



TAG

Interim Report on the 2nd quarter 2016

GROWING CASHFLOWS

TAG

Immobilien AG

GROUP FINANCIALS

in TEUR	01 / 01 – 06 / 30 / 2016	01 / 01 – 06 / 30 / 2015 (adjusted)
A. Income statement key figures		
Rental revenues	136,016	128,918
EBITDA (adjusted)	84,827	80,439
EBIT	88,712	106,828
EBT	45,437	58,341
Consolidated net profit	40,114	48,274
FFO I per share in EUR	0.35	0.30
FFO I in EUR m	44.9	36.7
FFO II in EUR m	46.6	48.0
AFFO in EUR m	23.6	20.0
B. Balance sheet key figures		
	06 / 30 / 2016	12 / 31 / 2015
Total assets	3,807,534	3,794,199
Equity	1,147,932	1,120,552
Equity ratio in %	30.1	29.5
Real estate volume	3,609,833	3,577,899
LTV in %	60.4	60.7
LTV in % incl. outstanding convertible bonds	62.4	62.7
EPRA NAV per share in EUR	10.40	10.64
EPRA NAV diluted per share in EUR	10.20	10.45
C. Employees		
	06 / 30 / 2016	12 / 31 / 2015
Number of employees	832	781
D. Capital market data		
Market cap at 06/30/2016 in TEUR		1,624,130
Share capital at 06/30/2016 in EUR		136,596,330.00
WKN / ISIN		830350 / DE0008303504
Number of shares at 06/30/2016 (issued)		136,596,330
Number of shares at 06/30/2016 (outstanding, without treasury shares)		132,501,206
Free Float in % (remainder treasury shares)		97
Index		MDAX / EPRA

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FOREWORD

Dear Shareholders, Ladies and Gentlemen

Our operating performance over the past few quarters has been decidedly positive and exceeded our expectations. Falling vacancy rates and rising rents mean growing rental revenues. Real-estate financing was more attractive than ever before due to historically low interest rates. At the same time, we have invested a lot of time and resources in our operating structures and IT processes in recent years. This is now paying off.

We were able to once again significantly increase our FFO in Q2 2016. FFO (not including net revenues from sales) amounted to EUR 23.3 m after EUR 21.6 m in the previous quarter, and EUR 18.6 m in Q2 2015. FFO for the full first half of 2016 was EUR 44.9 m, up from EUR 36.7 m in the same period of 2015.

On a like-for-like basis, i. e. on the basis of comparable portfolios, total rental growth increased to 3.9% over the last 12 months as of 30 June 2016. At 31 December 2015, this figure was 3.3% and a year ago, on 30 June 2015, it was 2.3%. Vacancy across the company's rental units was 7.1% in June 2016. At the beginning of the year, vacancy was 7.7%, and a year ago 8.7%.

In the second half of 2016, we expect further increases in FFO: in financing costs alone, we will achieve savings of around EUR 3m compared with the first half of the year. Based on this, we can significantly increase our FFO forecast for the 2016 financial year by around 10%, from previously EUR 84–85m to EUR 92–93m. And on a per-share basis, too – despite the increased number of shares through a share placement and through the early conversion of a 2012/2019 convertible bond in July 2016 that we incentivised – we expect FFO to increase from EUR 0.68 per share compared to the original forecast of EUR 0.67 per share.

We have also continued to work on our capital structure. So while the loan-to-value ratio (LTV) temporarily increased – due to the dividend payment made in June 2016 – to 62.4% at 30 June 2016 compared to 61.0% at the end of the preceding quarter, shortly after the balance sheet date we successfully completed an offer to the holders of our last outstanding convertible bonds (2012/2019 convertible bonds) to prematurely convert them into equity in July 2016. Ninety-four percent of the convertible bondholders accepted this offer. For them, the conversion meant an early realisation of their investment with a premium around 2.5% higher than the market price of the convertible bonds at the beginning of the offer. TAG saves future annual interest payments of EUR 4.1 m and we reduce our level of debt. We subsequently cancelled the remaining 2012/2019 convertible bonds with a nominal value of EUR 4.4m in July 2016 (so-called ‘clean-up call’), so it is expected that the holders of the nominal value still outstanding will convert their convertible bonds into equity in August 2016. Taking this early conversion into account pro forma, this leads to a LTV of just 60.4% at 30 June 2016. By the end of Q3 2016, when the results of the annual property valuation are available, we expect LTV to be below 60%.

The TAG share price also benefits from these developments – rising rents, reduced financing costs, and an increasingly optimised capital structure. After starting the year at a price of EUR 11.50, the share is currently (end of July/beginning of August 2016) trading at around EUR 12.80. Taking into account the dividend of EUR 0.55 per share paid out to our shareholders in June 2016, the share price appreciation and dividend payments have already yielded an overall TAG share performance of over 15% for the year 2016 to date.

Against this background, we have every reason to be optimistic about the future. We feel we are well positioned in the current market environment, in which a competitive acquisition market makes external growth increasingly difficult. The remaining vacancy in the portfolio and the refinancing still pending in the financial years ahead hold substantial further potential for organic growth.

We thank you, our shareholders, for your trust and confidence in TAG. Further details about our economic development and business performance in Q2 2016 can be found on the following pages.

Yours sincerely,



Claudia Hoyer
COO



Martin Thiel
CFO



Dr Harboe Vaagt
CLO



Freiberg (Saxony)

MANAGEMENT REPORT FOR THE FIRST HALF OF THE 2016 FINANCIAL YEAR

I. Overview and corporate strategies

TAG Immobilien AG ('TAG' in the following) is a Hamburg-based property company focused on the German residential real estate sector. The Group's properties are located in various regions of northern and eastern Germany and North Rhine-Westphalia. Overall, as of 30 June 2016, TAG managed around 78,400 residential units. TAG shares are listed on the MDAX of the Frankfurt Stock Exchange; and the company's market capitalisation as of 30 June 2016 was EUR 1.6 billion.

TAG's business model is the long-term letting of flats. All functions essential to property management are carried out by its own employees. In many portfolios, the company also delivers caretaker services and – increasingly since 2015 – repair and handyman services. It specialises in inexpensive housing, addressing the needs of broad sections of the population. TAG not only invests in and around big cities, but deliberately in medium and smaller towns as well, to take advantage of the potential for growth and profit there.

Newly acquired portfolios regularly have higher vacancy rates, which are then reduced following the acquisition through targeted investments and proven asset management concepts. Investments are made exclusively in regions already managed by TAG in order to use existing administrative structures. In addition, the local knowledge of the market is essential in the acquisition of new portfolios.

In addition to long-term property management, sales opportunities are selectively used in high-priced markets in order to reinvest the realised capital appreciation and liquidity in new portfolios with higher yields. With this strategy of 'capital recycling' TAG is also responding to the now intense competition for German residential properties. After years of strong growth, the Group is now again focused on return based on the individual share, which sales activities also contribute to. Absolute orders of magnitude of growth are no longer at the forefront of the corporate strategy. The aim instead is to offer tenants affordable housing through sustained and active portfolio management and investors growing cashflows through attractive dividends.

II. The Economy

a) The overall economy

In an evaluation at the beginning of the year, the International Monetary Fund (IMF) sees significant risks for the global economy and has lowered its economic forecast for 2016 and 2017 by 0.2 percentage points. Growth of 3.4% is forecast for the current year and 3.6% for next year. Germany, however, made a good start in 2016 and continues to grow despite a difficult global environment. The IMF raised its forecast by 0.2% for this year to growth of 1.7% and reduced its expectations by 0.1% for 2017 to 1.5%.

Increasing uncertainty about the future development of the global economic environment has dampened the mood in the economy, but the decisive upward forces of the German economy remain stable: domestic demand provides reliable impetus and international competitiveness remains high. The economic impact of Brexit has not yet been taken into account in these forecasts. In accordance with its warning of Britain exiting the EU before the vote, the IMF therefore now indicates potential downside risks.

German GDP is forecast by the Federal Government to grow by 1.7% year-on-year in 2016. The Federal Government also expects positive development in the German labour market this year. Employment will rise to a record level of 43.9m workers. The unemployment rate was 5.9% at the end of June 2016, compared to 6.1% at the end of the previous year. Net wages and salaries per employee should increase by 2.6% this year, while consumer prices will only rise moderately. The consumer price index is estimated to grow at a rate of 0.5%.

b) The German residential property market

A study by CBRE (Germany Residential Investment Market Q2 2016) stated that in the first half of this year almost EUR 4.5 billion was invested in German residential portfolios of 50 residential units and larger. Not counting the acquisition of entire companies in the first half of 2015 (e. g. the acquisition of GAGFAH by Vonovia), the volume of transactions in the first half of 2016 was down by about a quarter year-on-year. The number of residential units traded was around 47,000.



