2012

Growing Assets

Interim Report on the 2nd quarter of 2012

TAG Immobilien AG

Group Financials (IFRS)

in TEUR	01/01 – 06/30/2012	01/01 – 06/30/2011
A. Income statement key figures		
Revenues	118,037	72,691
a) Property sales	27,032	15,178
b) Rental income	87,394	53,489
c) Property management and other services	3,611	4,024
EBIT	159,087	64,374
EBT	120,566	33,742
Consolidated net profit	116,099	27,725
FFO	16.4	./.
FFO incl. gains from sales	33.5	./.
FFO per share in EUR	0.17	./.
FFO incl. sales result per share in EUR	0.35	./.
Earnings per share in EUR	1.34	0.49

B. Balance sheet key figures	**06/30/2012**	**06/30/2011**
Total assets	3,198,732	2,047,683
Equity before minorities	780,019	547,392
Equity ratio in %	24.4	26.7
Bank loans	1,983,910	1,189,393
Of which current	279,774	172,568
Real estate volume	3,063,695	1,968,605
LTV in %	62.5	58.8
EPRA NAV per share in EUR	9.37	8.72

C. Employees of TAG	**06/30/2012**	**06/30/2011**
Number of employees	512	258

D. Further figures	
Market capitalisation in TEUR on 30 June 2012	717,741
Subscribed capital in EUR	96,730,617.00
WKN / ISIN	830350/DE0008303504
Number of shares	96,730,617
Free Float in %	97
Stock exchange	SDAX/EPRA

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Preface by the Management Board

Dear Shareholders, Ladies and Gentlemen,

TAG Immobilien AG ('TAG' in the following) made significant progress on several levels in the first half of 2012. For instance, the integration of its most recent acquisition, DKB Immobilien AG, progressed much faster than expected. The operational side of things is looking very good with second-quarter FFO of more than EUR 10 million, and the balance sheet was further strengthened by the issuance of a convertible bond. It is particularly pleasing that our NAV per share of EUR 9.37 remains at about the level of the first quarter, even though in June we were able to pay out a tax-free dividend of 20 cents per share to our shareholders.

The second quarter was dominated by the integration of DKBI. We already reported in detail on the purchase itself in the first quarter. The new company and its portfolio has now largely been integrated into the TAG Group. We have taken over full management control, changed the boards, integrated processes and have fully involved ourselves in the entire real-estate value chain since April. Many important indicators such as costs, rent increases, etc. are already moving in the right direction after such a short period of time.

The company's AGM was also held in the second quarter, on 14 June 2012. All of the resolutions proposed by the management were approved by the requisite shareholder majorities. We would like to express our gratitude for this confidence. As a result, the company once again has the authorised capital and financial instruments to allow us to be able to respond flexibly and opportunistically to emerging opportunities in the market.

For instance, despite a difficult market environment, in June 2012 we took advantage of a window in the capital market to place a convertible bond of approximately EUR 85 million. This bond not only permitted the repayment of a DKB AG vendor loan, but also the redemption of other corporate loans, thereby reducing the company's interest costs and strengthening the balance sheet. The dilutive effect of these bonds was relatively low, so that overall it was a very NAV-friendly financing measure.

Apart from all these recent events, possibly the most important change is that TAG has now attained a sustainable size – especially with the acquisition of DKBI. Its development over the past three years has been transformational, and gives TAG the necessary structure to manage its residential housing portfolio sensibly and profitably. As we have grown, we have repeatedly argued that we must increase our residential portfolio in parallel with internal restructuring in order to leverage economies of scale and achieve an acceptable operating profitability. In this semi-annual report, we go into these points in detail, and highlight what we have achieved so far and what our future targets may look like. Although in many areas there is still significant potential for improvement, we have already achieved an acceptable interim result, and are able to substantiate this with the figures and graphs on the following pages.

On our growth path there have also been changes to the company boards. After more than four years as Chief Financial Officer, Hans-Ulrich Sutter has stepped down from the Executive Board and goes into well-deserved retirement. We wish to thank him for all his work and tireless efforts for the TAG Group. His successor is Georg Griesemann, who had been head of Group Accounting at TAG for over a year. In addition, on July 1 2012 Claudia Hoyer was appointed as the fourth member of the Executive Board and COO, a position she had previously held at DKB Immobilien AG and which she will now perform for the entire TAG Group.

So we see ourselves as very well prepared for the future, not only at an earnings and balance sheet level, but also in terms of personnel. We thank you for the trust you have placed in us, and hope to continue to create value in the German real estate market for our shareholders. The second-quarter figures are evidence that we are on the right track.

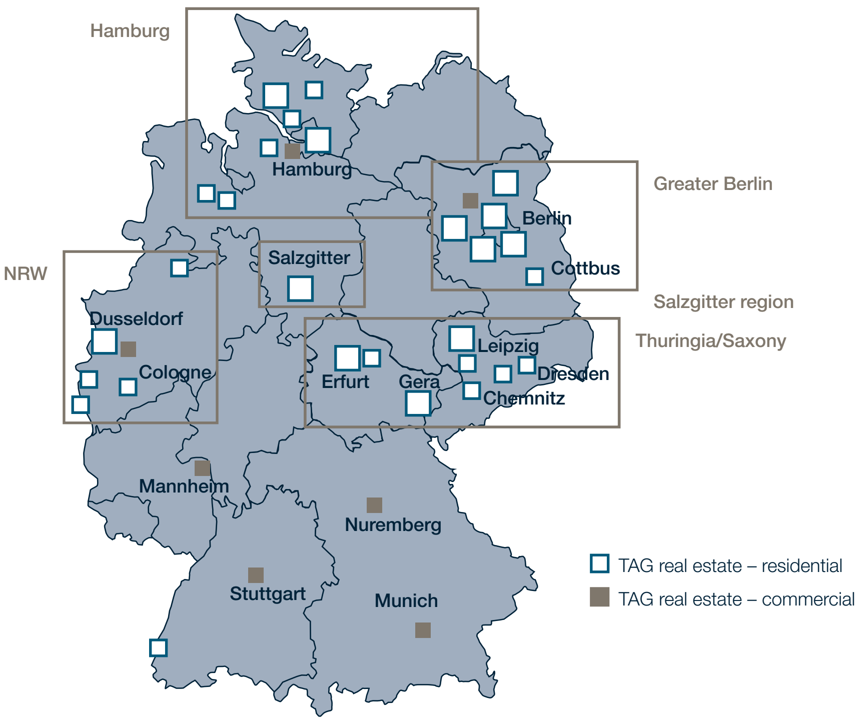
Yours sincerely,

Rolf Elgeti **Georg Griesemann**

Claudia Hoyer **Dr. Harboe Vaagt**

Portfolio

The acquisition of DKB Immobilien AG ('DKBI' in the following) increased the TAG Group's portfolio to over 57,000 units. DKBI possesses more than approximately 25,000 units, almost all of them located in former East Germany, with a regional focus on Thuringia, Saxony, and the greater Berlin area. The locations of the TAG Group portfolio and the distribution of its residential real estate holdings by region are shown in the table below.



