ANNUAL REPORT 2009

TAG

Group Financials (IFRS)

in TEUR	2009	(adjusted) 2008
A. Income statement key figures		
Revenues	134,375	101,896
a) Property sales	72,830	44,843
b) Rental income	59,745	54,231
c) Property management and other services	1,800	2,823
EBITDA before revaluation	13,729	20,296
EBITDA before revaluation and extraordinary items	22,229	20,296
EBIT	-1,293	-5,740
EBT	-24,732	-42,134
Consolidated net profit/loss before minority interests	-31,244	-36,441
Consolidated net profit/loss after minority interests	-29,166	-30,622
Earnings per share in EUR	-0.90	-0.94
B. Balance sheet key figures		
Total assets	801,421	842,287
Equity before minorities	196,398	228,120
Equity ratio in %	24.5	27.1
Bank loans	517,243	538,042
Of which current	116,304	130,062
Real estate volume	770,074	804,231
NAV per share in EUR	6.03	7.01
C. Employees		
Number of employees	119	126

Further figures	
Market capitalisation in TEUR on 31 December 2009	146,549
Subscribed capital in EUR	32,566,364.00
WKN/ISIN	830350 / DE0008303504
Number of shares	32,566,364
Free Float in %	93
Stock exchange	SDAX / EPRA

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Highlights 2009

40 percent
Vacancy reduction

7.3 percent
Vacancy rate throughout the Group

EUR 2.4 million
Earnings impact from vacancy reduction (annualised)

EUR 35 million
Rental income on par with previous year despite property sales totalling EUR 73 million

9 percent
Increase in rental income from the existing portfolio

67.4 percent
LTV

24.5 percent
Equity ratio before minorities

EUR 7 million p.a.
Reduced personnel costs by a third in the future

EUR/sqm 6.41
Monthly net rent in the residential and commercial portfolio

Preface by the Management Board

Rolf Elgeti **Hans-Ulrich Sutter**

Dear Shareholders,
Ladies and Gentlemen,

The two halves of the year 2009 were as different as can be for TAG Immobilien AG (TAG in the following). After the changes on the management board at the end of the first half, we decided for reasons of transparency to simultaneously adjust the value of the properties by EUR -15.3 million and make provisions for earlier construction activities in the amount of EUR -5.2 million. These items resulted in a pre-tax loss (EBT) of EUR 28.4 million at the end of the first half of 2009. In contrast to this, the second half of 2009 was dominated by vacancy reductions and cost cuts. We saw initial successes from these measures during Q3/2009, and were able to build on them in Q4 by maintaining the required focus. The uptrend is evident in the quarterly results. Due to the expenses from the first half, which did not, however, have an impact on liquidity, earnings before taxes (EBT) for the full year came to EUR -24.7 million.

The aggressive vacancy reduction was a direct contributor to the positive second-half performance. We cut vacancy by 40 percent across the Group. In residential property alone, we reduced vacancy by nearly half, bringing the vacancy rate down from 16.6 percent to 10.0 percent. This successful vacancy reduction is reflected in the rental profits, which at EUR 35 million at year-end 2009 are on par with that of the previous year - even given a high property sales volume of EUR 73 million in 2009. The reduced vacancy obviously also creates value for you as shareholders by increasing the value of our inventory.

Another remarkable fact is that we have managed to lower maintenance costs considerably even though a large portion of the vacant properties had to be readied for renting. Finally, this operational progress improves our credit relations and therefore also enables us to release some of our previously tied-up equity.

Operational turnaround has been achieved

- **Successful vacancy reduction by 40 percent results in 7.3 percent vacancy rate throughout the Group**
- **Rental profits on par with previous year at EUR 35 million despite property sales totalling EUR 73 million**
- **Second-half earnings before taxes (EBT) and before revaluations came to EUR 1.8 million vs. EUR -13.1 million for the first half of 2009, bringing total EBT for 2009 to EUR -11.2 million (2008: EUR -23.4 million)**
- **NAV at EUR 6.03 per share**

We streamlined the Group structure and shut down some superfluous property companies. Many information and decision-making processes have been simplified, which not only makes us faster and more flexible, but also results in a reduction of annual personnel costs to not quite EUR 7 million in the future (vs. approx. 10 million in the past).These effects will become more plainly visible in the year ahead and will be reflected in an increasingly positive net annual result.

Furthermore, we are on track with our financing and have achieved our target financing structure throughout the Group. Specifically this means that TAG's balance sheet ratios continue solid, with a Loan to Value (LTV) ratio of 67 percent. We are once again perceived as a focused, solid market participant.

Balance sheet ratios solid

- **Loan to Value (LTV) ratio of 67.4 percent**
- **No further depreciation of investment properties**
- **Equity ratio before minorities of 24.5 percent**

In sum: we achieved turnaround in the second half of 2009 and largely completed consolidation within the Group - specifically this means that the Group can cover all its costs with its rental profits alone. As planned, there were no more depreciations/write-downs during the second half, and future personnel costs as well as non-property-related costs were reduced significantly. In addition, the portfolio was optimised with a focus on cash flow and yields.

As part of its operational development, TAG Immobilien AG took the strategic step of increasing its holdings in Bau-Verein from 71 percent to 91 percent at the end of the year. This underscores our focus on the residential segment. On this basis, TAG is well positioned to effectively advance the positive development of its business in 2010. We expressly want to achieve these goals without having to request additional capital from you. Our resolve is strengthened by the fact that the potential of TAG's stock was recognised during our most recent acquisition of an approx. EUR 43 million residential real estate portfolio in Berlin, with the seller subscribing to shares at a rate of EUR 5.50 as part of the purchase price.

Our strategic opportunity lies in the fact that we can achieve additional cost savings by making further minor acquisitions, all of which must be immediately value-enhancing. The high fixed costs and step costs of our business make this possible. Thus, the acquisition of the above described portfolio created no additional costs for TAG. We must an will repeat this feat.

Based on our strategy, we expect pre-tax earnings (EBT) of at least EUR 10 million for 2010.

We hope that the figures and measures outlined above and the details presented in the following will show that we are on the right track for creating additional value for you. Thank you for giving us your trust in these unusual times.

Yours sincerely,

Rolf Elgeti **Hans-Ulrich Sutter**

Group structure

Bärenpark, Berlin

Position in the German real-estate market

TAG Immobilien AG is an SDAX-listed property company with a 125-year history, and serves as a holding for the TAG Group, bundling all property-related activities via its subsidiaries. It is engaged in the residential and commercial property market as well as in the services sector. Properties in good / sought-after urban locations in large German cities are the focus of its investments. As well as its headquarters in Hamburg, the Group maintains offices in Berlin and Munich, where most of the properties in its portfolio are located.