CBRE indicates that the current market slowdown was foreseeable, explaining that the development is less a sign of waning investor interest than an expression of increased competition for good investment products. According to a study by Savills Research Deutschland, action on the transaction market has not only shifted to ever smaller residential portfolios, but also increasingly to smaller cities. About half of the volume is attributable to locations outside 'A' cities. The investment trend towards other segments of the housing market also continues to be remarkable: here, the volume in student residences and apartment buildings rose to EUR 546m, the highest figure ever recorded.

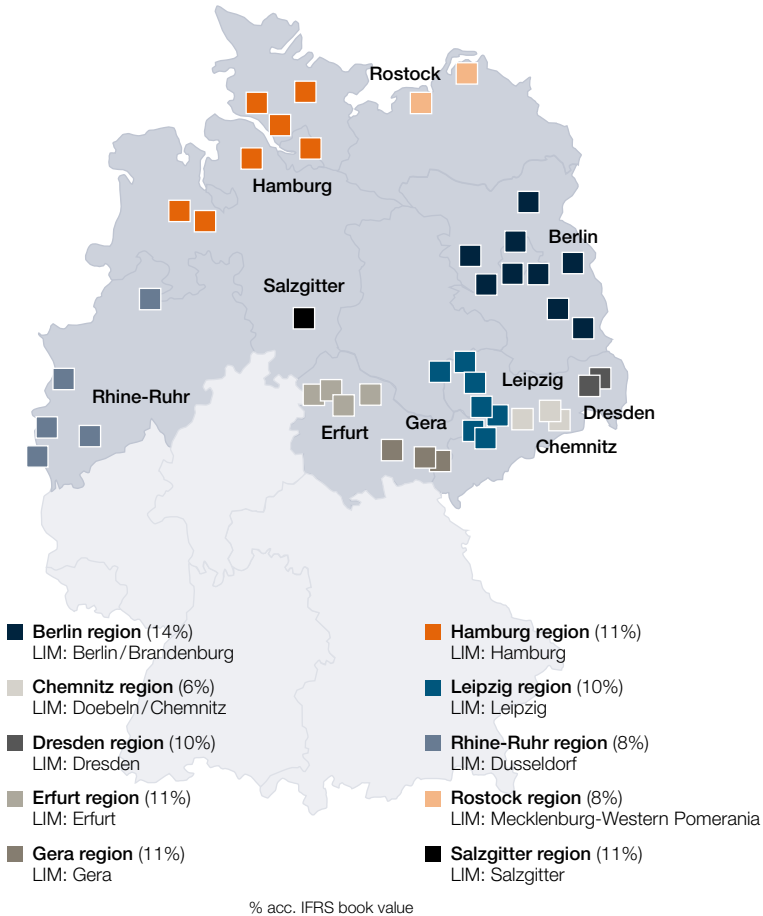
Interest rates in Germany have dropped again in the wake of the 'Brexit' vote in the United Kingdom in June 2016. This has made real estate finance even more attractive. At the same time, the returns required by investors who benchmark real estate investments against fixed-income securities are dropping. Accordingly, we are convinced that the real estate market in Germany can only benefit from the uncertainties in the United Kingdom. For this reason, we assume that investments in listed German real estate companies from international investors in particular will continue to increase.

c) The TAG property portfolio

Overview

At the end of the first half of 2016, the TAG Group's property portfolio comprised approx. 78,400 units, mostly concentrated in regions where the data show positive economic growth and development.

Our focus remains on the management of attractive and simultaneously affordable housing with great awareness of our social responsibility towards our tenants. The regional focus is mainly on northern and eastern Germany.

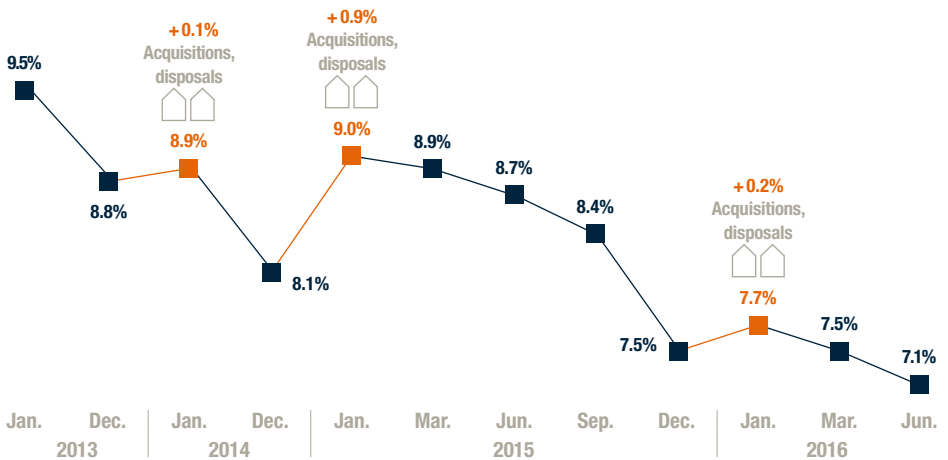


Portfolio	as of 06/30/2016	as of 12/31/2015
Units	78,377	78,015
Rentable area in sqm	4,796,999	4,765,897
Real estate volume in TEUR	3,609,833	3,577,899
Actual net cold rent in EUR/sqm/month (total)	5.18	5.19
Actual net cold rent in EUR/sqm/month (residential units)	5.05	5.04
Annualised actual net cold rent in TEUR (total)	276,228	269,722
Vacancy in % (total)	7.4	8.2
Vacancy in % (residential units)	7.1	7.5

Vacancy reduction

We managed to further reduce vacancy in the residential units of the portfolio by the end of Q2 2016. Over the course of 2016, the vacancy rate was brought down from 7.7% to 7.1% in June 2016. In the Salzgitter region, vacancy was reduced again in the first half of 2016, from 12.1% at the end of 2015 to 9.6% in June 2016. In the overall portfolio, vacancy fell from 8.2% at year-end 2015 to 7.4% at the end of Q2 2016.

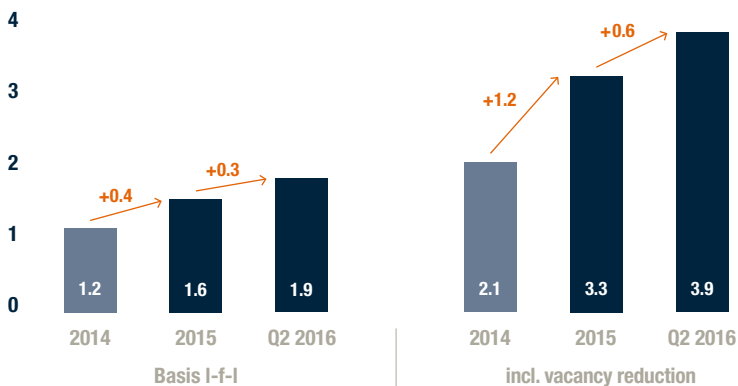
The following diagram illustrates the successful vacancy reduction in the residential units of the portfolio:



Rent development

The Group's residential unit rents increased by 1.9% on a like-for-like basis (i. e. not including acquisitions and sales of the previous twelve months) in June 2016. If one includes the effects of the vacancy reduction, the positive trend is seen even more clearly, with overall rental growth on a like-for-like basis at 3.9%. And so the positive business performance of financial year 2014 and 2015 continues in 2016.

in %



Portfolio details

The following table shows further details of the TAG property portfolio, by region:

Region	Units	Floor area sqm	IFRS book value 06/30/2016 TEUR	In-place yield %	Vacancy 06/30/2016 %	Vacancy 13/31/2015 incl. Acquisitions %
Berlin	9,906	572,404	491,118	6.8	6.7	6.8
Chemnitz	6,537	374,596	221,259	8.2	13.9	15.6
Dresden	6,192	402,091	347,819	7.1	4.7	4.7
Erfurt	8,320	469,009	385,596	7.0	3.5	4.3
Gera	9,624	561,318	374,194	7.6	10.8	11.1
Hamburg	7,277	444,443	370,048	7.3	4.4	5.1
Leipzig	8,503	504,088	360,432	7.8	5.5	6.1
Rhine-Ruhr	4,931	318,859	282,028	6.8	4.6	3.9
Rostock	5,471	325,096	262,094	7.4	5.6	5.4
Salzgitter	9,174	562,945	378,245	8.0	9.6	12.1
Residential units	75,935	4,534,849	3,472,835	7.4	7.1	7.7
Acquisitions	953	55,445	42,050	7.7	3.8	–
Commercial units (within residential portfolio)	1,256	160,978	–	–	17.1	–
Total residential portfolio	78,144	4,751,272	3,514,885	7.7	7.4	–
Others*	233	45,727	94,948	5.7	13.2	–
Grand total	78,377	4,796,999	3,609,833	7.7	7.4	–