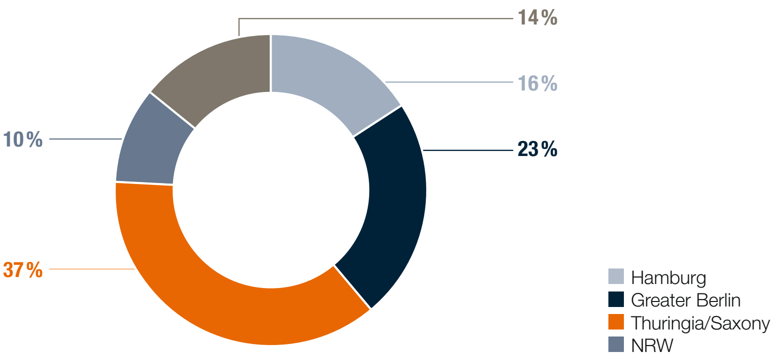
Schillerstraße, Altenburg

Total TAG Group portfolio incl. DKB Immobilien AG

06/30/2012	Total
Units	57,325
Floor area in sqm	3,828,303
Real estate volume in EUR million.	3,063,695
Vacancy in %	11.1
Net actual rent in EUR/sqm	5.15

Philipp-Julius-Weg, Stralsund

Residential portfolio by region



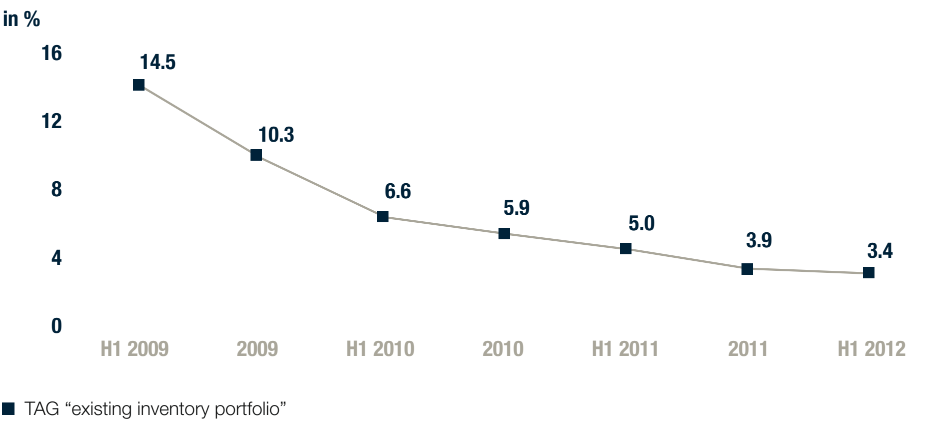
as of 06/30/2012 by book value

Residential portfolio*

		Portfolio	Vacancy			Net actual	Target rent	Book value
Region	Units	Floor area sqm	Floor area sqm	in %	ø EUR/sqm	TEUR p.a.	TEUR p.a.	TEUR
Portfolio	**57,188**	**3,471,719**	**394,371**	**11.4**	**4.85**	**179,145**	**198,144**	**2,569,516**
Hamburg	8,848	537,655	48,106	8.9	5.04	29,624	32,153	419,841
Greater Berlin	12,675	771,026	45,786	5.9	4.81	41,830	43,773	590,772
Thuringia/Saxony	22,461	1,330,563	158,909	11.9	4.54	63,868	70,411	946,383
Northrhine-Westphalia	4,001	267,532	14,589	5.5	5.57	16,907	18,026	251,825
Salzgitter region	9,203	564,943	126,981	22.5	5.12	26,916	33,781	360,695

* as of 06/30/2012 by book value

Vacancy reduction – Residential



Growth strategy continues to be put into action

Second purchase price instalment for DKBI paid at end of June with proceeds from convertible bond issue

The purchase price for DKBI totalled EUR 960 million, including about EUR 800 million of DKB Immobilien AG bank loans. The interest rates fixed in the loan contracts of all currently existing non-current liabilities will be extended through 2022, so that TAG can be assured of the properties' financing for the next ten years.

The EUR 160 million cash component of the price was paid in full by the end of the first half of the year. For the purchase price instalment of EUR 60 million still outstanding at 30 March 2012, TAG used the proceeds from the placement of a convertible bond. The early repayment of the vendor loan saved interest charges of up to EUR 2 million.

The integration of DKBI into the TAG Group proceeds fast and smoothly

The integration of DKBI into the TAG Immobilien Group is in full swing. Organisational processes in the IT, accounting and refinancing departments are being streamlined, simplified and standardised for the entire Group.

As both, TAG and DKBI, have a significant portion of their portfolios in Greater Berlin and East Germany, the management of the units can be cost-effectively merged under the TAG Group umbrella. At the same time, the merger of their respective asset and property management teams offers the potential to realise synergies and economies of scale, and also to improve the operational efficiency of the entire Group. The synergies achieved in connection with the DKBI acquisition amount to around EUR 12 million, and most are expected to have an impact on results starting from the first quarter of 2013.

The following table provides an overview of the individual sources from which we expect to make cost savings, as well as the amount and the time frame when this will become visible at income level.

in EUR m	Target	Already achieved	Visible from
Personnel costs	4	2	Mostly already visible, the rest from Q4 2012
IT costs	2	0	Q1 2013
Rental expenses/ office expenses	1	0	Q1 2013
Refinancing costs	4.5	0	Consecutively over ca. 3 years
Associations, contributions	0.5	0	Q1 2014
Total	**12**	**2.0**	

In the course of the integration process changes were made to both the Executive Board and Supervisory Board. As early as 30 March 2012, TAG Board members were appointed to two of the three seats on both the Supervisory Board and the Executive Board of DKBI, in addition to their regular duties. In addition, Claudia Hoyer was appointed to the TAG Executive Board as COO. Ms. Hoyer has already served on the DKBI Executive Board for several years and has excellent operational experience in the real estate industry.

Hans-Ulrich Sutter retired from the Executive Board in the first half of the year and was succeeded by Georg Griesemann. He will continue to support the TAG Group with his expertise and experience on the Supervisory Boards of DKB Immobilien AG and Colonia Real Estate AG.

Portfolio expansion in the greater Berlin area

In the first quarter, TAG further expanded its portfolio and acquired 1,057 residential units in Eberswalde in the commuter belt north of Berlin. The acquired units are a contiguous residential complex with total rental space of 59,911 sqm. The buildings were extensively renovated in 1999-2001 and generate net rent of EUR 2.9 million per annum. The purchase price was approximately EUR 30 million. The current rent was just EUR 4.04 per sqm, meaning there is a plenty of room for further increases. Vacancy is around 7 percent. The TAG Group's Berlin branch can manage the properties, ensuring cost effectiveness. In 2012, Berlin and its environs continue to be the focus of our growth strategy. We believe the commuter belt surrounding the capital has an especially favourable risk-reward ratio as it combines potential for rental increases with an attractive starting yield.

Energy-efficient and age-appropriate renovation instead of demolition – Konrad-Struve-Strasse 41 in Elmshorn undergoes refurbishment

In the second quarter, TAG announced that it was contemplating a more energy-efficient renovation and modernisation of the vacant, dilapidated buildings at Konrad-Struve-Strasse 41 in Elmshorn. For over a year we reviewed whether renovating this property, which the former owner planned to demolish, was feasible. Now it is planned to extensively renovate the 42 flats with a total floor space of 1,350 sqm in the eight-storey building. The facade will be completely renovated and at the same time insulated in accordance with energy efficiency standards, thereby reducing CO_2 emissions. The existing site is being completely redeveloped, creating modern one-bedroom apartments of 29 to 35 sqm. All apartments will be connected to the existing cogeneration plant. The plans foresee an investment of approximately EUR 2 million for the necessary measures. The Investitionsbank Schleswig-Holstein will fund the majority of this as a partner and creditor. Construction can begin as soon as all the necessary permits have been obtained. At the same time as the energy efficiency measures, structural alterations will also be made throughout the building and inside the apartments to make them suitable for the elderly. After implementing these measures TAG Immobilien AG expects to achieve a net actual rent of EUR 8.50 per sqm.

Salzgitter – by signing new utility contracts, TAG helps its tenants save on heating costs

Because existing contracts with the current heating supply company WEVG GmbH & Co. KG are expiring, TAG ran a nationwide retender of the energy supply contracts for approximately one third of its 8,800 residential units in Salzgitter. The primary beneficiaries of the retendering are approximately 2,800 households in Salzgitter-Lebenstedt, which have new lower-cost contracts as of 1 July 2012. The new contractor is also the old one – namely the local energy provider WEVG, which on the basis of an optimised thermal performance in its own heating systems could provide a long-term heating supply to the flats in Lebenstedt according to the terms TAG desired, thereby substantially reducing costs to the benefit of the tenants. From the 2012/13 heating period another 4,000 homes will be connected to the district heating network so that just three months from now, approximately 80 percent of TAG's tenants will already be benefiting from the new terms.