TAG Gewerbeimmobilien-Aktiengesellschaft (100 percent)

Most of TAG's commercial real estate portfolio is bundled in TAG Gewerbeimmobilien-Aktiengesellschaft (pre-REIT status). The core of this portfolio are properties in metropolitan regions such as Munich and Hamburg, as well as Cologne and Mannheim. In the current economic situation, which is dominated by the crisis in the financial markets, achieving full REIT status for TAG Gewerbeimmobilien-Aktiengesellschaft is of secondary importance. TAG does, however, remain committed to its REIT plans for this company.

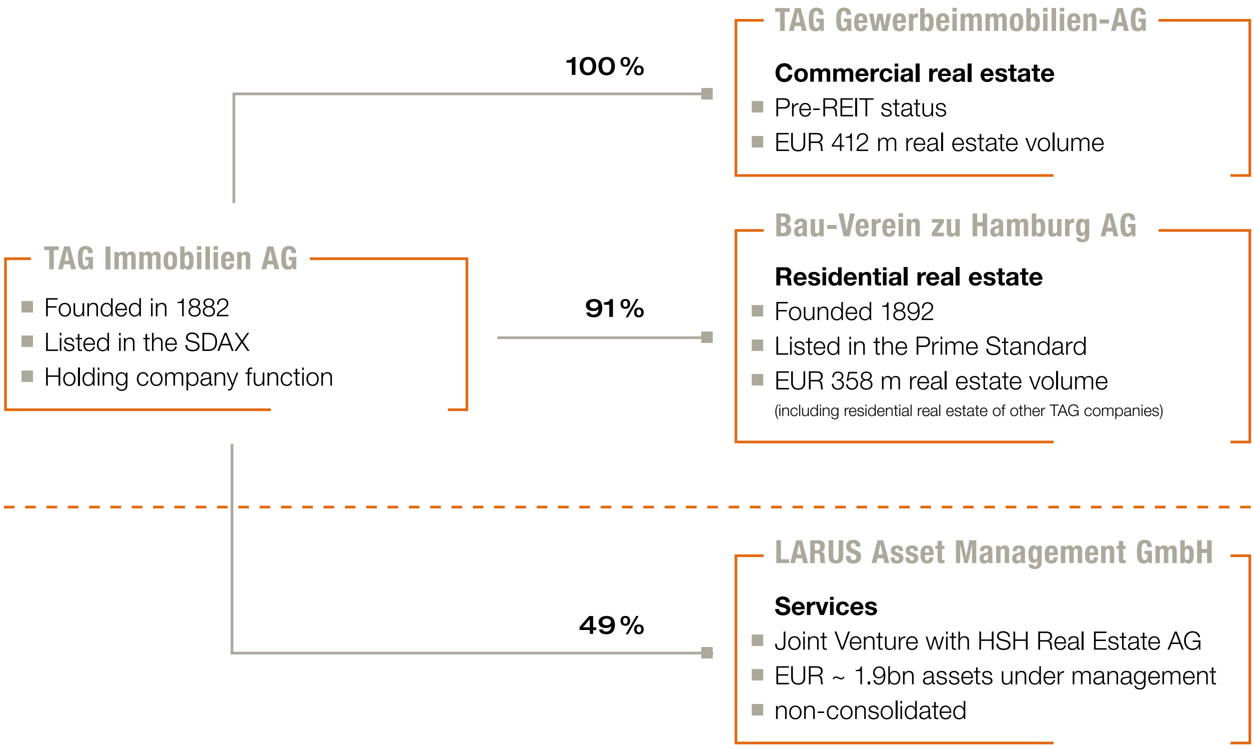
Bau-Verein zu Hamburg Aktien-Gesellschaft (91 percent)

The Group's residential real estate activities are mainly pooled in the Bau-Verein zu Hamburg AG. Its core business consists of holding and developing housing estates in established locations in German metropolitan regions. No new construction projects were initiated in 2008, while ongoing projects were completed. The aim is to effectively strengthen the Group's own portfolio of residential real estate by making acquisitions and to enhance rental income and optimise costs by means of active portfolio management

LARUS Asset Management GmbH (49 percent)

LARUS Asset Management GmbH offers the full spectrum of property management services, from asset management and property management to property development (project management). The company was founded in December 2007 as a joint venture between HSH Real Estate AG and the TAG Immobilien AG. Its focus lies on managing commercial properties. LARUS Asset Management GmbH is not consolidated by TAG.

Group Structure



Group strategy

Adaptation of the strategy and business model to the current market situation

In 2008, the Group reduced its project development activities, including all building contracts and construction measures, and no new construction projects were initiated except those whose funding had already been secured in advance. At the same time the portfolio was optimised by means of disposals and systematic inventory development, in order to realise profits through value creation or when favourable opportunities arise.

TAG has made use of opportunities in the German real-estate market to extend and diversify its business model across various segments. The focus of its business activity lies on the active rental and asset management of its properties, with a specific emphasis on continued vacancy reduction in its residential properties, with the attendant reduction in vacancy costs.

Consolidation as the basis for future growth

By optimising its portfolio and business model on the one hand, and achieving operational turnaround on the other, TAG has strategically built a solid basis in these extraordinary economic times. This will enable it to continue growing and overcome future challenges. Apart from this, there is no further need for write-downs of the property values.

With regard to acquisitions, our primary interest is in residential properties or portfolios that are a good match for TAG's structure and strategy and are located in German metropolitan regions. Positive effects on the NAV (Net Asset Value), profits and cash flow are crucial to the realisation of a transaction - without this, acquisitions will not be made.

Strategic opportunity

Our business is characterised by a high proportion of fixed and step costs. This means that additional growth can be achieved at much lower cost. In extreme cases, minor acquisitions can be made at no marginal cost. So focussing and concentrating our portfolio not only represents a strategic opportunity, but is also an operational imperative that is mandatory for a continued and significant improvement in our profitability.

Long-term outlook - TAG as an attractive investment

TAG's strategic outlook hinges on this increased focus and the much-improved profitability that follows it. Our goal is to become a preferred vehicle for investing in German residential properties thanks to a good portfolio, top-notch Corporate Governance, and good yields. The market valuation that comes with this should benefit our shareholders.