* Includes commercial properties and serviced apartments

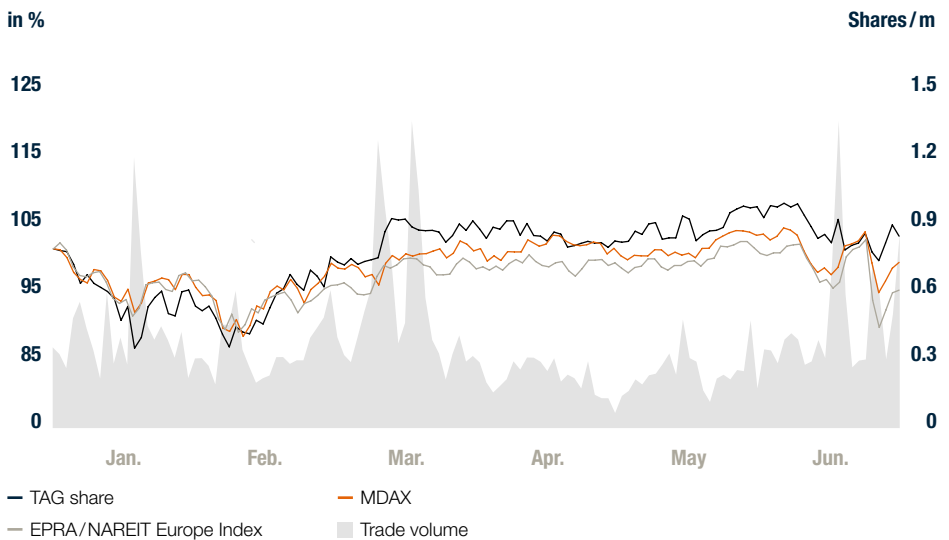
Vacancy 12/31/2015 %	Net in-place rent EUR/sqm	Reletting rent EUR/sqm	L-f-I rental growth EUR/sqm (y-o-y) %	L-f-I rental growth total** (y-o-y) %	Mainte- nance EUR/sqm	Capex EUR/sqm
5.1	5.18	5.88	2.6	3.1	2.56	5.88
15.8	4.70	4.95	2.5	5.8	1.58	9.22
2.7	5.37	5.71	2.5	3.3	1.96	2.42
4.3	5.01	5.42	1.6	4.0	1.51	5.10
11.1	4.70	5.03	1.6	3.0	2.48	2.94
5.5	5.29	5.64	1.1	3.3	3.90	5.88
5.6	4.91	5.21	0.9	2.6	2.41	2.21
2.2	5.29	5.48	0.7	1.0	5.65	2.43
5.2	5.25	5.58	2.4	3.8	2.10	5.80
12.1	4.98	5.24	2.7	8.7	4.70	5.33
7.5	5.05	5.40	1.9	3.9	2.87	4.68
10.6	5.03	5.03	-	-	2.10	0.66
17.7	7.48	-	-	-	-	-
8.1	5.13	5.39	-	-	2.76	4.47
12.3	11.41	0.00	-	-	2.61	1.67
8.2	5.18	5.39	-	-	2.76	4.45

**Incl. effects from changes in vacancy

d) The TAG share and the capital market

Share price

In the second quarter of 2016, the price of the MDAX-listed TAG share was stable, and at plus 3% was above the relevant benchmark indices. The MDAX, in contrast has trended slightly downward since the beginning of the year, losing 2% percentage points. The EPRA index, comprised of various European real estate companies listed on international stock exchanges, showed a clear negative trend, falling 7% percentage points.

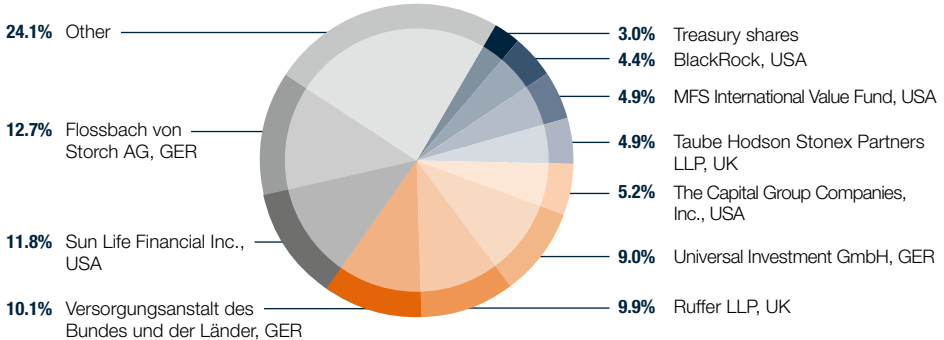


The TAG share started the year at EUR 11.50 and was trading at EUR 11.79 on 30 June 2016 after payment of a dividend of EUR 0.55 on 17 June 2015 following the Annual General Meeting, which translates to a total market capitalisation for TAG of EUR 1.6 billion.

The price of TAG shares stood at 12.73 on 31 July 2016. TAG's market capitalisation on this date already amounted to EUR 1.9 billion.

The share capital and number of shares at the reporting date remained unchanged compared to the beginning of the year at 136,596,330. Due to the early conversion of a convertible bond issued by TAG in 2012 with an original term running until 2019, the share capital increased to 145,976,880 as of 14 July 2016.

Free float at the reporting date was 97% of the share capital, with the remaining 3% of the share capital still held by TAG as treasury shares. As before, national and international investors with a predominantly long-term investment strategy made up the majority of TAG shareholders at 30 June 2016.



Placement of 5 m treasury shares in March 2016

In March 2016, TAG successfully placed 5,000,000 treasury shares with institutional investors by way of an accelerated book-building process. The shares were offered at EUR 11.65 per share, which represented a 6.1% premium to the share's 3-month volume-weighted average price (VWAP), and a 9.5% premium to the EPRA NAV per share of EUR 10.64 per share as of 31 December 2015. The shares placed had been repurchased in the autumn of 2014 for EUR 9.30.

This transaction led to gross proceeds of EUR 58.3m, which the Company can use for future acquisitions.



Dividend payment in June 2016

TAG essentially lets its shareholders participate in the company's success by continually paying an attractive dividend. Thus, the Annual General Meeting in June 2016 approved a dividend payment of EUR 0.55 per share for the 2015 financial year. To keep establishing TAG shares as an attractive dividend stock going forward, we are again planning an increased dividend pay-out of EUR 0.57 per share for financial year 2016.

Capital Markets Day and Banking Day in June 2016

In June, we met investors and analysts at the TAG Capital Markets Day for the second consecutive year, this time in Dresden. In addition, on the following day, the lending banks were invited to the third TAG Banking Day in Salzgitter. At these events, the more than 100 participants were given insights into our business operations, specific investment decisions, and our structure of economically efficient and profitable property management. The consistently positive feedback encouraged us to systematically continue our corporate strategies in order to consolidate the high acceptance of the company on the capital market as well as with our lending banks.

Successful early conversion offer of convertible bonds in July 2016

On 30 June 2016, with the Supervisory Board's approval, the TAG Management Board of agreed to offer early conversion for all outstanding 5.50% convertible bonds with a nominal value of EUR 74.5 m and a maturity of June 2019. By the end of the offer period on 12 July 2016, convertible bonds with a total nominal value of EUR 70.1 m were exchanged. This corresponds to an acceptance rate of 94%. Besides the delivery of the underlying shares from the contingent capital in accordance with the terms of the convertible bond, the bearers of the convertible bonds received a cash payment to compensate for the outstanding interest payments and/or the difference between the value of the conversion shares at the time the offer was announced and the current market value of the convertible bond was the amount 12.75% on the principal amount of the convertible bond. Based on the acceptance quota of 94%, the total cash payment amounted to EUR 8.9 m.

Because less than 20% of the original nominal amount of EUR 85.3 m was outstanding after the offer ended, in accordance with the terms and conditions, the remaining outstanding convertible bonds become due in August 2016 as part of a 'clean-up call'.

The termination of the convertible bonds will become effective on 3 September 2016. The early redemption will take place on 5 September 2016 at 100% of the convertible notes' principal amount together with accrued interest from and including 28 June 2016 until (but not including) the date of early redemption. The holders of the convertible notes have the opportunity to exercise their conversion right until 22 August 2016. The adjusted conversion price is EUR 7,4729.

The transaction strengthens the company's equity base prior to the convertible bonds' regular due date in June 2019, and is part of the Management Board's long-term initiative to continuously optimise the company's capital structure. As the convertible bond was already trading in the money, early conversion does not lead to any additional dilution for TAG shareholders. The transaction will reduce the company's loan-to-value (LTV) by around 1.7% percentage points in the third quarter of 2016. At the same time, the conversions will reduce interest costs by approx. EUR 4.1 m p. a.