This enables an average savings of EUR 130 per year for each tenancy – and in some cases as much as EUR 275.

The transformation of TAG over the past three years

TAG has changed significantly over the past three years. On the one hand, many in-house processes have been restructured and optimised. On the other hand, the company has focused on a growth strategy to achieve operational profitability long-term through economies of scale.

As we have repeatedly and very clearly communicated this strategic imperative of growth, we would like to show the successes that have already been achieved with this strategy, and what further potential may still result in the following figures and charts.

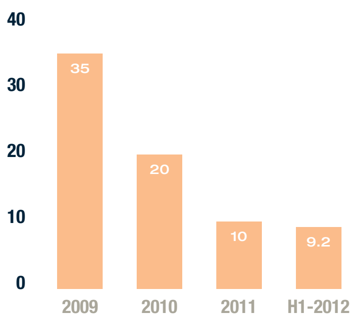
Since 2009, our rental margin has increased from just over 60 percent to about 75 percent, as the chart shows. In detail it can be seen that staff costs have more than halved as a percentage of rental income; interest costs as a percentage in of rental income have fallen by more than half to about one-third of the rent; and, above all, TAG has made enormous progress in terms of general and 'other' costs, which have fallen by over 35 percent to just over 10 percent of rent.

This is also reflected, of course, in the FFO. It is now at over 18 percent of rents for the first half of 2012.

Growth results in higher margins

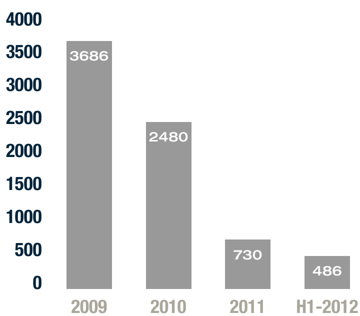
Employees

per 100 units

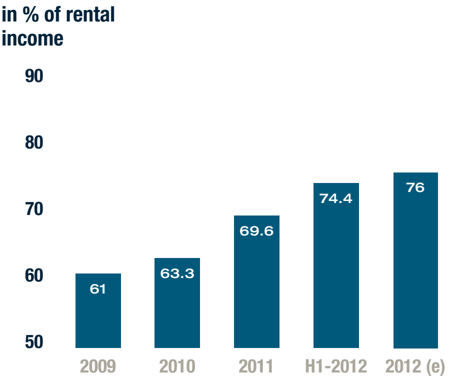


Other operating expenses

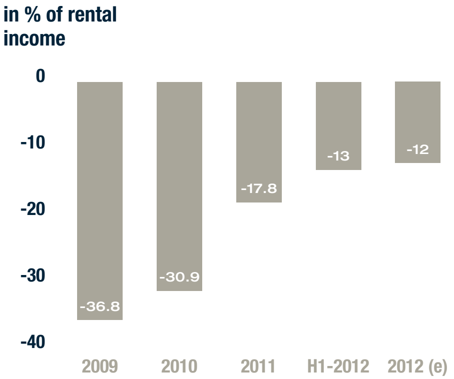
EUR per unit (p.a.)



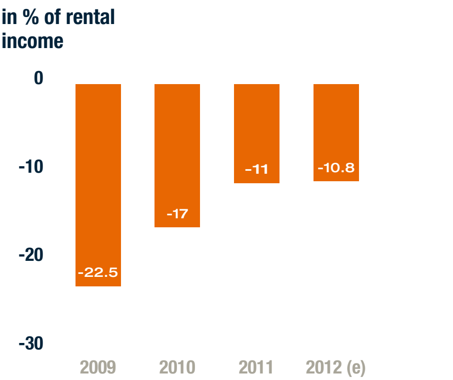
Rental profit



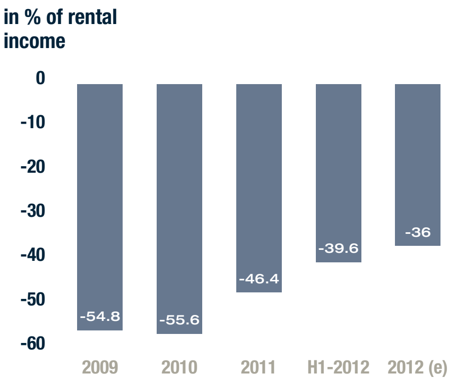
Other operating expenses



Personnel expenses



Interest costs



The current budget provides for an FFO of 20 percent in relation to rental income at year-end. As the major synergies from the DKBI acquisition won't take effect until 2013 as described, this positive trend will continue next year.

A clear picture also emerges here if you look at the expenses in relation to the number of residential units (unit costs), or the number of managed units per employee. Both variables clearly show the improvements, and we expect there is further potential here too.

Funds from operations (FFO)

FFO is an important financial indicator for real-estate companies, as it indicates a company's operating profitability. FFO is calculated based on EBT adjusted for non-cash elements. In the second quarter of 2012, FFO amounted to EUR 10.8 million and has therefore almost doubled compared to the first quarter. So we are well on track to achieve our FFO guidance of EUR 40 million for 2012. As synergies from the acquisition of DKBI are not yet included in this estimated figure, and annualised FFO for the second quarter already meets our forecast for 2012, it becomes clear what potential can be expected for FFO in 2013.

TAG's business activity also regularly includes property sales. For this reason, we report 'FFO including sales' as another indicator. This amounted to EUR 33.5 million in the first half of 2012 and primarily comes from sales during the first quarter: a residential and commercial property in Hamburg, and the privatisation of individual residential units at various locations.

in EUR m	Q1 2012	Q2 2012	H1 2012
EBT	**93.4**	**27.2**	**120.6**
Adjustment for non-cash items			
Valuation result	-6.8	-3.7	-10.5
Gains from first-time consolidation of DKBI	-83.1	-16.0	-99.1
Depreciation	0.4	0.4	0.8
Impairment losses on receivables and inventories	1.3	2.0	3.3
Non-cash financial expenses/income	0.4	0.9	1.3
FFO	**5.6**	**10.8**	**16.4**
Plus liquidity from sales	12.8	4.3	17.1
FFO incl. gains from sales	**18.4**	**15.1**	**33.5**

TAG Group's target figure

Continuing the analysis and forecasting the potential of each individual value and cost driver allows for determining the potential to be obtained from the existing structure of TAG's current portfolio. We have set out this calculation for you in the following table. Certainly hard work is still required to achieve the target annual FFO of EUR 66 million, but one, this is already achievable on our own steam and without further growth, in TAG's existing scale, and two, this pushes our FFO to a dimension that is in a healthy relationship with our cost of capital.

TAG future potential once fully stabilised (estimate)

in EUR m	**in EUR m p. a.**
Rental income	242
Rental profit	199
Corporate Overhead	-45
Borrowing costs	-88
FFO p. a.	**66**
FFO Q2/2012	**10.8**

TAG share

The SDAX-listed TAG share significantly outperformed its index in the first half of 2012: TAG's share improved by 20 percent to EUR 7.42 over the first six months of 2012, after listing at EUR 6.16 at year-end 2011. By contrast, the comparative indices SDAX and EPRA only grew by 9 percent.

