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