Acquisition of additional shares in the Colonia Real Estate AG subsidiary and conclusion of a controlling and profit-and-loss transfer agreement with that company in July 2016

In March 2016, TAG Immobilien AG (TAG) acquired additional shares in Colonia Real Estate AG (Colonia) in exchange for its own TAG shares, thus increasing its stake in Colonia from 87.2% at 31 December 2015 to 93.9% at 31 March 2016. Altogether, 2.03 m TAG treasury shares were exchanged for 2.95 m Colonia shares. In July 2016, 5.1% of the Colonia Shares were sold by TAG to an institutional investor, so TAG still holds 88.8% of the Colonia shares at the reporting date of this Management Report.

On 15 July 2016, a controlling and profit-and-loss transfer agreement was concluded between Colonia and TAG Beteiligungs- und Immobilienverwaltungs GmbH (TAG BI), a wholly owned subsidiary of TAG. This agreement is still pending the approval of the Colonia shareholders meeting, which will be held on 29 August 2016 before it can come into effect. TAG BI will submit an offer to Colonia's outside shareholders to acquire the shares for cash compensation of EUR 7.19 per Colonia share. Alternatively, shareholders who do not take advantage of this offer will be assured compensation in the form of a guaranteed annual dividend of EUR 0.20 (net settlement amount) per Colonia share for the duration of the controlling and profit-and-loss transfer agreement. It is also planned to terminate Colonia's existing entry standard (over-the-counter) listing on the Frankfurt Stock Exchange once controlling and profit-and-loss transfer agreement takes effect.

The TAG Group is securing future tax benefits with the planned structure. For instance, Colonia's profits and losses can be offset against the results of other TAG companies in future, and the full business expense deduction for interest expenses will be secured long-term through the integration of Colonia in the TAG tax entity. Besides these positive tax effects, the structure of the TAG Group will be permanently simplified by the proposed delisting of Colonia.

e) Results of operations, financial position and net asset position

Results of operations

In the first half of the 2016 financial year, the Group increased its rental income by 5.5% year-on-year from EUR 128.9 to EUR 136.0 m. The main reasons for the increase in rental income were the newly-acquired portfolios during the 2015 financial year and in the first quarter of 2016, as well as the ongoing operational growth in rents. The like-for-like rental growth for the last twelve months amounted to 1.9% p. a. at 30 June 2016. Supplemented by the effects of vacancy reduction, like-for-like rental growth came to 3.9% p. a.

The rental profit, i. e. rental income net of expenses for property management, amounted to EUR 108.4 m (previous year: EUR 101.1 m). This corresponds to a margin of almost 80% for the first six months of the 2016 financial year (previous year: 79%). Rental income for Q2 2016 amounted to EUR 55.4 (previous year: EUR 50.5 m), which corresponds to a slightly improved margin of 81% (previous year: 78%).

The Group generated revenues of EUR 37.0 m (previous year: EUR 73.5 m) from property sales during the reporting period. Sales proceeds for the first half of 2016 amounted to EUR 1.7 m after proceeds from sales of EUR 11.3 m in the same period of the previous year, which mainly resulted from a portfolio sale in Berlin.

The valuation result for the first half of the 2016 financial year was EUR 4.4 m (previous year: EUR 20.8 m), of which EUR 1.6 m was due to initial valuations as part of new acquisitions (previous year: EUR 21.2 m).

Personnel expenses increased to EUR 18.6m during the reporting period (previous year: EUR 17.3m), in particular due to the continued expansion of in-house caretaker and maintenance services.

Other operating expenses were reduced to EUR 8.8m after EUR 10.3m in the same period last year, mainly due to lower IT expenses after the two previous years had seen the introduction of a new ERP system.

Reduced financing costs during the course of financial year 2015 had a particularly large effect in the first half of 2016. In addition to the early repayment of loans of EUR 46.5m in financial year 2015, expiring bank debt was continuously refinanced on favourable terms. Interest income, i.e. the net result of interest income minus interest expenses, decreased from EUR -48.6m in the first six months of 2015 to EUR -43.4m in the first six months of the 2016 financial year.

Overall, TAG generated EBT of EUR 45.4m in the first half of the 2016 financial year (previous year: EUR 58.4m), and after income taxes of EUR 5.3m (previous year: EUR 10.1m), total net income of EUR 40.1m (previous year: EUR 48.3m). The decline in EBT and total net income mostly resulted from the year-on-year reduction in the valuation result and sales revenues.

Funds from operations from current rentals (FFO I) – as a key variable for measuring operating profitability – amounted to EUR 44.9m in the first six months of financial year 2016 after EUR 36.7m in the same period of the previous year. In relation to Q2 2016, FFO I was calculated at EUR 23.3m following EUR 18.6 in the same period of the previous year and EUR 21.6m in the immediately preceding first quarter of financial year 2016. FFO I is calculated from the EBT of the whole Group (including results from discontinued operations), adjusted for non-cash items such as valuation results, depreciation impairment charges (without adjustment for impairment of rental receivables) and non-cash interest expense, and without regularly recurring special effects, and also deducting actual taxes on income. Furthermore, FFO I is adjusted for results from property sales.

The following table shows the calculation of FFO I, AFFO (Adjusted Funds From Operations excl. Capex) and FFO II (FFO I incl. net revenue from sale) in the first six months of financial year 2016:

in EUR m	Q2 2016	Q2 2015	H1 2016	H1 2015
Net income	22.1	20.3	40.1	48.3
Taxes	3.6	3.8	5.3	10.1
Net financial result	21.4	23.8	43.3	48.5
EBIT	47.1	47.9	88.7	106.9
Net financial result (cash, after special effects)	-19.7	-21.5	-39.8	-43.7
Income taxes paid	-0.3	-0.1	-0.2	-0.1
Adjustments				
Valuation result	-3.6	0.6	-4.4	-20.8
Depreciation	0.7	0.8	1.4	1.7
Impairment losses on property held as inventory	0.1	0.0	0.1	0.0
Personnel and project cost special effects	0.0	2.4	0.8	4.0
Net revenue from sales	-1.0	-11.5	-1.7	-11.3
FFO I	23.3	18.6	44.9	36.7
CAPEX	-11.7	-9.9	-21.3	-16.7
AFFO	11.6	8.7	23.6	20.0
Net revenue from sales	1.0	11.5	1.7	11.3
FFO II (FFO I + net revenue from sales)	24.3	30.1	46.6	48.0
Weighted average number of shares outstanding in thousands	132,501	122,183	129,668	121,046
FFO I per share in EUR	0.18	0.15	0.35	0.30

Assets and financial position

Total assets at 30 June 2016 was EUR 3,807.5m, up from EUR 3,794.2m at 31 December 2015. At 30 June 2016, the book value of the entire real estate portfolio was EUR 3,609.8m (previous year: EUR 3,577.9m), of which EUR 3,586.6m (previous year: EUR 3,531.1m) was investment properties.

In the first half of 2016, the equity capital was increased, mainly through the placement of 5m treasury shares and the exchange of treasury shares for Colonia shares totalling EUR 74.1m. In June, the dividend pay-out of EUR 73.2m for the 2015 financial year took place so that at 30 June 2016, equity capital totaled EUR 1,147.9m. The equity ratio at the balance sheet date rose to 30.1% following 29.5% at 31 December 2015.

The following table shows the calculation of net asset values (NAV) in accordance with EPRA recommendations:

	06 / 30 / 2016	06 / 30 / 2015
	TEUR	TEUR
Consolidated equity (before non-controlling interests)	1,126,425	1,085,121
Deferred taxes on investment properties	249,661	245,076
Fair value of financial derivatives	2,517	5,420
NAV	1,378,603	1,335,617
Number of shares outstanding (without treasury shares)	132,501	125,469
NAV per share in EUR	10.40	10.64

Taking into account the dilutive effects of the convertible bonds still outstanding on 30 June 2016 and 31 December 2015, this yields a diluted NAV per share of EUR 10.20 compared to EUR 10.45 on 31 December 2015.

Financing structure

The loan-to-value (LTV) ratio, not including the liabilities from convertible bonds, was 60.4% at 30 June 2016 (31 December 2015: 60.7%) and 62.4% including liabilities from convertible bonds (31 December 2015: 62.7%). The LTV is derived by dividing the net liquidity position (financial debt less cash and cash equivalents, including the purchase prices already deposited into notary accounts) by the real estate assets.