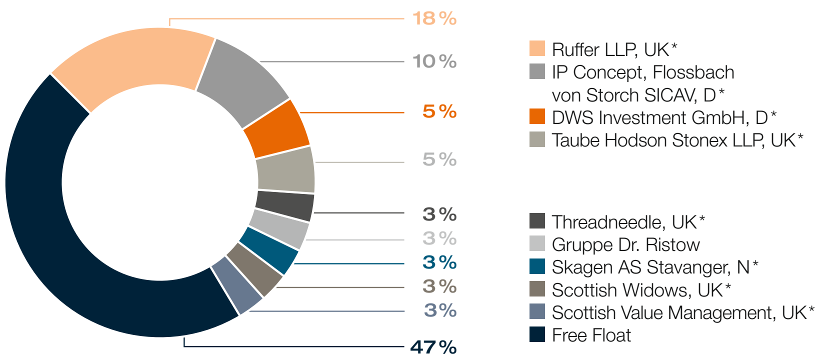
The number of shares increased in the first half of the year due to a capital increase against contribution in kind in early February 2012; a capital increase against cash in late March 2012; and the exercise of conversion rights at mid-year totalling 96,730,617 shares. Free float remains at 97 percent. Based on the closing price of of EUR 7.42 on 30 June 2012 TAG's market capitalisation amounts to EUR 718 million and has thus greatly increased compared to year-end 2011 (+55 percent), due to the positive price development and the increased number of shares.

At the company's Annual General Meeting on 14 June 2012, shareholders voted overwhelmingly in favour of all agenda items. On the Supervisory Board Mr. Hauschildt resigned his position after ten years due to age, and an experienced replacement was found for the position in Ms. Bettina Stark, General Agent of Deutsche Kreditbank AG. Furthermore, authorised capital of EUR 40 million was created.

On 25 June 2012, TAG successfully placed a convertible bond with a volume of EUR 85.3 million, a coupon of 5.5 percent per annum, and a seven-year term through 2019. The bonds will be convertible into 9,640,248 no-par value TAG shares. The conversion price was set at EUR 8.8483. The subscription rights of TAG shareholders were excluded for this convertible bond.

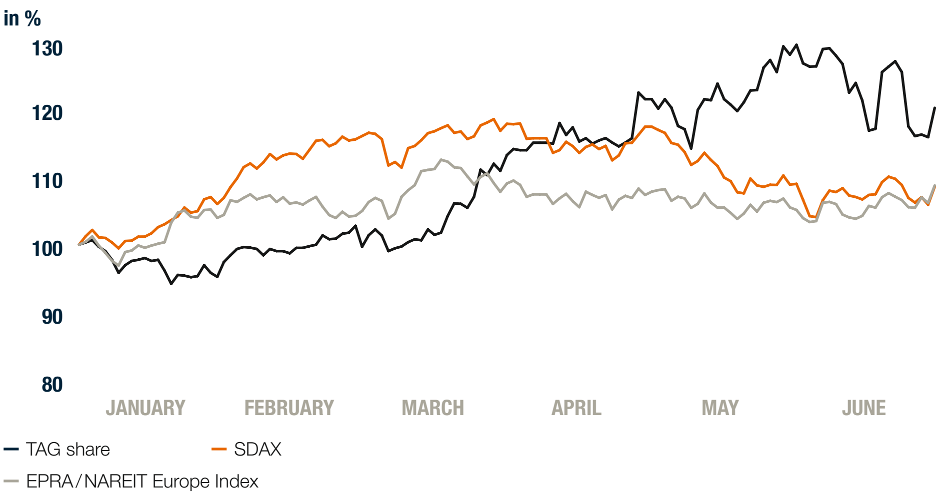
As before, the majority of TAG shareholders are domestic and international investors with a mostly long-view investment strategy.

Shareholder structure on June 30, 2012



* part of Free Float according to the Deutsche Börse definition

Share price 2012



Interim Group management report for the first half of 2012

Economic environment in Germany

In the period under review, the economy and the pace of growth came under protracted pressure from the Eurozone debt crisis. However, the German economy was able to buck this trend, expanding moderately in spring 2012. In addition, consumer spending was stimulated by rising wages and more upbeat conditions in the labour market. At the end of June, unemployment numbers were down 46,000 compared with May 2012, with the unemployment rate coming to 6.6 percent.

The German Bundesbank reconfirmed its growth forecast for Germany in June 2012 and continues to project growth of 1 percent in gross domestic product (GDP) for this year. This is substantially lower than the growth of 3 percent recorded in 2011. Still, compared with many other major Eurozone economies which are afflicted by a serious crisis and heading towards a recession, the situation in Germany is considered to be stable.

(Source: Handelsblatt, 23 July 2012)

The German real estate market

The commercial real estate market

After a brisk first quarter, the market for commercial real estate in Germany slowed somewhat in the second quarter of 2012. The volume of commercial real estate traded in the period from April to June came to EUR 4.2 billion, down EUR 1.0 billion on the first quarter. In the first half of the year, total transaction volumes stood at EUR 9.4 billion, 16 percent down on the first half of 2011. Despite this decline, experts see no justification for concern; accordingly, the late 2011 forecast of full-year total transaction volumes of EUR 23.0 billion in 2012 remains intact.

(Source: Deal Magazine: "German real estate market consolidating at a good level", Jones Lang Lasalle, 11 July 2012)

Foreign investors have stepped up their activities in the German market again, buying real estate worth EUR 3.1 billion in the first half of the year. The focus was particularly on retail real estate in the core segment. Returns on commercial real estate are stable in nearly all segments, only contracting by 10 basis points in the office building segment.

(Source: Deal Magazine: "German real estate market consolidating at a good level", Jones Lang Lasalle, 11 July 2012)

The recoverable value of TAG's commercial real estate portfolio is characterised, among other things, by good urban locations in German metropolitan regions holding potential for future growth. No further additions are planned to the commercial real estate portfolio at this time. Instead, the focus will be on active asset and property management. The sale of individual items is to be considered step by step free of any time pressure. Furthermore REITs have so far failed to become successfully established in Germany and in the current market environment are tending to trade at heavy discounts on their net asset value. For this reason TAG has decided to abandon its REIT plans and not to float TAG Gewerbeimmobilien Aktiengesellschaft on the stock market.

The residential real estate market

Demand on the part of institutional investors in particular for low-risk investments is especially evident on the German housing market.
In the first half of 2012, residential packages comprising 50 residential units or more valued at a total of EUR 7.0 billion were traded; as a result, transaction volumes were up 170 percent over the previous year as of mid-2012. At the same time, the number of residential units traded more than doubled to over 127,000, translating into a total floor area of some 8.2 million square metres.

Berlin is the preferred investment target. In the first half of 2012 alone, portfolio sales in this city came to EUR 2.0 billion, compared with the full-year figure of around EUR 2.3 billion for 2011. In the case of the major acquisitions – including the LBBW, DKB Immobilien AG and BauBeCon portfolios – the buyers are dominated by domestic insurance companies/pension funds and listed real estate companies, which account for 43 percent and 23 percent, respectively, of the total volumes. Foreign investors are also more active again, contributing some EUR 2.3 billion in the first six months of the year. Prices have so far remained stable at a high level.

(Source: CBRE on the market for residential real estate portfolios in the first half of 2012, 2 July 2012)

Summary of trends in the German real estate market

The performance of the German real estate market in the first half of 2012 shows that not only the German economy as a whole but particularly also the German real estate market was able to detach itself from the rest of the Eurozone. With its attractive risk premiums, German real estate is a magnet for investors. Fear of inflation and the absence of any other viable alternative investments are factors in favour of real estate as an asset class.

(Source: Deal Magazine: "German real estate market consolidating at a good level", Jones Lang Lasalle, 11 July 2012)

TAG made substantial use of the opportunities arising in the German residential real estate market with the acquisition of 25,500 residential and commercial units previously owned by DKB Immobilien AG in the first half of 2012. With this transaction, TAG has achieved a structure and a critical mass allowing a further improvement in the management of its real estate portfolios.