Our portfolio

TAG Immobilien AG holds its real-estate portfolio in good urban locations in big German cities. A diversified portfolio ensures stable rental income from residential real estate on the one hand while securing greater cash flow from commercial real estate on the other. The following pages provide an overview of the key figures of the whole portfolio.

Overall portfolio

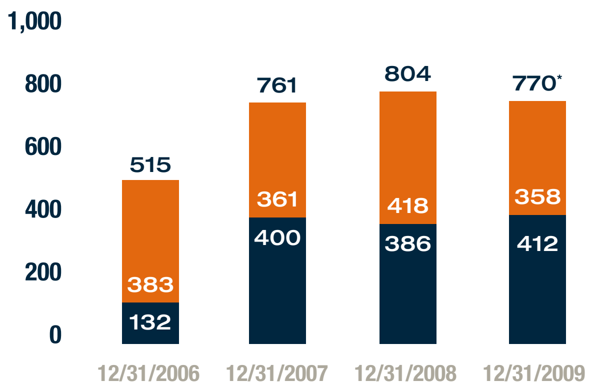
Portfolio	Numbers of buildings	Units	Floor area sqm	% of total floor area	Vacancy sqm	Vacancy %	Annualised net actual rental TEUR	% of total	Net actual EUR per sqm	Target rent TEUR p.a.	Value TEUR
Commercial portfolio											
2009	33	33	342,911	56.6	17,940	5.2	26,543	61.5	6.81	27,744	409,209
2008	33	33	337,904	51.0	20,533	6.1	25,311	56.9	6.65	26,023	407,510
Residential portfolio											
2009	75	4,206	263,331	43.4	27,135	10.3	16,616	38.5	5.86	19,047	273,952
2008	86	5,217	324,060	49.0	54,679	16.9	19,141	43.1	5.92	23,440	348,313
Subtotal portfolio											
2009	**108**	**4,239**	**606,242**	**100.0**	**45,076**	**7.4**	**43,159**	**100.0**	**6.41**	**46,791**	**683,161**
2008	119	5,250	661,964	100.0	75,212	11.4	44,452	100.0	6.31	49,463	755,823
Others*											
2009	22		347,355				2,412			2,525	87,067
2008	21		323,140				1,802			1,895	47,832
Overall portfolio											
2009	**130**	**4,239**	**953,597**				**45,571**			**49,316**	**770,228**
2008	140	5,250	985,104				46,254			51,358	803,655

* New construction projects, (undeveloped) properties and serviced apartments.

Einsteinstraße, Munich

Real estate volume

Volume in EUR m

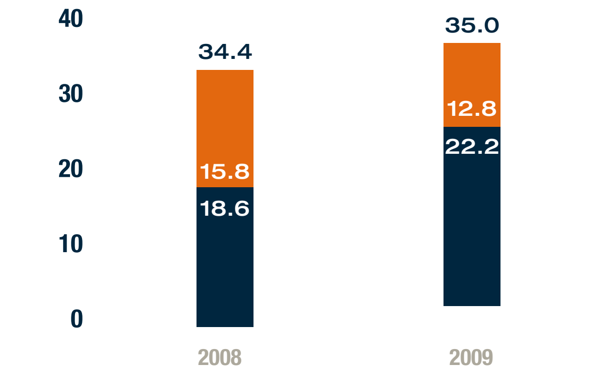


■ Portfolio of commercial real estate
■ Portfolio of residential real estate

* Investment properties, land holding finished/unfinished buildings, property, plant and equipement of EUR 8.8 million and EUR 17.9 million in assets held for sale

Rental profit per segment

in EUR m



■ Commercial
■ Residential

Successful vacancy reduction results in increased value of property holdings

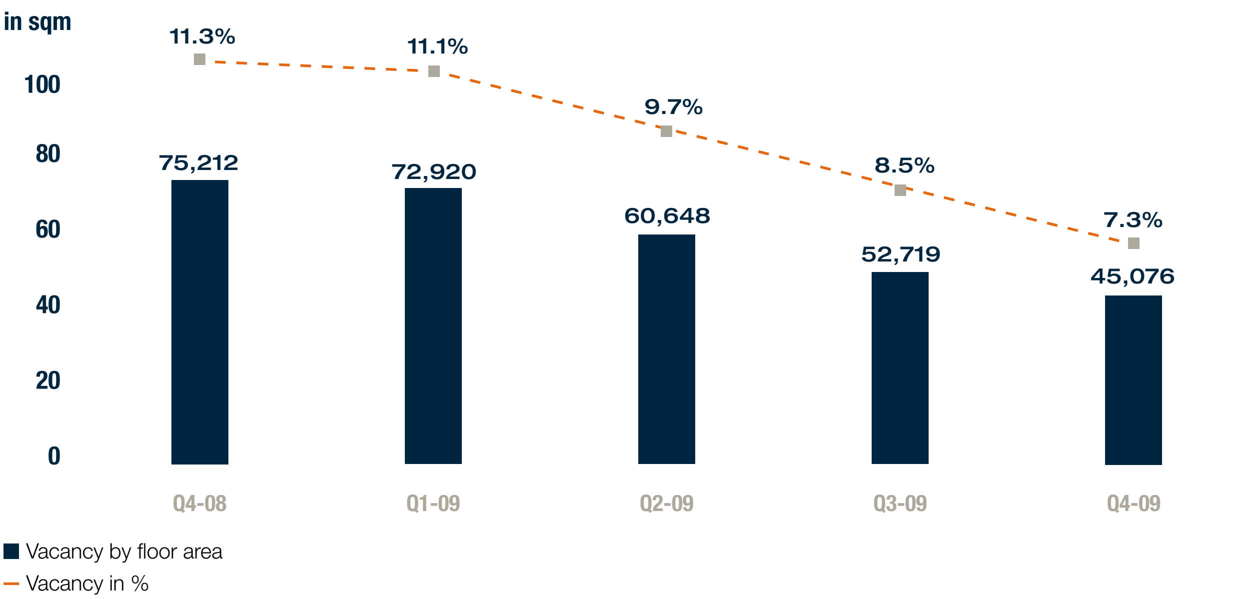
Business activities during the second half of 2009 focused on vacancy reduction - and successfully so. By the end of the year, vacancy throughout the Group had been reduced by 40 percent and now stands at 7.3 percent. In residential real estate alone, vacancy was reduced by nearly half, bringing the vacancy rate down from 16.6 percent to 10.0 percent. In Berlin, rental activities resulted in a 14 percent decline in vacancy at year-end 2009, compared with 25.6 percent the previous year. These achievements are all the more remarkable considering that the vacant flats were not subjected to extensive renovations and the attendant high investments, but in fact investments were lowered. At the same time, the rents were stable, which held the average net basic rent at Group level. At the end of 2009, the average net basic rent was EUR 6.41/sqm compared with EUR 6.31/sqm at the end of 2008. Apart from this, the reduced vacancy increases the value of our property holdings long-term.