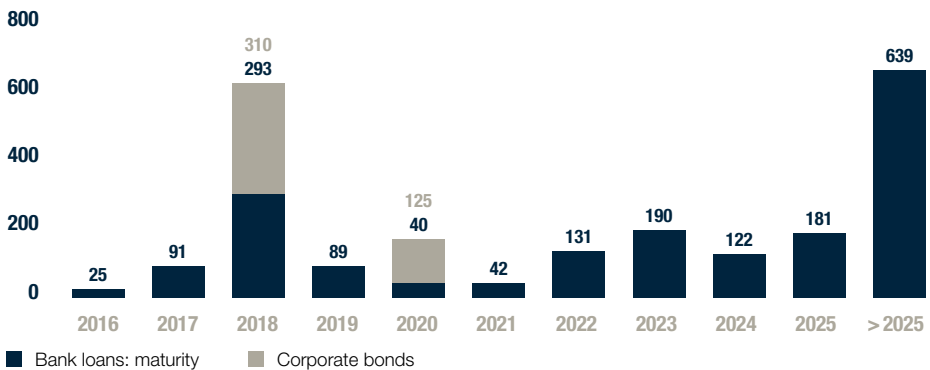
The average interest rate of bank loans amounted to 2.9% at 30 June 2016 compared with 3.1% at 31 December 2015, taking into account interest rate hedges. Total cost of debt, i. e. taking into account the interest rates on corporate and convertible bonds, amounted to 3.2% at 30 June 2016 (already adjusted for the prematurely converted convertible bond after the reporting date) compared to 3.5% at 31 December 2015.

After full conversion of TAG's last outstanding convertible bond in the third quarter of 2016, there are still two corporate bonds in the area of capital market financing. The following shows the basic information about these bonds:

WKN A1TNFU	WKN A12T10
Volume: EUR 310 m	Volume: EUR 125 m
Division into shares: EUR 1,000.00 per share	Division into shares: EUR 1,000.00 per share
Nominal value per bond: EUR 1,000.00	Nominal value per bond: EUR 1,000.00
Maturity: 5 years until 08/07/2018	Maturity: 6 years until 06/25/2020
Interest rate (effective): 5.125% (200m)/4.3% (110m)	Interest rate: 3.75%
Issue price: at par (200m in Aug. 2013)/to 103% (110m in Feb. 2014)	Issue price: at par

The following table shows the maturity of all liabilities as of 30 June 2016:

in EUR m



By 31 December 2018, a total of EUR 611 m (2016: EUR 59 m; 2017: EUR 128 m; 2018: EUR 424 m) of fixed-income bank loans will mature or can be refinanced with no breakage fees at expiration. The average interest rate of these bank loans, valued at EUR 611 m, is 3.53%.



Ruegen (Mecklenburg-Western Pomerania)

f) Personnel report (employees)

The number of TAG employees at 30 June 2016 is shown in the following table:

	06 / 30 / 2016	12 / 31 / 2015
Operational staff	479	462
Administration and central services	105	103
Caretakers	220	201
Maintenance	28	15
Total	832	781

g) Other financial and non-financial performance indicators

In addition to the financial indicators described above, funds from operations (FFO I), net asset value (NAV) and the loan-to-value (LTV) ratio, TAG especially and continually monitors the vacancy rate, net actual rent per sqm and the rental income generated. For their development over time, please refer to the 'Business Report – The TAG property portfolio' section above.

III. Material events after the reporting date

There have been no significant events to report since the balance sheet date.

IV. Outlook, opportunities and risks

Through its activities, TAG is exposed to various operational and economic opportunities and risks. Please refer to the detailed disclosure in the 'Outlook, opportunities and Risk Report' section of the Group Management Report for the 2015 financial year. Since 1 January 2016, no significant developments have occurred or become apparent that would lead to a different assessment.

Last November, we had forecast FFO I of EUR 0.67 per share, or between EUR 84 m and EUR 85 m, after FFO I of EUR 0.62 per share or EUR 76.3 m in financial year 2015. Due to our very positive operating performance in the first half of financial year 2016, and the successfully accomplished early conversion of a convertible bond in July 2016, which will reduce interest costs by up to approx. EUR 4.1 m p. a., we can now significantly increase this FFO I forecast to between EUR 92 m and EUR 93 m in absolute terms. Accordingly, the FFO I forecast has increased to EUR 0.68 per share.

Hamburg, 10 August 2016



Claudia Hoyer
COO



Martin Thiel
CFO



Dr Harboe Vaagt
CLO

CONSOLIDATED BALANCE SHEET

Assets in TEUR	06/30/2016	06/30/2015
Non-current assets		
Investment properties	3,586,576	3,531,108
Intangible assets	2,470	2,959
Property, plant and equipment	14,699	14,668
Investments in associates	112	114
Other financial assets	12,815	12,956
Deferred taxes	42,612	43,627
	3,659,284	3,605,432
Current assets		
Property held as inventory	11,118	12,809
Other inventories	327	348
Trade receivables	10,763	29,859
Income tax receivables	3,830	5,000
Derivative financial instruments	5	14
Other current assets	18,548	13,194
Cash and cash equivalents	101,694	103,833
	146,285	165,057
Non-current assets held for sale	1,965	23,710
	3,807,534	3,794,199

Equity and liabilities in TEUR	06/30/2016	12/31/2015
Equity		
Subscribed capital	132,501	125,469
Share premium	684,468	618,317
Other reserves	-403	-2,400
Retained earnings	309,859	343,735
Attributable to the equity holders of the parent company	1,126,425	1,085,121
Attributable to non-controlling interests	21,507	35,431
	1,147,932	1,120,552
Non-current liabilities		
Liabilities to banks	1,714,232	1,630,787
Liabilities from corporate bonds	434,964	434,967
Liabilities from convertible bonds	71,450	70,942
Derivative financial instruments	720	1,390
Retirement benefit provisions	5,840	6,020
Other non-current liabilities	3,505	3,354
Deferred taxes	236,275	231,589
	2,466,986	2,379,049
Current liabilities		
Other provisions	21,448	17,285
Income tax liabilities	6,455	6,162
Liabilities to banks	126,364	204,088
Trade payables	17,592	14,629
Derivative financial instruments	1,802	4,044
Liabilities from corporate bonds	6,420	8,764
Liabilities from convertible bonds	17	34
Other current liabilities	12,518	39,592
	192,616	294,598
	3,807,534	3,794,199

CONSOLIDATED INCOME STATEMENT

in TEUR	01 / 01 – 06 / 30 / 2016	01 / 01 – 06 / 30 / 2015 (adjusted)	04 / 01 – 06 / 30 / 2016	04 / 01 – 06 / 30 / 2015 (adjusted)
Rental revenues	136,016	128,918	68,336	64,794
Rental expenses	-27,593	-27,773	-13,057	-14,362
Net rental income	108,423	101,145	55,279	50,432
Revenues from the sale of real estate	37,019	73,545	10,010	65,258
Expenses on the sale of real estate	-35,356	-62,208	-9,006	-53,752
Sales result	1,663	11,337	1,004	11,506
Other operating income	3,108	2,772	1,703	1,811
Valuation gains/losses on investment properties	4,420	20,832	3,656	-638
Personnel expenses	-18,649	-17,287	-9,388	-9,179
Depreciation / amortisation	-1,439	-1,657	-718	-793
Other operating expenses	-8,814	-10,314	-4,371	-5,285
EBIT	88,712	106,828	47,165	47,854
Net profit from investments	113	190	57	67
Share of profit or loss of associates	-2	-28	-2	-28
Interest income	1,566	1,757	716	985
Interest expenses	-44,952	-50,406	-22,172	-24,839
EBT	45,437	58,341	25,764	24,039
Income taxes	-5,323	-10,067	-3,641	-3,774
Consolidated net profit	40,114	48,274	22,123	20,265
attributable to non-controlling interests	1,115	3,536	232	2,184
attributable to equity holders of the parent company	38,999	44,738	21,891	18,081
Earnings per share (in EUR)				
Basic earnings per share	0.30	0.37	0.13	0.15
Diluted earnings per share	0.30	0.35	0.13	0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	01 / 01 – 06 / 30 / 2016	01 / 01 – 06 / 30 / 2015	04 / 01 – 06 / 30 / 2016	04 / 01 – 06 / 30 / 2015
Net profit as shown in the income statement	40,114	48,274	22,123	20,265
Unrealised gains and losses from hedge accounting	2,411	2,337	1,806	1,557
Deferred taxes on unrealised gains and losses	-414	-548	-306	-371
Other comprehensive income after taxes	1,997	1,789	1,500	1,186
Total comprehensive income	42,111	50,063	23,623	21,451
attributable to non-controlling interests	1,115	3,536	232	2,184
attributable to equity holders of the parent company	40,996	46,527	23,391	19,267