TAG Group's net assets, financial condition and results of operations

The Group's earnings in the first half of 2012 were materially affected by the first-time consolidation of DKB Immobilien AG on 31 March 2012. Thus, the first-time consolidation gains exerted a considerable effect on the income statement and caused total assets to rise by around EUR 1.0 billion. As DKBI was consolidated for the first time as of the end of March 2012, its profit and loss for the period from 1 April until 30 June 2012 is included in the TAG Group's income statement.

The TAG Group's net rental income rose from EUR 39.2 million in the first half of 2011 to EUR 67.3 million in the first half of 2012. This increase was chiefly due to the first-time consolidation of DKBI in 2012 and of Colonia and other acquisitions in 2011, which were either not included at all or included in only part of the comparison period in 2011.

Investment properties worth EUR 22.0 million were sold in the first half of the year. These chiefly comprised the "Eichholz" and "Max-Brauer-Allee" assets as well as privatisation of the Ottobrunn estate. Sales of inventory real estate came to EUR 5.0 million in the first half of the year.

Fair value remeasurement gains of EUR 15.8 million were recognised in the first half of the year at the same time impairment expense of EUR 13.1 million was recognised on real estate resulting in net fair value gains of EUR 2.7 million. In addition, fair value measurement gains on newly acquired investment properties of EUR 7.8 million were recognised on the first-time consolidation of a further property company in Eberswalde in the first quarter.

Personnel expenses came to EUR 10.3 million in the first half of 2012 (previous year EUR 5.9 million). DKBI contributed a substantial EUR 2.9 million to the increase over the previous year, with the balance due to new recruiting by TAG.

Other operating expenses came to EUR 11.4 million, slightly down on the previous year's figure of EUR 11.5 million. DKBI accounted for EUR 2.1 million of this. The positive effect is chiefly due to the absence of the restructuring costs which had arisen in the previous year in connection with Colonia. Moreover, expenditure by Colonia on external service providers was reduced by means of the use of internal solutions.

The acquisition of DKBI resulted in preliminary first-time consolidation gains of EUR 99.2 million. This amount constitutes the difference between DKBI's remeasured proportionate share capital and the lower cost of the business combination incurred by TAG in the acquisition of the shares in the DKBI Group. Net consolidation gains rose by EUR 16.0 million over the first quarter of 2012. The adjustment is chiefly due to a reappraisal of the recoverable value of the deferred income taxes on unused tax losses which are available for use in the future as a result of the "escape" clause. In addition to the increase of EUR 28.1 million in net rental income to EUR 67.3 million, these effects were mainly responsible for the growth in the TAG Group's EBIT, which climbed from EUR 64.4 million in the first half of 2011 to EUR 159.1 million in the first half of 2012.

Net interest income dropped by EUR 5.8 million in the first half of 2011 to EUR 38.7 million. Of this, DKBI contributed net interest expense of EUR 8.3 million. Thus, adjusted for DKBI, net interest income was up. This was chiefly the result of lower interest levels in 2012 thanks to more inexpensive funding.

The TAG Group's earnings before taxes (EBT) rose to EUR 120.6 million in the first half of 2012, up from EUR 33.7 million in the first half of 2011. Post-tax earnings came to EUR 116.1 million, EUR 88.4 million higher than in the previous year. Tax expense in the first half of 2012 primarily comprises deferred income tax liabilities as a result of measurement differences.

Total assets rose by around 56 percent from EUR 2,047.7 million on 31 December 2011 to EUR 3,198.7 million on 30 June 2012. This increase was chiefly due to the first-time consolidation of DKBI. Similarly, real estate assets rose from EUR 1,969 million on 31 December 2011 to EUR 3,064.0 million. Net bank borrowings stood at EUR 1,914.4 million as of 30 June 2012, up from EUR 1,157.7 as of 31 December 2011. All told, this resulted in an increase in the loan-to-value (LTV) ratio from 58.8 percent on 31 December 2011 to 62.5 percent on 30 June 2012.

Equity before non-controlling interests rose significantly by around 42 percent to EUR 780.0 million. In addition to the cash equity issue of around EUR 125 million and a non-cash equity issue of some EUR 7 million, this was primarily due to the consolidated earnings of EUR 116.1 million. The dividend distribution of EUR 19.1 million had the opposite effect. Accordingly, the equity ratio before minorities stood at 24.4 percent at the end of June 2012 (31 December 2011 26.7 percent).

Material events occurring after the balance sheet date

On 9 July 2012, TAG Immobilien AG announced that its 2009 convertible bond (ISIN DE000A1CR8L1) had been converted in full except for an amount of EUR 25,000 prior to the expiry of its planned term. The convertible bond had been issued in December 2009 in a total volume of EUR 12.5 million with an annual coupon of 4.5 percent for a term of three years. The premature conversion strengthens TAG's balance sheet, lowers its borrowing cost and additionally strengthens investor and shareholder confidence in the Company.

This August, the shareholders of Group subsidiary Bau-Verein zu Hamburg Aktien-Gesellschaft will be asked at the annual general meeting to pass a resolution approving the transfer of the non-controlling interests to TAG in return for a cash settlement. TAG, which is the principal shareholder with 95 percent of Bau-Verein zu Hamburg Aktien-Gesellschaft's capital, announced on 24 April 2012 that it would be initiating this "squeeze-out" process.

In connection with the integration of DKBI, there have been changes to both the Management Board and the Supervisory Board. In response to the expansion of the residential real estate portfolios and the related challenges, the position of “Chief Operating Officer” has been established and filled by Ms. Claudia Hoyer. Ms. Hoyer, who was previously a member of DBKI’s Management Board, was appointed as the fourth member of TAG’s Management Board on 16 May with effect as of 1 July 2012. The Chief Financial Officer, Mr. Hans-Ulrich Sutter, stepped down from the Management Board on 30 June 2012 for age-related reasons. His successor, Mr. Georg Griesemann, was appointed to the Management Board effective 1 June 2012.

Risks and outlook

TAG’s business activities expose it to various operating and economic risks. Reference should be made to the detailed risk report in the annual report for 2011 (page 51 of the Group management report) for further details. Since 1 January 2012, no risks necessitating any modifications to this assessment have arisen or become discernible.

DKBI, which was acquired in the first half of the year, has already been fully integrated in TAG’s risk management system. No additional risks have arisen as a result of the acquisition. As DKBI’s funding structure is largely non-current in nature, there are no short-term funding risks.

The IFRS consolidated financial statements prepared by Colonia Real Estate AG as of 31 December 2010 were reviewed by Deutsche Prüfstelle für Rechnungslegung e. V. (“DPR”) in accordance with Section 342b (2) Sentence 3 of the German Commercial Code in a routine random sample audit. DPR confirmed in July 2012 that no accounting errors had been discovered. In our annual report for 2011, we had indicated in our outlook earnings before tax (EBT) of around EUR 75 million and a net asset value per share of EUR 9.75 in accordance with EPRA at the end of 2012. With the publication of the report on the first quarter 2012, the previous forecast was adjusted and the EBT projection raised to EUR 140 million and the expected rental income for the year raised to EUR 192.0 million on account of the Group’s favourable business performance as a result of the acquisition of the DKBI portfolio comprising 25,500 residential and commercial units. The forecast for funds from operations (FFO) net of earnings from real estate sales was increased to EUR 40.0 million (previously EUR 27.0 million). The NAV of EUR 9.75 per share has been reaffirmed for this year.