Vacancy rate reduction - Total

During the second half of the year, vacancy was reduced by over a third

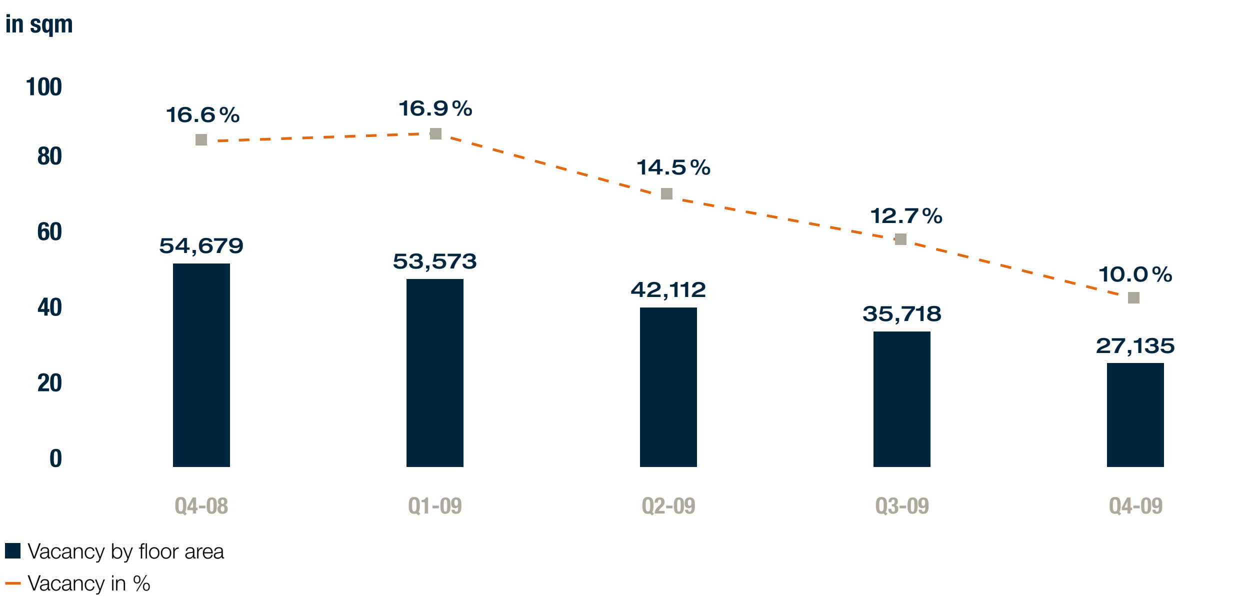
- **Portfolio improved, holdings upgraded**
- **Maintenance costs reduced considerably, future rental cash flows increased by EUR 2.4 million p.a. net**
- **Multiplied by a factor of 15, this translates to an improvement in the NAV per share by about EUR 1**