CONSOLIDATED CASHFLOW STATEMENT

in TEUR	01/01 – 06/30/2016	01/01 – 06/30/2015 (adjusted)
Consolidated net profit	40,114	48,274
Net interest income/expense through profit and loss	43,386	48,649
Current income taxes through profit and loss	207	111
Depreciation amortisation on intangible assets and property, plant and equipment	1,439	1,657
Share of profit or loss from affiliated companies and other financial assets	-111	-111
Valuation profit/losses from investment properties	-4,420	-20,832
Gains/losses from the disposal of investment properties	-1,143	-10,635
Impairments on inventories and receivables	2,407	2,572
Changes to deferred taxes	5,115	10,106
Changes in provisions	3,891	649
Interest received	1,524	864
Interest paid	-41,449	-44,708
Income tax paid	1,271	-489
Changes in receivables and other assets	-3,520	5,569
Changes in payables and other liabilities	-5,187	-4,333
Cashflow from operating activities	43,524	37,292
Payments received from the disposal of investment properties (less selling costs)	28,996	103,414
Payments made for investments in investment properties	-62,299	-133,346
Payments made for investments in intangible assets and property, plant and equipment	-980	-1,018
Payments received from other financial assets	254	1,181
Cashflow from investing activities	-34,029	-29,769
Payments received from the issuance of treasury shares	58,250	0
Costs associated with the issuance of treasury shares	-1,154	0
Dividends paid	-72,875	-60,293
Payments received from new bankloans	74,407	7,899
Payments made for repaying liabilities to banks	-70,314	-45,155
Payments made for repaying convertible bonds	0	-3,605
Cashflow from financing activities	-11,686	-101,154
Net change in cash and cash equivalents	-2,191	-93,631
Cash and cash equivalents at the beginning of the period	95,910	171,433
Currency translation	0	-16
Cash and cash equivalents at the end of the period	93,719	77,786

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

in TEUR	Attributable to the parent's shareholders								Non-controlling interests	Total equity
	Subscribed capital	Share premium	Other reserves			Retained earnings	Total			
			Retained earnings	Hedge accounting reserve	Currency translation					
Amount on 01/01/2016	125,469	618,317	46	-2,446	0	343,735	1,085,121	35,431	1,120,552	
Consolidated net profit	0	0	0	0	0	38,999	38,999	1,115	40,114	
Other comprehensive income	0	0	0	1,997	0	0	1,997	0	1,997	
Total comprehensive income	0	0	0	1,997	0	38,999	40,996	1,115	42,111	
Issue of treasury shares for Colonia shares	2,032	14,056	0	0	0	0	16,088	-16,088	0	
Issue of treasury shares	5,000	53,250	0	0	0	0	58,250	0	58,250	
Cost of issuing treasury shares	0	-1,155	0	0	0	0	-1,155	0	-1,155	
Dividends paid	0	0	0	0	0	-72,875	-72,875	0	-72,875	
Initial consolidation of real estate asset companies	0	0	0	0	0	0	0	1,049	1,049	
Amount on 06/30/2016	132,501	684,468	46	-449	0	309,859	1,126,425	21,507	1,147,932	
Amount on 01/01/2015	118,586	582,002	46	-5,727	16	258,728	953,651	51,402	1,005,053	
Consolidated net profit	0	0	0	0	0	44,738	44,738	3,536	48,274	
Other comprehensive income	0	0	0	1,789	0	0	1,789	0	1,789	
Total comprehensive income	0	0	0	1,789	0	44,738	46,527	3,536	50,063	
Issue of treasury shares for Colonia shares	2,000	17,294	0	0	0	0	19,294	-19,294	0	
Sale of ries	0	0	0	0	0	0	0	-161	-161	
Initial consolidation of real estate asset companies	0	29	0	0	0	0	29	2,242	2,271	
Conversion of bonds	2,216	12,527	0	0	0	0	14,743	12	14,755	
Payments to minority shareholders	0	0	0	0	0	0	0	-550	-550	
Dividends paid	0	0	0	0	0	-60,293	-60,293	0	-60,293	
Currency translation	0	0	0	0	-16	0	-16	0	-16	
Amount on 06/30/2015	122,802	611,852	46	-3,938	0	243,173	973,935	37,187	1,011,122	

CONSOLIDATED SEGMENT REPORT

For the time period from 1 January to 30 June 2016

in TEUR		Segment by LIM Region					
		Berlin	Chemnitz	Dresden	Erfurt	Gera	Hamburg
Segment revenues	H1 2016	17,616	10,621	12,847	14,401	14,772	14,403
	H1 2015	16,705	8,781	12,318	14,013	14,403	13,966
Rental revenues	H1 2016	17,616	10,621	12,847	14,401	14,772	14,403
	H1 2015	16,705	8,781	12,318	14,013	14,403	13,966
Segment expenses	H1 2016	-3,402	-4,045	-2,192	-3,225	-3,844	-2,493
	H1 2015	-3,140	-2,775	-2,357	-3,670	-5,330	-3,380
Rental expenses	H1 2016	-504	-459	-466	-844	-1,086	-472
	H1 2015	-698	-299	-455	-772	-1,012	-861
Maintenance and Capex	H1 2016	-2,399	-3,442	-1,667	-2,104	-2,699	-1,917
	H1 2015	-2,029	-2,290	-1,835	-2,524	-4,165	-1,907
Impairment losses on receivables	H1 2016	-563	-164	-126	-344	-78	-153
	H1 2015	-456	-204	-91	-395	-183	-621
Other income/ expenses	H1 2016	64	20	67	67	19	49
	H1 2015	43	18	24	21	30	9
Segment results I	H1 2016	14,214	6,576	10,655	11,176	10,928	11,910
	H1 2015	13,565	6,006	9,961	10,343	9,073	10,586
Personnel expenses (LIM region)	H1 2016	-1,052	-722	-532	-604	-1,077	-625
	H1 2015	-1,218	-691	-471	-560	-1,055	-576
Other operating expenses (LIM region)	H1 2016	-176	-113	-118	-107	-61	-133
	H1 2015	-163	-127	-91	-156	-162	-96
Segment results II	H1 2016	12,986	5,741	10,005	10,465	9,790	11,152
	H1 2015	12,184	5,188	9,399	9,627	7,856	9,914
Segment assets	30.06.2016	491,118	260,394	347,819	385,640	374,448	391,657
	31.12.2015	490,516	218,581	349,860	384,077	372,940	391,189

This Group segment report is an integral part of the notes

Leipzig	Rhine-Ruhr	Rostock	Salzgitter	Other activities	Consolidation	Total
15,061	10,414	9,857	15,183	1,301	-460	136,016
13,800	8,686	9,125	14,198	3,339	-416	128,918
15,061	10,414	9,857	15,183	1,301	-460	136,016
13,800	8,686	9,125	14,198	3,339	-416	128,918
-2,698	-3,340	-2,134	-5,616	-363	1,603	-31,749
-2,463	-2,084	-2,030	-5,928	-509	625	-33,042
-596	-720	-423	-559	-222	307	-6,044
-561	-587	-512	-802	-290	224	-6,626
-2,063	-2,327	-1,473	-4,582	-74	1,032	-23,715
-1,887	-1,153	-1,418	-5,153	-150	401	-24,110
-103	-312	-244	-475	-65	265	-2,362
-84	-367	-114	20	-72	0	-2,567
64	19	6	0	-2	-1	372
69	23	14	7	3	0	261
12,363	7,074	7,723	9,567	938	1,143	104,267
11,337	6,602	7,095	8,270	2,830	209	95,876
-838	-402	-516	-959	-233	0	-7,560
-795	-398	-462	-865	-211	0	-7,302
-117	-147	-101	-136	-1	342	-868
-146	-163	-97	-143	-94	437	-1,001
11,408	6,525	7,106	8,472	704	1,485	95,839
10,396	6,041	6,536	7,262	2,525	646	87,573
372,608	282,256	262,094	378,245	63,552	0	3,609,833
373,296	302,309	260,238	375,247	59,644	0	3,577,899

SELECTED EXPLANATORY NOTES ON THE ABRIDGED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2016

General information

These abridged consolidated interim financial statements of 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 2016. The comparison figures refer to 31 December 2015 with respect to the consolidated balance sheet and otherwise to the first six months of 2015. In addition, the income statement and the consolidated statement of comprehensive income contain figures pertaining to the second quarter of 2016, together with the corresponding comparison figures for the same period of the previous year.

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

The amendments subject to mandatory application for the first time of IFRS 11 Accounting for acquisitions of interests in joint operations, IAS 1 Disclosures in the notes, IAS 16 and 38 Clarification of the permissible depreciation method, IAS 16 and IAS 41 Agriculture: bearer plants, IAS 27 Equity method of accounting in separate financial statements, as well as amendments to other standards in connection with the IFRS 2012-2014 annual improvement cycles, did not have any material effect on the interim financial statements.

Other than this, the recognition and valuation principles, as well as the notes and explanations on the consolidated interim financial statements, are based on the recognition and valuation principles applied to the consolidated financial statements for the year ending 31 December 2015. For more details concerning the recognition and valuation principles applied, please refer to the consolidated financial statements for the year ending 31 December 2015 prepared in accordance with IFRS, which pursuant to IAS 34, form the material basis for these interim financial statements.