Hamburg, 8 August 2012

The Management Board

Consolidated balance sheet

Assets in TEUR	06/30/12	12/31/11
Non-current assets		
Investment properties	2,927,006	1,889,860
Intangible assets	7,078	7,320
Property, plant and equipment	13,358	12,010
Investments in associates	55	61
Other financial assets	12,710	12,150
Deferred taxes	120	118
	2,960,327	**1,921,519**
Current assets		
Land with unfinished and finished buildings	120,606	37,413
Other inventories	1,012	247
Trade receivables	21,385	13,188
Income tax refund claims	1,523	1,455
Derivative financial instruments	8,454	489
Other current assets	10,884	3,292
Cash and cash equivalents	69,511	31,714
	233,375	**87,798**
Non-current available-for-sale assets	**5,030**	**38,366**
	3,198,732	**2,047,683**

Equity and liabilities in TEUR	06/30/12	12/31/11
Equity		
Subscribed capital	96,731	74,905
Share premium	478,969	363,031
Other reserves	-18,194	-16,260
Retained earnings	222,513	125,716
Attributable to the equity-holders of the parent company	**780,019**	**547,392**
Non-controlling interests	45,683	47,239
	825,702	**594,631**
Non-current liabilities		
Bank borrowings	1,704,136	1,016,825
Retirement benefit provisions	5,223	1,760
Non-current liabilities from convertible bonds	171,638	93,868
Derivative financial instruments	25,565	28,222
Other non-current liabilities	405	153
Deferred taxes	95,150	66,884
	2,002,117	**1,207,712**
Current liabilities		
Other provisions	29,459	17,807
Income tax liabilities	8,490	1,760
Bank borrowings	279,774	172,568
Trade payables	15,306	16,380
Derivative financial instruments	14,543	11,379
Current liabilities from convertible bonds	13,846	13,901
Other current liabilities	9,495	11,545
	370,913	**245,340**
	3,198,732	**2,047,683**

Consolidated income statement

in TEUR	01/01–06/30/2012	01/01–06/30/2011	04/01–06/30/2012	04/01–06/30/2011
Total revenues	**118,037**	**72,691**	**61,004**	**36,673**
Rental revenues	87,394	53,489	53,025	29,123
Rental expenses	-20,106	-14,333	-11,806	-9,018
Net rental income	67,288	39,156	41,219	20,105
Revenues from the sale of inventory real estate	5,038	4,921	3,405	3,195
Expenses on the sale of inventory real estate	-5,120	-4,866	-3,508	-3,228
Net revenues from sale of inventory real estate	-82	55	-103	-33
Revenues from the sale of investment properties	21,994	10,257	2,582	2,152
Expenses on the sale of investment properties	-21,966	-10,296	-2,533	-2,227
Net revenues from sale of investment properties	28	-39	49	-75
Revenues/net revenues from property management	3,611	4,024	1,992	2,203
Expenses for the provision of property management	-2,761	-4,343	-1,482	-2,583
Net income from the provisions of property management	850	-319	510	-380
Other operating income	106,172	35,254	22,264	19,629
Fair-value remeasurement of investment properties	2,680	5,479	3,673	5,479
Fair value measurement gains on newly acquired investment properties	7,791	5,237	0	5,237
Total net gains from the remeasurement of investment properties	10,471	10,716	3,673	10,716
Gross profit	**184,727**	**84,823**	**67,612**	**49,962**
Personnel expenses	-10,250	-5,877	-7,027	-3,071
Depreciation/amortisation	-780	-511	-404	-177
Impairment losses on receivables and inventories	-3,235	-2,513	-1,969	-2,192
Other operating expenses	-11,375	-11,548	-6,717	-6,393
EBIT	**159,087**	**64,374**	**51,495**	**38,129**
Net profit from investments	136	0	136	0
Share of profit of associates	-6	2,215	-6	2,246
Interest income	5,820	1,596	1,694	302
Borrowing costs	-44,471	-34,443	-26,170	-18,936
EBT	**120,566**	**33,742**	**27,149**	**21,741**
Income taxes	-4,604	-5,867	327	-5,117
Other taxes	137	-150	20	-20
Consolidated net profit	**116,099**	**27,725**	**27,496**	**16,604**
of which attributable non-controlling interests	188	-1,688	-103	-2,186
of which attributable to the Parent Company's equityholders	115,911	29,413	27,599	18,790
Earnings per share (EUR), basic				
Basic profit per share	1.34	0.49	0.22	0.31
Diluted profit per share	1.13	0.41	0.18	0.25

Consolidated statement of comprehensive income

in TEUR	01/01–06/30/2012	01/01–06/30/2011	04/01–06/30/2012	04/01–06/30/2011
Net loss as shown in the income statement	**16,099**	**27,725**	**27,496**	**16,604**
Unrealised gains and losses from hedge accounting	-2,215	5,873	-1,145	-1,530
Deferred taxes on unrealised gains and losses	412	-1,781	234	550
Other comprehensive income after taxes	-1,803	4,092	-911	-980
Total comprehensive income	**114,296**	**31,817**	**26,585**	**15,624**
of which attributable non-controlling interests	323	-1,524	44	-2,107
of which attributable to the Parent Company's equityholders	113,973	33,341	26,541	17,731

Consolidated cash flow statement

in TEUR	06/30/2012	06/30/2011
Consolidated net profit/loss	**116,099**	**27,725**
Depreciation/amortisation	780	511
Share of profits/losses of associates	6	-2,215
Comprehensive income from investment properties	-10,471	-10,716
Gains from business combinations	-99,157	-28,702
Gains on disposal of jointly held companies	0	-93
Losses on disposal of jointly held companies	0	25
Gains/losses from property plant and equipment	-804	0
Gains/ losses from the disposal of investment properties	-28	39
Impairments on receivables and inventories	3,235	2,513
Changes in deferred income taxes	4,426	7,401
Changes in provisions	-1,078	-3,778
Changes in receivables and other assets	8,520	15,727
Changes in payables and other liabilities	-18,764	-28,338
Cash flow from operating activities	**2,764**	**-19,901**
Payments made for investments in investment properties	0	-4,867
Payments received from the disposal of investment properties	21,994	10,257
Payments made for investments in intangible assets and property, plant and equipment	-519	-615
Payments made for acquisition of consolidated companies net of cash disposed of	-155,521	-25,554
Payments received from the sale of property, plant and equipment	1,550	0
Payments received from the disposal of joint ventures net of cash disposed of	0	-58
Payments made for investments in associates and other financial assets	-152	-31
Payments made for the acquisition of real estate companies (including transaction costs)	-3,962	0
Cash flow from investing activities	**-136,610**	**-20,868**

in TEUR	06/30/2012	06/30/2011
Payments received from cash equity issues	127,082	40,997
Expenses capital increase	-3,500	-691
Payments received from the issue of convertible bonds	85,300	0
Payments made for the redemption of convertible bonds	0	-45,301
Costs in connection with the issue of convertible bonds	-1,419	0
Dividend distributions	-19,114	0
Payments received from bank borrowings	7,930	44,798
Payments made for repaying bank borrowings	-35,276	-73,545
Payments made for business combinations without change of status	-3,332	-24,305
Cash flow from financing activities	**157,671**	**-58,047**
Net change in cash and cash equivalents	23,825	-98,816
Cash and cash equivalents at the beginning of the period	21,599	121,776
Cash and cash equivalents at the end of the period	**45,424**	**22,960**

Statement of changes in consolidated equity

in TEUR	Equity holders of the parent company: Subscribed capital	Share premium	Other reserves: Retained earnings	Hedge accounting reserve	Currency translation
01/01/2012	**74,905**	**363,031**	**527**	**-16,818**	**31**
Consolidated net profit	0	0	0	0	0
Other comprehensive income	0	0	0	-1,938	0
Total comprehensive income	**0**	**0**	**0**	**-1,938**	**0**
Business combination DKBI	0	0	0	0	0
Business combination without change of status	0	-6	0	0	0
Cash equity issue	20,664	106,418	0	0	0
Capital increase against contribution in kind	859	6,091	0	0	0
Issue of convertible bond	0	4,592	0	0	0
Capital increase from conversion	303	1,213	0	0	0
Cost of issuing equity (after income taxes)	0	-2,370	0	0	0
Dividend distribution	0	0	0	0	0
Currency translation	0	0	0	0	4
06/30/2012	**96,731**	**478,969**	**527**	**-18,756**	**35**
01/01/2011	**58,566**	**248,568**	**527**	**-10,034**	**0**
Consolidated net profit	0	0	0	0	0
Other comprehensive income	0	0	0	3,927	0
Consolidated net profit	**0**	**0**	**0**	**3,927**	**0**
Business combination Colonia	0	0	0	0	0
Business combination without change of status	0	8,949	0	0	0
Issue of convertible bond	5,857	35,140	0	0	0
Cost of issuing equity (after income taxes)	0	-692	0	0	0
Currency translation	0	0	0	0	31
Other changes in non-controlling interests	0	1,348	0	0	0
06/30/2011	**64,423**	**293,313**	**527**	**-6,107**	**31**