Portfolio - Vacancy rate reduction - Total*



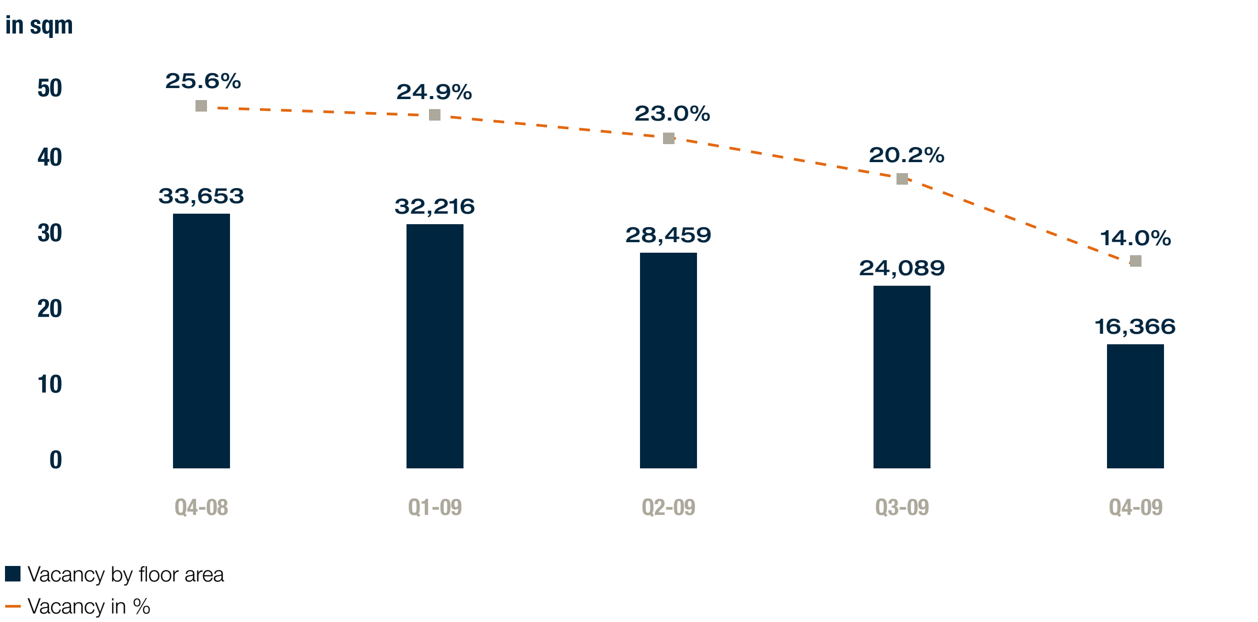
* Including serviced apartments

Portfolio - Vacancy rate reduction - Residential*



* Including serviced apartments

Portfolio - Vacancy rate reduction - Berlin



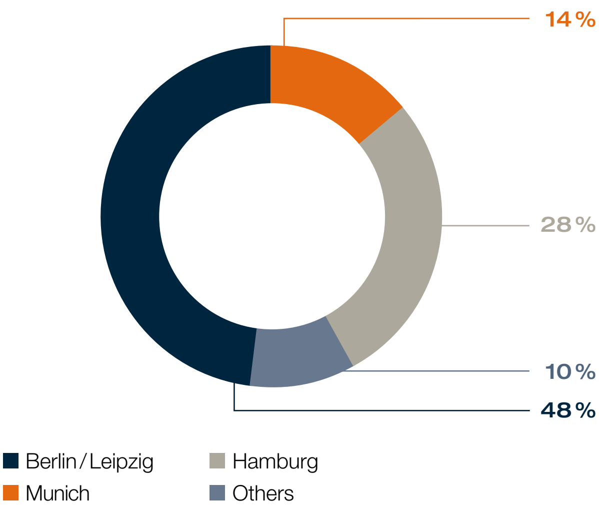
Residential

Portfolio Residential*

Region	Units	Floor area sqm	% of total floor area	Va-cancy sqm	Va-cancy %	Annua-lised net actual rental TEUR	% of total	Net actual EUR per sqm	Target rent TEUR p.a.	Value TEUR
Berlin / Leipzig	2,211	135,261	51.3	18,249	13.5	7,212	43.4	5.14	8,842	130,373
Hamburg	1,074	63,972	24.3	2,756	4.3	5,067	30.5	6.90	5,344	76,893
Munich	397	28,135	13.7	2,527	9.0	2,275	12.4	7.40	2,569	38,725
Others	524	35,963	10.7	3,603	10.0	2,062	13.7	5.31	2,292	27,960
Subtotal portfolio	**4,206**	**263,331**	**100**	**27,135**	**10.3**	**16,616**	**100**	**5.86**	**19,047**	**273,952**
Others**	106	295,637	-	-	-	2,409	-	-	2,522	44,629
Overall portfolio	**4,312**	**558,968**				**19,025**			**21,569**	**318,581**

* Transfer of ownership / recognition in the consolidated financial statements for the December 2009 acquisition of the Berlin residential property portfolio not before Q1 / 2010
** New construction projects, (undeveloped) properties and serviced apartments.

Real estate portfolio by region*



* as of: 12/31/2009 by value;
Transfer of ownership / recognition in the consolidated financial statements for the December 2009 acquisition of the Berlin residential property portfolio not before Q1 / 2010

Acquisition of a residential real estate portfolio with 787 units in Berlin

In terms of acquisitions, our focus is primarily on residential properties and portfolios. TAG is banking on growth, provided the properties match our company's structure and strategy, have a good location in metropolitan regions, and also have a positive impact on the Net Asset Value. The acquisition of a residential real estate portfolio in Berlin, comprised of properties mostly located in Charlottenburg, Prenzlauer Berg and Kreuzberg, met these criteria. By adding a total of 787 units and a volume of 51,300 sqm the acquisition increased TAG's portfolio by nearly 20 percent. The purchase price in the amount of EUR 43 million was funded by taking over a loan and issuing shares - as a capital increase against contribution in kind. Approximately 2.4 million shares were issued under exclusion of the subscription rights of shareholders at an issue price of EUR 5.50 per share, in exchange for the owner's shares in the company. The entry of the capital increase in the commercial register in March 2010 increased TAG's subscribed capital by EUR 32.6 million to EUR 35 million. Regarding the December 2009 acquisition of the residential property portfolio in Berlin, ownership wasn't transferred until Q1 / 2010, at which point the new acquisition was first recognised in the consolidated financial statements.

Zehlendorf, Berlin

Commercial

Key project "Stuttgart-Südtor" (Stuttgart South Gate) celebrates topping-out ceremony just seven months after foundation stone is laid

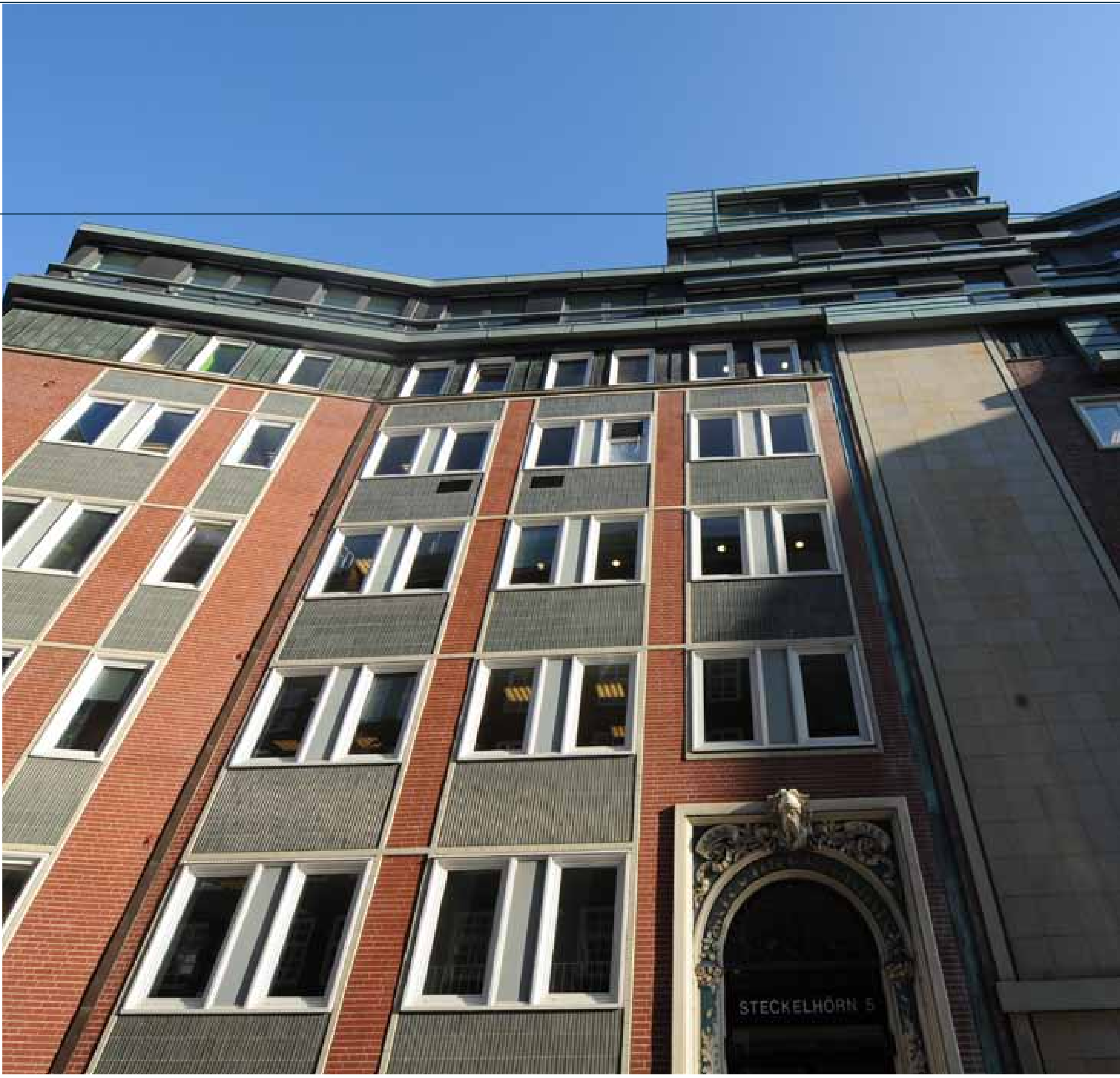
TAG's key project "Stuttgart-Südtor" involves the construction of a multipurpose urban quarter with total rental space of around 23,000 sqm in the immediate proximity of Marienplatz, at the heart of Baden-Württemberg's capital city. The "Stuttgart-Südtor" topping-out ceremony in December 2009, marking the completion of all structural shell work, is another milestone on the way to the completion of a forward-looking, dynamic project that contributes to the evolution and future design of downtown Stuttgart.