Consolidated companies

The consolidation group as of 30 June 2016 included the parent company TAG and all companies that are controlled by TAG. Under IFRS 10, the Group is deemed to control a subsidiary if it has power over it, exposure or rights to variable returns from its involvement with the subsidiary, and the ability to use its power over the subsidiary to affect the amount of the Group's returns. The subsidiary's assets and liabilities are consolidated for the duration of such control.

Material changes to the consolidation group compared with 31 December 2015 arose following the first-time consolidation from 31 January 2016 of three real estate asset companies domiciled in Denmark that are owners of a real estate portfolio comprised of around 1,000 dwellings in Saxony. This acquisition caused an increase in the book value of the investment properties by EUR 39.5m, and in liabilities to banks by EUR 27.0m. As of the date of acquisition, this real estate portfolio was generating rental income of EUR 3.4m p. a.

Presentation changes in the consolidated income statement

Changes to the presentation of items in the consolidated income statement were made for the first time in 2016 to bring their structure into line with standard industry practices and to enhance the clarity of presentation. The changes do not have any impact on consolidated net profit/loss or funds from operations (FFO) as a performance indicator. Specifically, the following adjustments have been made and the corresponding figures for the comparison periods duly restated.

- Reflecting the fact that services provided for external third parties (e. g. external facility or management services for communities of owners) have not had any significance for a number of years, income from services is no longer reported separately but included in other operating income. Expenses arising from services, which for the most part comprise non-rechargeable ancillary expenses resulting from janitor and tradesman services, are now reported within rental expenses. The disclosure of net service income will in the future no longer be disclosed.

	01 / 01 – 06 / 30 / 2015	04 / 01 – 06 / 30 / 2015
	TEUR	TEUR
Other operating income (historical)	1,911	1,340
Property management income	861	471
Other operating income (adjusted)	2,772	1,811
Rental expenses (historical)	-24,706	-13,288
Property management expenses	-495	-278
Rental expenses (adjusted)	-25,201	-13,566

- Impairments on inventories and receivables, which were previously presented separately, have been eliminated. Impairments of rental receivables are now reported within rental expenses. Impairments of other receivables and inventories are now reported within other operating expenses. As this item comprised solely rental receivables in the first half of 2015, only rental expenses had been affected by the adjustment of prior year figures.

	01 / 01 – 06 / 30 / 2015 TEUR	04 / 01 – 06 / 30 / 2015 TEUR
Rental expenses (acc. described changes)	-25,201	-13,566
Impairments on inventories and receivables	-2,572	-796
Rental expenses (adjusted)	-27,773	-14,362

- Income and expenses from the sale of real estate will be presented uniformly and combined in the consolidated income statement in the future. Income and expenses from the sale of investment properties and inventory real estate will only be disaggregated in the notes to the consolidated financial statements.

	01 / 01 – 06 / 30 / 2015 TEUR	04 / 01 – 06 / 30 / 2015 TEUR
historical		
Revenues from the sale of portfolio real estate	4,893	2,234
Expenses on the sale of portfolio real estate	-4,191	-1,811
Net revenues from sale of portfolio real estate	702	423
Revenues from the sale of investment properties	68,652	63,024
Expenses on the sale of investment properties	-58,017	-51,941
Net revenues from the sale of investment properties	10,635	11,083
adjusted		
Revenues from the sale of real estate	73,545	65,258
Expenses on the sale of real estate	-62,208	-53,752
Net income from sales	11,337	11,506

- Net fair value gains and losses from the valuation of investment properties will now only be broken down into net fair value gains and losses from the valuation of newly acquired investment properties, and net fair value gains and losses from the revaluation of existing investment properties in the notes to the consolidated financial statements. A combined net figure will be included in the consolidated income statement.

	01 / 01 – 06 / 30 / 2015	04 / 01 – 06 / 30 / 2015
	TEUR	TEUR
historical		
Fair value revaluation of investment properties	-395	-395
Valuation gains/losses on newly acquired investment properties	21,227	-243
adjusted		
Valuation gains/losses on investment properties	20,832	-638

- Other taxes, e. g. vehicle taxes, VAT backpayments for earlier years, which were previously reported separately in the income statement, are now reported within other operating expenses.

	01 / 01 – 06 / 30 / 2015	04 / 01 – 06 / 30 / 2015
	TEUR	TEUR
Other operating expenses (historical)	-10,287	-5,270
Other taxes	-27	-15
Other operating expenses (adjusted)	-10,314	-5,285

- Total revenues comprising income from rental activities, sales and the provision of services and 'gross profit' comprising net rental income, net sales income, other operating income and net revaluation gains/losses are now no longer disclosed, in line with standard sector communications practices.



Berlin

Disclosures on individual items of the consolidated balance sheet and income statement

Investment properties

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

Investment properties	2016	2015
Amount on 1 January	3,531,108	3,331,600
Additions as a result of acquisitions	39,500	116,136
Capex and other trailing transaction costs	22,799	17,079
Transferred to available-for-sale assets	-1,847	-1,816
Sales	-9,404	-54,033
Change in market value	4,420	20,832
Amount on 30 June	3,586,576	3,429,799

The fair value of all of the Group's real estate assets is measured effective 30 September of each year by CBRE GmbH as an independent expert. The fair value of the real estate is calculated using the discounted cash flow method in line with the International Valuation Standards. For this purpose, the expected future cash flow surpluses for each period are discounted using a market-oriented discount rate for the property in question as of the valuation date. Whereas the cash inflows are normally comprised of net rentals, the cash outflows chiefly include the management costs borne by the owner. The assumptions underlying the valuation of the fair value of the real estate were made by the independent valuer on the basis of his professional experience and are therefore subject to uncertainty. The gross present value calculated on this basis was converted into a net present value by deducting the costs incurred by a potential buyer in an orderly transaction.

The amount of a potential buyer's deductible transaction costs depends on the relevant market for the asset in question. In the case of real estate portfolios, it is necessary to draw a distinction between asset sales involving the direct sale of investment properties and share deals, which entail the sale of shares in companies holding real estate portfolios. Whereas asset deals are regularly subject to real estate transfer tax as well as broker and notary fees, share deals can be structured in such a way as to avoid real estate transfer tax.

The relevant market was deemed to be constituted by the submarkets of the German states. On the basis of information provided by the relevant committee of valuation experts on asset deals on the one hand, and freely available information on share deals on the other, it was not possible to unambiguously identify any main market for the eastern German states with the exception of Berlin or for Lower Saxony. Accordingly, the market for share deals was assumed to be the most appropriate one for measuring the fair value of real estate holdings in these German states.

The deductible market-specific transaction costs of a potential buyer under a share deal were assumed to equal 0.2%. No other discounts or premiums were taken into account in determining the fair value for share deals. With respect to real estate holdings in the other German states, i. e. Berlin and the western German states with the exception of Lower Saxony, the market for asset deals was assumed to be the main market in the absence of any evidence to the contrary. The transaction costs recognized as of 30 September 2015 stood at an average of 8.1%.

The definition of the relevant submarkets remains unchanged from the previous year. If the market for asset deals were deemed to be the main market for all German states, the fair value of the real estate would be roughly EUR 210m (31 December 2015: roughly EUR 208m) lower. If no main market were identifiable for all of the German states, meaning that the market for share deals would be deemed to be the most appropriate market for measuring fair value, the fair value of the real estate would rise by around EUR 51 m (31 December 2015: around EUR 52 m).

Cash and cash equivalents

The cash and cash equivalents shown in the cash flow statement break down as follows:

Cash and cash equivalents	06/30/2016 TEUR	12/31/2015 TEUR
Cash and cash equivalents as reported on the balance sheet	101,694	103,833
Cash at banks subject to drawing restrictions	-7,975	-7,923
Cash and cash equivalents	93,719	95,910

Deferred income tax assets and liabilities

Deferred income tax assets break down as follows:

Deferred tax assets	06/30/2016 TEUR	12/31/2015 TEUR
Tax losses carried forward	53,994	53,014
Derivative financial instruments	809	1,218
Other (including offsetting)	-12,191	-10,605
	42,612	43,627

The following table sets out the deferred income tax liabilities:

Deferred tax liabilities	06/30/2016 TEUR	12/31/2015 TEUR
Investment properties	250,471	243,913
Other (including offsetting)	-14,196	-12,324
	263,275	231,589

Equity

In March 2016, TAG issued fresh equity twice, placing treasury stock with institutional investors and swapping its own shares with those of its subsidiary Colonia. In addition, a dividend of EUR 0.55 per share was paid. Further details can be found in the Group management report.