Equity holders of the parent company			
Unappropriated surplus	Total	Minority interests	Total equity
125,716	**547,392**	**47,239**	**594,631**
115,911	115,911	188	116,099
0	-1,938	135	-1,803
115,911	**113,973**	**323**	**114,296**
0	0	1,447	1,447
0	-6	-3,326	-3,332
0	127,082	0	127,082
0	6,950	0	6,950
0	4,592	0	4,592
0	1,516	0	1,516
0	-2,370	0	-2,370
-19,114	-19,114	0	-19,114
0	4	0	4
222,513	**780,019**	**45,683**	**825,702**
58,834	**356,461**	**8,849**	**365,310**
29,414	29,414	-1,688	27,726
0	3,927	164	4,091
29,414	**33,341**	**-1,524**	**31,817**
0	0	118,955	118,955
0	8,949	-23,864	-14,915
0	40,997	0	40,997
0	-692	0	-692
0	31	0	31
0	1,348	-1,331	17
88,248	**440,435**	**101,085**	**541,520**

Consolidated segment report

01/01 – 06/30/2012 in TEUR	Residential real estate						
	Hamburg	**Berlin**	**Munich**	**NRW**	**Salzgitter**	**DKBI**	**Others**
Total revenues	**25,447**	**22,776**	**3,863**	**6,272**	**13,965**	**20,628**	**1,812**
Previous year	9,637	17,046	3,466	5,069	9,675	0	2,367
■ Of which external revenues	25,447	22,696	3,776	6,272	13,965	20,628	1,812
Previous year	9,637	16,996	3,379	5,069	9,675	0	2,367
■ Of which internal revenues	0	80	87	0	0	0	0
Previous year	0	50	87	0	0	0	0
Segment profit/loss	**9,189**	**30,887**	**490**	**6,251**	**8,123**	**14,527**	**1,395**
Previous year	5,999	15,716	345	4,084	4,027	0	754
■ Of which remeasurement of investment properties	533	7,172	220	1,241	0	0	-20
Previous year	-230	-91	0	-200	0	0	0
■ Of which fair value measurement gains on newly acquired investment properties	0	7,791	0	0	0	0	0
Previous year	0	5,237	0	0	0	0	0
Non-allocated other operating income							
Previous year							
■ of which first-time consolidation gains							
Previous year							
Gross profit							
Previous year							
Miscellaneous non-allocated income and expenses							
Previous year							
EBT							
Previous year							
Segment assets	314,079	594,773	22,000	180,272	375,030	1,054,342	54,278
Previous year	328,573	526,747	25,112	178,295	375,030	0	54,991
Non-allocated assets							
Previous year							
Total assets							
Previous year							

This Group segment report is an integral part of the notes to the abridged consolidated interim financial statements as of 30 June 2012.

Total Residential	Commercial real estate	Services	Other activities	Consoli-dation	Group
94,763	**19,470**	**5,320**	**717**	**-2,233**	**118,037**
47,259	21,187	4,667	701	-1,123	72,691
94,596	19,113	3,611	717	0	118,037
47,123	20,843	4,024	701	0	72,691
167	357	1,709	0	-2,233	0
137	343	643	0	-1,123	0
70,862	**6,190**	**850**	**653**	**0**	**78,555**
30,926	18,380	-319	584	0	49,569
9,146	-6,466	0	0	0	2,680
-521	6,000	0	0	0	5,479
7,791	0	0	0	0	7,791
5,237	0	0	0	0	5,237
					106,172
					35,254
					99,145
					28,702
					184,727
					84,823
					-64,161
					-51,081
					120,566
					33,742
2,594,774	464,741	0	4,180	0	**3,063,695**
1,488,749	475,676	0	4,180	0	1,968,604
					135,037
					79,079
					3,198,732
					2,047,683

Notes on the abridged consolidated interim financial statements as of 30 June 2012

General information

These abridged consolidated interim financial statements prepared by TAG Immobilien AG (hereinafter referred to as the "Company" or "TAG") have been prepared in accordance with the provisions contained in Section 37w of the German Securities Trading Act pertaining to interim financial reporting. The period under review comprises the first six months of 2012. The comparison figures refer to 31 December 2011 with respect to the consolidated balance sheet and otherwise to the first six months of 2011. In addition, the consolidated income statement and the consolidated statement of comprehensive income contain figures pertain-ing to the second quarter of 2012 (1 April to 30 June 2012) together with the corresponding comparison figures for the previous period. The figures reported in the interim financial report are mostly denominated in TEUR (thousands of euros). This may result in rounding differences between the individual parts of the financial statements.

The abridged consolidated interim financial statements have been prepared on a consolidated basis in accordance with the International Financial Reporting Standards (IFRS) endorsed by the EU concerning interim reporting (IAS 34 – Interim Reporting). In addition, allowance has been made for the provisions contained in German Accounting Standard No. 16 (DRS 16 – Interim Reporting).

The recognition and measurement principles as well as the notes and explanations on the interim consolidated financial statements for the first half of the year are fundamentally based on the recognition and measurement principles applied to the consolidated financial statements for the year ending 31 December 2011. For more details concerning the recognition and measurement principles applied, please refer to the consolidated financial statements for the year ending 31 December 2011 compiled in accordance with IFRS, which pursuant to IAS 34 form the material basis for these interim financial statements.

Compared with the consolidated financial statements as of 30 June 2011, the following changes have been made to the presentation of items in the consolidated income statement as the Company considers these to provide a greater insight into the Group's results of operations:

- The interest income of TEUR 1,825 from interest rate swaps reported under "Interest income" in the previous year was netted with interest expense on interest rate swaps reported within "Interest expense". The figures for the previous year have been restated accordingly.

Consolidated companies and acquisitions in the period under review

The consolidation group as of 30 June 2012 includes TAG and, as a matter of principle, all companies in which TAG directly or indirectly holds a majority of the voting capital. If shares in subsidiaries are considered to be of subordinate significance from the Group's perspective, they are recognised as available-for-sale financial assets in accordance with IAS 39.

Business combination with no change of status

In the period from January to June 2012, a further 2.93 percent of the shares in Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg, (Bau-Verein AG) were acquired for TEUR 3,069 and a further 0.19 percent of the shares in Colonia Real Estate AG for TEUR 263. These transactions were recorded within equity as a business combination with no change of status.

Acquisition of real estate companies

Effective 1 February 2012, the TAG Group acquired all the shares in a real estate portfolio in Chemnitz (since renamed “TAG Chemnitz Immobilien GmbH”) via a share deal. The purchase price for the real estate portfolio came to around EUR 24 million. At the same time, there were bank borrowings of around EUR 16 million. The portfolio acquired with the company comprises around 430 residential units with a lettable floor space of some 32,000 square metres and current annual net rental income of around EUR 1.8 million. To finance the acquisition of the portfolio, TAG issued 859,339 new shares worth EUR 6.95 million on a non-cash basis.

In addition, a cash component of around TEUR 260 was paid. The company was consolidated for the first time in the first quarter of 2012. TAG Chemnitz GmbH’s assets and liabilities were measured at their fair value.