"Stuttgart-Südtor"

The project developers celebrated the topping-out ceremony just seven months after the foundation stone was laid on the 6,700sqm plot. The interior work is now also well underway. The individual operations and assemblies are proceeding hand in hand, and construction was continued even throughout the harsh winter of 2009/2010, so that the facade has been completed ahead of plan. Thanks to the timely progress of the various processes, this key project will likely be completed in November 2010 as planned.

In addition to the fact that funding is secure for the entire implementation period, the budget is on plan as well. The project development is benefiting from good project management, with various construction jobs having been commissioned below budget. One particular focus of planning activities was on sustainability and particularly optimised energy consumption. Accordingly, „Green Building" silver certification by DGNB (German Sustainable Construction Association) is currently being sought for the office segment.

This architecturally sophisticated development combines an international 181-room hotel, two retailers, an office building and upscale downtown living, grouped around an attractively landscaped courtyard. The quieter reverse side of the project will house 77 flats with floor space of between 50 and 180 sqm. These are of special relevance thanks to their urban location in Stuttgart's South district. An underground parking garage with 196 spaces, accessible to the public, rounds off the project. A high advance occupancy rate - over 70 percent of the commercial space before construction had even begun - reflects the project's great appeal. Efforts to market the flats will begin in July 2010. Numerous enquiries have already been received from potential tenants.



Steckelhörn, Hamburg

Acquisition of the Steckelhörn headquarters in Hamburg

In early September, TAG Group acquired 100 percent of the Steckelhörn 5-9 company building in Hamburg (parts of which the Group uses itself), via its subsidiary, Bau-Verein zu Hamburg. Bau-Verein previously owned a share in the building as part of a joint venture. The seven-storey building has a total floor space of 6,230 sqm and is fully occupied at this time. By buying company headquarters, located in downtown Hamburg right next to Katharinenkirche church and just outside the city's historic Speicherstadtharbour complex, TAG demonstrates its continuing commitment to Hamburg as an attractive location for real estate.

Office space in attractive urban locations in Germany

TAG's long-term focus is on office properties with long-term leases in sought-after business locations of German metropolises such as Hamburg, Munich and the Rhine-Main region. In addition to their good locations, the properties are distinguished by their good quality, high yields and above all, stable cash flows based on long-term rental contracts.

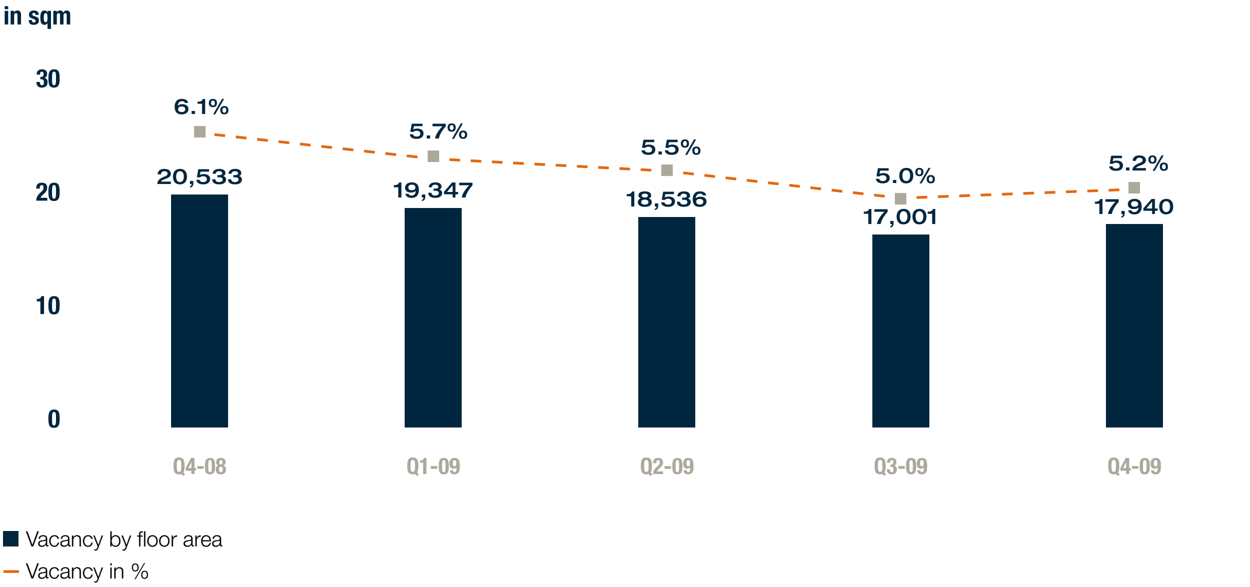
To date, TAG has successfully taken advantage of opportunities in the German property market to expand and diversify its portfolio, further optimising it over the past year through active asset management. As a result, the company is in good shape to tackle future challenge seven against the backdrop of the economic crisis.