Rental expenses

Rental expenses break down as follows:

Rental expenses	01/01–06/30/2016 TEUR	01/01–06/30/2015 TEUR (adjusted)
Maintenance expenses	13,085	13,648
Non-recoverable charges	5,977	5,431
Operating costs for vacant real estate	6,169	6,127
Impairments of rental receivables	2,362	2,567
Total	27,593	27,773

Net income from sales

Net income from sales breaks down as follows:

Net income from sales	01/01–06/30/2016 TEUR	01/01–06/30/2015 TEUR
Revenues from the sale of investment properties	34,216	68,652
Expenses on the sale of investment properties	-33,073	-58,017
Net revenues from the sale of investment properties	1,143	10,635
Revenues from the sale of portfolio real estate	2,803	4,893
Expenses on the sale of portfolio real estate	-2,283	-4,191
Net revenues from sale of portfolio real estate	520	702
Total	1,663	11,337

Net revaluation gains and losses on investment properties

Net revaluation gains/losses for the first six months of 2016 came to EUR 4.4 m (previous year: EUR 20.8m), and comprise EUR 1.6 m (previous year: EUR 21.2m) from the initial valuation of newly acquired investment properties and EUR 2.8m (previous year: EUR -0.4m) from the revaluation of existing investment properties.

Other operating income

The main elements of other operating income break down as follows:

Other operating income	01/01–06/30/2016 TEUR	01/01–06/30/2015 TEUR (adjusted)
Revenues from property management	992	861
Income from the release of accrued liabilities	731	324
Other out-of-period income (e.g. income from impaired receivables)	929	919
Others	456	668
Total	3,108	2,772

Finance income and expenses

The following table adjusts net finance income and expenses for non-cash interest and non-recurring effects:

	01/01–06/30/2016 TEUR	01/01–06/30/2015 TEUR
Net financial result		
Net profit from investments	113	190
Share of profit or loss of associates	-2	-28
Interest income	1,566	1,757
Interest expenses	-44,952	-50,406
Net financial result	-43,275	-48,487
Non-cash interest on convertible bonds	508	1,004
Non-cash interest on corporate bonds	364	364
Non-cash interest on derivative financial instruments	568	133
One off (e.g. premature termination compensation) and other non-cash interest	2,020	3,303
Net financial result (cash, without non-recurring effects)	-39,815	-43,683

Income taxes

The table below analyses income taxes:

	01/01–06/30/2016 TEUR	01/01–06/30/2015 TEUR
Income taxes		
Actual income taxes in the current year	628	229
Actual income taxes in prior years	-420	-118
Deferred income tax liabilities	5,115	9,956
Total	5,323	10,067

Notes on segment reporting

Reflecting the acquisition-driven growth in the real estate portfolio, the 'Dresden' segment (old) was subdivided into the 'Dresden' segment (new) and the 'Chemnitz' segment at year of 2016. The previous year's figures have been adjusted accordingly.

At 30 June 2016, the presentation of these figures was expanded by calculating segment earnings II on the basis of segment earnings I in light of the staff costs and other operating costs directly attributable to the LIM regions along the lines of internal reporting.

Segment earnings II were reconciled with EBT as reported in the income statement as follows:

	01/01–06/30/2016 TEUR	01/01–06/30/2015 TEUR (adjusted)
Segment earnings II	95,839	87,573
Capitalized investment costs not deducted from segment earnings	9,627	9,584
Non-allocated vacancy expenses	-6,169	-6,127
Net gains/losses from sales	1,663	11,337
Net valuation gains/losses on investment properties	4,420	20,832
Non-allocated staff costs	-11,089	-9,985
Depreciation and amortisation	-1,439	-1,657
Other non-allocated income and expenses	-4,140	-4,729
Net finance expense	-43,275	-48,487
EBT	45,437	58,341

Disclosures on fair values and financial instruments

The fair values of the assets and liabilities recorded in the consolidated balance sheet break down as follows:

Fair value	Fair value hierarchy	06/30/2016 TEUR	12/31/2015 TEUR
Assets			
Investment properties	Level 3	3,586,576	3,531,108
Derivatives with no hedging relationship	Level 2	5	14
Equity and liabilities			
Derivatives with no hedging relationship	Level 2	343	584
Derivatives with a hedging relationship	Level 2	2,179	4,850

In addition, the following financial instruments are measured at amortised cost in the consolidated financial statements:

30 June 2016	Book value TEUR	IAS 39 Category*	Fair value TEUR	Fair value hierarchy
Assets				
Other financial assets				
Investments	7,345	AfS	n/a	n/a
Other financial assets	5,470	LaR	5,470	Level 2
Trade receivables	10,763	LaR	10,763	Level 2
Other current assets	18,548	LaR	18,548	Level 2
Cash and cash equivalents	101,694	LaR	101,694	Level 2
Equity and liabilities				
Liabilities to banks	1,840,596	AmC	1,879,913	Level 2
Liabilities from convertible bonds	71,467	AmC	83,999	Level 2
Liabilities from corporate bonds	441,384	AmC	457,200	Level 2
Other non-current liabilities	3,505	AmC	3,505	Level 2
Trade payables	17,592	AmC	17,592	Level 2
Other current liabilities	12,518	AmC	12,518	Level 2
31 December 2015				
Assets				
Other financial assets				
Investments	7,345	AfS	n/a	n/a
Other financial assets	5,611	LaR	5,611	Level 2
Trade receivables	29,859	LaR	29,859	Level 2
Other current assets	13,194	LaR	13,194	Level 2
Cash and cash equivalents	103,833	LaR	103,833	Level 2
Equity and liabilities				
Liabilities to banks	1,834,875	AmC	1,889,821	Level 2
Liabilities from convertible bonds	70,976	AmC	75,703	Level 2
Liabilities from corporate bonds	443,731	AmC	459,385	Level 2
Other non-current liabilities	3,354	AmC	3,354	Level 2
Trade payables	14,629	AmC	14,629	Level 2
Other current liabilities	39,592	AmC	39,592	Level 2

* LaR: Loans and Receivables; AmC: Amortised Cost; AfS: Available for Sale Financial Assets.

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

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

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

Derivative financial instruments are measured using established methods (e. g. discounted cash flow method), the inputs for which are derived from active markets. The fair values of investment properties are remeasured by external valuers as of 30 September of each year.

The investments are recognised at historical cost less any impairments, as it is not possible to reliably determine their fair values. These are non-listed investments for which there is no active market. These investments are predominantly subsidiaries engaged in the real estate sector with only minor business activities. At the moment, there is no specific intention for these investments to be sold.

The fair value of the other financial assets corresponds to the present value of the expected cash flows in light of their duration and risk-adjusted market interest rates. Non-current liabilities to banks and other non-current liabilities are measured accordingly. Trade receivables, other current assets and cash and cash equivalents have short settlement periods. Accordingly, their book value as of the balance sheet date comes close to their fair value. This also applies to current liabilities to banks, trade payables, other current liabilities and liabilities in connection with non-current available-for-sale assets (if coming within the scope of IFRS 7). The fair value of non-current liabilities to banks and other non-current liabilities is calculated using the discounted cash flow method. The discount rate is based on an appropriate market interest rate.

There were no material changes in the Group's financial risks (interest, default, liquidity and finance risk) in the period under review compared with 31 December 2015.

Other disclosures

There were no material changes in the Group's contingent liabilities compared with 31 December 2015. Similarly, there were no material transactions with related parties.

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

There were no material events after the end of the period covered by this interim report.

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, 10 August 2016



Claudia Hoyer
COO



Martin Thiel
CFO



Dr Harboe Vaagt
CLO

REVIEW REPORT

To TAG Immobilien AG, Hamburg

We have reviewed the condensed interim consolidated financial statements of the TAG Immobilien AG – comprising consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of comprehensive income, consolidated cashflow statement, statement of changes in consolidated equity, consolidated segment report and selected notes on the abridged consolidated interim financial statement as of June 30, 2016 together with the interim group management report of the TAG Immobilien AG, Hamburg, for the period from January 1, 2016 to June 30, 2016 that are part of the semi annual financial report 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, 10 August 2016

KPMG AG

Wirtschaftsprüfungsgesellschaft

Madsen

Wirtschaftsprüfer

(German Public Auditor)

Krüger

Wirtschaftsprüfer

(German Public Auditor)



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 provide 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, 10 August 2016



Claudia Hoyer
COO



Martin Thiel
CFO



Dr Harboe Vaagt
CLO

TAG FINANCIAL CALENDAR

ANNOUNCEMENTS

11 August 2016	Publication of Q2 2016 Interim Report
10 November 2016	Publication of Q3 2016 Interim Report

CONFERENCES

7 September 2016	EPRA Conference, Paris
13–14 September 2016	UBS Best of Germany One on One Conference, New York
19 September 2016	Goldman Sachs & Berenberg German Conference, Munich
21 September 2016	Baader Investment Conference, Munich
29 September 2016	Société Générale Pan-European Real Estate Conference, London

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The English version of the Interim Report Q2 2016 is a translation of the German version.
 The German version is legally binding.

NOTES

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