In addition, TAG acquired a real estate portfolio in Eberswalde near Berlin (since renamed “TAG Spreewaldviertel-Immobilien GmbH”) via a share deal effective 1 February 2012. The purchase price for the real estate portfolio came to around EUR 30 million. The portfolio comprises 1,057 residential and 11 commercial units with a lettable floor space of around 60,000 square metres and current annual net rental income of some EUR 2.7 million. This company was also consolidated for the first time in the first quarter of 2012.

Acquisition of DKBI

On 26 March 2012, Deutsche Kreditbank AG (DKB) accepted TAG's offer for the full acquisition of DKB Immobilien AG (DKBI). TAG Immobilien AG had submitted a binding offer on 29 February 2012 to acquire DKB Immobilien AG with a cash component of EUR 160 million. DKBI was fully consolidated by TAG for the first time at the end of March 2012. It has around 25,000 residential units and around 500 commercial units with a lettable floor area of a total of some 1.5 million square metres and generates total net rental income of approximately EUR 73.2 million. Nearly all of the company's properties are located in the eastern German states, primarily Thuringia, the greater Berlin region and Saxony. The purchase price of EUR 160 million was paid in full in the first half of 2012. The transaction costs came to TEUR 216.

As TAG and DKB Immobilien AG are both in the business of managing residential real estate and have real estate holdings at various locations in the new German states, it is appropriate for the business activities to be merged in order to utilise potential for synergistic benefits and economies of scale and to improve operating margins throughout the entire Group.

The business combination produced a first-time consolidation gain (negative goodwill) which was reported within other operating income in the consolidated income statement and breaks down as follows:

in TEUR	Fair value on acquisition
Investment properties	947,251
Intangible assets, property, plant and equipment	2,108
Deferred income tax assets	0
Other non-current assets	408
Land with finished and unfinished buildings	105,374
Current receivables	6,352
Cash and cash equivalents	35,792
Other current assets	20,323
Non-current bank borrowings	-683,503
Deferred income tax liabilities	-21,759
Other non-current liabilities	-4,308
Current liabilities	-112,684
Other current liabilities	-34,750
Net assets at fair value or IFRS equity capital	260,604
Non-controlling interests	-1,447
Costs of the business combination	-160,000
Gain from first-time consolidation	**99,157**

DKBI was acquired for a price below the fair value of the individual assets and liabilities. Portfolios of this size are generally traded with corresponding package discounts reflecting the greater speed of exploitation with a portfolio sale compared with individual privatisation transactions and the resultant savings in personnel and administrative expenses as well as transaction costs arising from the complete sale of the individual assets. The difference is therefore chiefly due to the package discount.

First-time consolidation gains arise from the measurement of the assets and liabilities at their fair values. For this purpose, the investment properties were measured on the basis of external valuation reports, while the liabilities and derivative financial instruments were measured using the methods of financial mathematics. The first-time consolidation gain of EUR 83.1 million recorded in the interim consolidated financial statements as of 31 March 2012 had been based on preliminary calculations. In the second quarter, the first-time consolidation gain increased by EUR 16.0 million. The adjustment is chiefly due to a reappraisal of the recoverable value of the deferred income taxes on unused tax losses which are available for use in the future as a result of the “escape” clause, and adjustments to provisions for onerous contracts. It may be necessary to adjust the measurement of the deferred income taxes by the end of the year.

Similarly, the non-controlling interests are recorded on the basis of the proportionate remeasured assets and liabilities.

The assets acquired included gross trade receivables of EUR 9.8 million, for which impairments of EUR 3.5 million were recognised. Since the date of acquisition, DKBI has generated revenues of EUR 21.1 million and net earnings for the period of EUR 4.9 million. If it had been acquired on 1 January 2012, it would have generated revenues of EUR 40.8 million and net earnings for the period of EUR 6.9 million to the consolidated financial statements.

The business combinations served the purpose of additionally expanding TAG’s residential real estate portfolio. As not all of the information required to account for this business combination was available as of the date on which these financial statements were prepared, the disclosed profits are provisional only. Accordingly, changes may arise pending the publication of the consolidated financial statements as of 31 December 2012.

Material transactions during the period under review

The increase in subscribed capital from TEUR 74,905 to TEUR 96,731 is due to a cash equity issue of TEUR 20,664, a non-cash equity issue of TEUR 859 for the acquisition of TAG Chemnitz Immobilien GmbH and the call of a convertible bond of TEUR 303. Further details on revenues and gross profit are set out in the segment report, which forms an integral part of these notes and is analysed in a separate table in front of the notes in the interests of heightened convenience.

TAG issued convertible bonds of TEUR 85.3 million in June 2012.The bonds have a tenor of seven years and will be callable for 9,640,248 no-par-value shares in TAG. The coupon was fixed at 5.5 percent p.a. and, hence, at the upper end of the original range of 4.50–5.50 percent. The conversion price was set at EUR 8.8483 and thus translates into a conversion premium of 20.0 percent over the reference price of EUR 7.3736. The issue of the convertible bond resulted in interest advantages of TEUR 4,592 compared with alternative forms of finance net of deferred income taxes and proportionate transaction costs. This interest advantage was recorded within the share premium.

Mr. Hans-Ulrich Sutter, the Chief Financial Officer of TAG, resigned effective 30 June 2012.

Mr. Georg Griesemann was appointed to the position of Chief Financial Officer effective 1 June 2012.

Mr. Rolf Hauschildt stepped down from the Supervisory Board effective 14 June 2012.

Ms. Bettina Stark was elected to TAG's Supervisory Board on 14 June 2012.

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

Ms. Claudia Hoyer was appointed Chief Operating Officer of TAG on 1 July 2012.

In July 2012, the convertible bond of almost EUR 12.5 million issued in 2009 was called in almost its full amount prematurely ahead of its scheduled expiry in December 2012.

Material transactions with related persons

There were no material transactions with related persons in the period under review.

Other information

There has been no material change in the Group's contingent liabilities since 31 December 2011.

On 30 June 2012, the TAG Group had 512 employees, compared with 281 as of 31 December 2011. This increase is chiefly due to the inclusion of DKBI in TAG's consolidated financial statements.

Financial instruments were added to the consolidated financial statements as a result of the acquisition of DKBI. These are set out in the table analysing the first-time consolidation gain. Further covenants must be observed in connection with the bank borrowings which have been assumed. DKBI has already been fully integrated in TAG's risk management system. There is no additional funding risk due to DKBI's long-term financing structure. The acquisition did not result in any reclassification of the financial instruments or any change in the fair value hierarchy.

Basis of reporting

The preparation of the abridged consolidated interim financial statements pursuant to IFRS requires the management boards and management 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 these estimates. Moreover, the abridged consolidated interim financial report includes statements which do not entail 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 figures may deviate substantially from those stated in such forward-looking statements. Many of these risks and uncertainties are related to factors which the Company can neither control, influence nor precisely estimate. This concerns, for example, future market and economic conditions, other market participants' behaviour, the ability to successfully integrate companies after acquisition and tap expected synergistic benefits as well as changes to tax legislation. 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, 8 August 2012

Rolf Elgeti **Georg Griesemann**

Claudia Hoyer **Dr. Harboe Vaagt**

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, 8 August 2012

The Management Board

Review report

To TAG Immobilien AG, Hamburg

We have reviewed the condensed interim consolidated financial statements of the TAG Immobilien AG – comprising consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, statement of changes in consolidated equity, notes to the consolidated financial statement – together with the interim group management report of the TAG Immobilien AG, Hamburg, for the period from 1 January to 30 June 2012 that are part of the semi annual according to § 37 w WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Hamburg, 8 August 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Madsen	**Zoeger**
Wirtschaftsprüfer	**Wirtschaftsprüfer**
(German Public Auditor)	**(German Public Auditor)**

Frankfurter Allee, Eberswalde

TAG Financial Calendar

8 November	Interim Report – Q3/2012 published

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This interim report is also published in German.
In cases of doubt, the German version takes precedence.

TAG

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