Commercial
Presentation of individual properties

Investments	Postcode/ City/Street	Floor area sqm	% of total floor area	Vacancy sqm	Vacancy %	Annualised net actual rental TEUR	% of total	Net actual EUR per sqm	Target rent TEUR p.a.
Siemensdamm	13629 Berlin, Siemensdamm 50, Wernerwerksweg 16	53,962	15.7	-	0.0	3.000	11.3	4.63	3,000
Dynamostraße	68165 Mannheim, Dynamostraße 4	32,032	9.3	-	0.0	2,376	9.0	6.18	2,376
Franz-Geuer-Straße	50823 Köln, Franz-Geuer-Straße 10	26,492	7.7	-	0.0	2,400	9.0	7.55	2,400
Logistikzentrum Gründlacher Straße	90765 Fürth, Gründlacher Straße 259	24,072	7.0	-	0.0	1,014	3.8	3.51	1,014
Hofmannstraße	81379 München, Hofmannstraße 51	23,152	6.8	-	0.0	1,825	6.9	6.57	1,825
Pegasus Business Center	85716 Unterschleißheim, Gutenbergstraße 5	21,489	6.3	452	2.1	1,989	7.5	7.88	2,059
St.-Martin-Straße	81669 München, St.-Martin-Straße 53	19,987	5.8	-	0.0	1,913	7.2	7.98	1,913
Kloster Blankenburg	26135 Oldenburg, Klostermark 70-80	17,520	5.1	-	0.0	577	2.2	2.74	577
Tübinger Straße	80686 München, Tübinger Straße 1-5, Hansastraße 8	17,272	5.0	-	0.0	1,262	4.8	6.09	1,262
Bartholomäusstraße	90489 Nürnberg, Bartholomäusstraße 26	15,420	4.5	475	3.1	1,505	5.7	8.39	1,529
Oststraße	22844 Norderstedt, Oststraße 73 c	12,364	3.6	910	7.4	558	2.1	4.06	624
Werther Carré	42275 Wuppertal, Kleiner Werth 30, Kohlgarten 7	9,811	2.9	-	0.0	1,121	4.2	9.52	1,121
Max-Brauer-Allee	22765 Hamburg, Max-Brauer-Allee 163	7,206	2.1	7,206	100.0	2	0.0	/	250
Planckstraße	22761 Hamburg, Planckstraße 13-15	6,266	1.8	1,950	31.1	613	2.3	11.83	861
Steckelhörn	20457 Hamburg, Steckelhörn 5-9	6,230	1.8	-	0.0	1,183	4.5	15.83	1,183

Investments	Postcode/ City/Street	Floor area sqm	% of total floor area	Va-cancy sqm	Va-cancy %	Annua-lised net actual rental TEUR	% of total	Net actual EUR per sqm	Target rent TEUR p.a.
Osswaldstraße	82139 Starnberg, Osswaldstraße 1a, 1b	5,466	1.6	61	1.1	1,022	3.9	15.76	1,037
Titotstraße	74072 Heilbronn, Titotstraße 7-9	5,033	1.5	1,482	29.4	366	1.4	8.60	446
Rathausgalerie Markkleeberg	04416 Markkleeberg, Rathausstraße 33-35	4,965	1.4	579	11.7	570	2.1	10.83	579
Neue Eilerstraße	51145 Köln, Neue Eilerstraße 50-52	4,613	1.3	-	0.0	98	0.4	1.77	98
Innere Kanalstraße	50823 Köln, Innere Kanalstraße 69	4,159	1.2	1,345	32.3	360	1.4	10.66	506
FAZ Dachau	85221 Dachau, Hochstraße 27	3,625	1.1	196	5.4	526	2.0	12.77	566
Stahltwiete	22761 Hamburg, Stahltwiete 20	2,839	0.8	-	0.0	352	1.3	10.33	352
Boschstraße	82178 Puchheim, Boschstraße 1	2,716	0.8	572	21.1	295	1.1	11.45	366
Königstorgraben	90402 Nürnberg, Königstorgraben 7	2,593	0.8	42	1.6	302	1.1	9.88	304
Einsteinstraße	81675 München, Einsteinstraße 127	2,191	0.6	-	0.0	395	1.5	15.01	395
Porschezentrum	86368 Gersthofen, Porschestraße 5	1,994	0.6	-	0.0	348	1.3	14.55	348
Steinweg	59821 Arnsberg, Steinweg 13	1,860	0.5	1,044	56.1	37	0.1	3.76	74
Harburger Straße	21429 Stelle, Harburger Straße 1	1,744	0.5	400	22.9	134	0.5	8.31	171
Bogenstraße	22926 Ahrensburg, Bogenstraße 47	1,675	0.5	101	6.0	78	0.3	4.11	83
Hauptstraße	56155 Bendorf, Hauptstraße 186	1,536	0.4	-	0.0	104	0.4	5.63	104
Vahrenwalder Straße	30165 Hannover, Vahrenwalder Straße 12-14	1,422	0.4	616	43.3	69	0.3	7.17	121
Koblenzer Straße	40593 Düsseldorf, Koblenzer Straße	821	0.2	509	62.0	36	0.1	9.59	87
Cafe Atlas	81667 München, Innere Wiener Straße 2	383	0.1	-	0.0	114	0.4	24.83	114
Portfolio Commercial		**342,911**	**100**	**17,940**	**5.2**	**26,543**	**100**	**6.81**	**27,744**

Vacancy rate reduction - Commercial real estate



Lucrative properties with varying rental periods and credit-worthy tenants

TAG Group's commercial real-estate portfolio is comprised of lucrative properties with varying rental periods and credit-worthy tenants. Our Top 5 commercial real estate tenants are Siemens AG, followed by the state of Lower Saxony (Niedersachsen) and the city of Wuppertal, DB Schenker and Linde GmbH & Co. KG.

In addition, TAG's commercial properties are characterised by strong cash flow and long rental periods. Of the rental contracts that expire in 2010, 50 percent have already been renewed with a slight increase in rent (this includes open-end rental contracts that are still active but could theoretically be terminated at present.) TAG generated 50 percent of its rental income with its commercial property portfolio, and 54 percent of the rental profits.

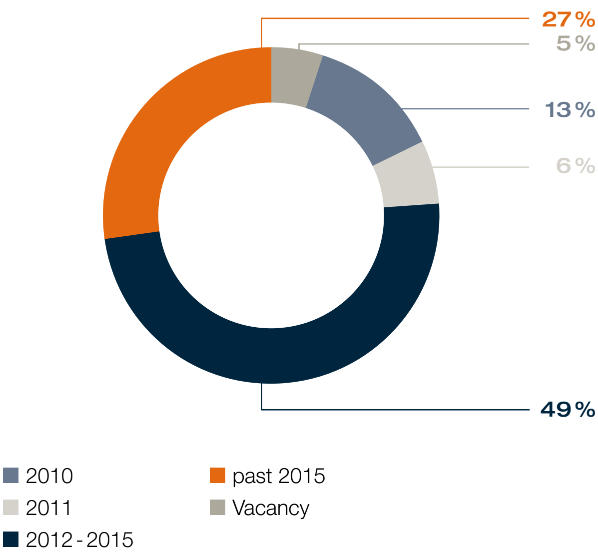
We do not foresee a need for write-downs of our commercial property holdings, as TAG's commercial as well as residential properties are in good urban locations in big German cities with growth potential. No further acquisitions are planned in the commercial real estate sector; instead, our activities here are focused on asset management.

Top 5-tenants*

Tenants	Rental p.a. TEUR	in % of annualised rental 2009
Siemens AG	12,783	52
State/City authorities	2,079	8
DB Schenker	954	4
Linde	464	2
Kratzer AG	458	2
Total	**16,738**	**68**

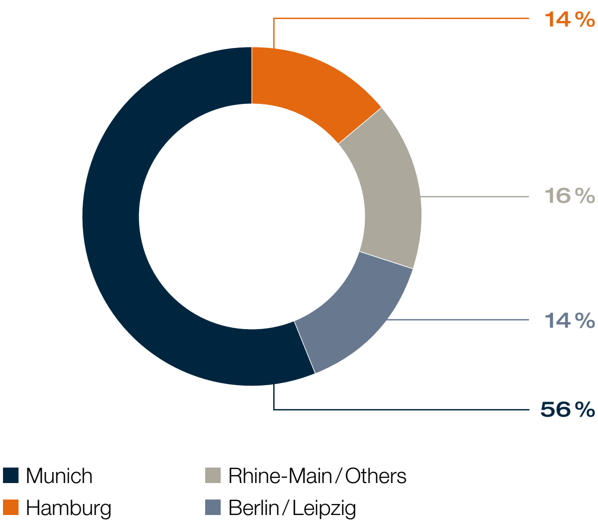
* Commercial real estate - annualised rental 2009 24,800 TEUR

Duration of commercial rental agreements*



* as of 12/31/2009 per rent

Real estate portfolio by region*



* as of 12/31/2009 by value

TAG share

Share price and IR activities

In 2009, the TAG share, which is listed on the SDAX, outperformed the relevant benchmark indexes. While the SDAX added 26 percent over the course of 2009 as part of the overall recovery after the previous year's market collapse, and the industry index EPRA saw a nearly um 28-percent increase, TAG stock recorded an impressive 126 percent year-on-year increase in its share price.

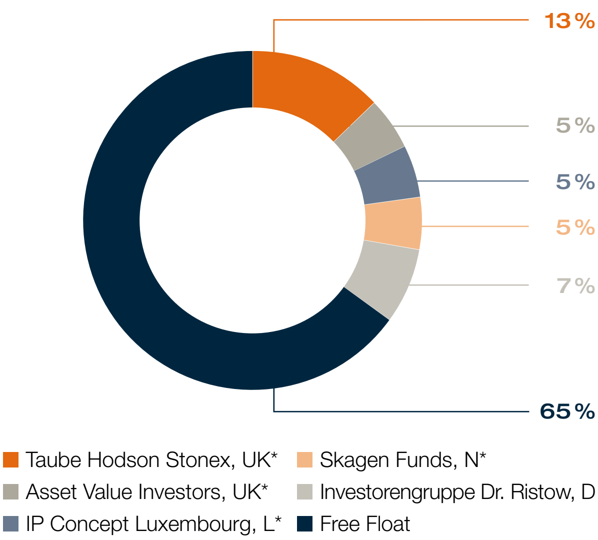
Specifically, TAG shares were listed at EUR 2.15 at the beginning of January and trended increasingly upwards parallel to the successes on operational level, ending the year at EUR 4.50.

The number of shares remained unchanged at 32,566,364. Free Float is at 93 percent. Market capitalisation on 31 Dec 2009 amounted to around EUR 147 million

TAG's stock-market performance was so good that the Group was picked as one of the three top performers of 2009 to receive this year's Haspax Award on 24 February in Hamburg. The Haspax Award is given out upon the initiative of the Deutsche Börse AG Hamburg-Hannover, Die WELT/"Welt am Sonntag" and the Hamburger Sparkasse bank. TAG's performance provided ample verification for the trust placed in it by investors. Its shareholder structure is dominated by national and international investors with a mostly long-term investment strategy.

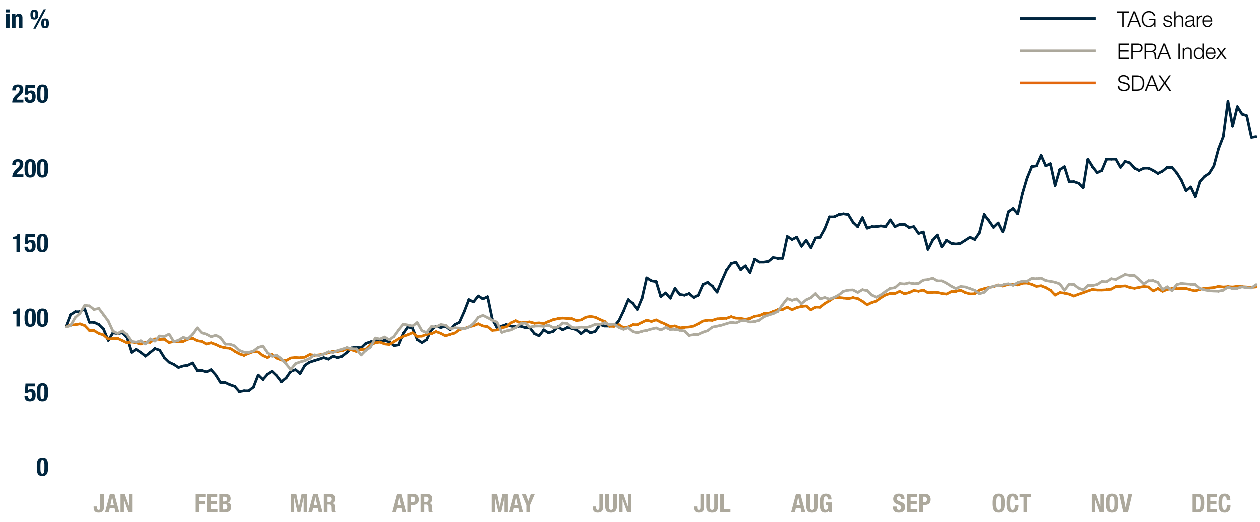
In fiscal 2009 - as in previous years - the Management Board intensively cultivated ties to institutional and private investors and financial analysts in one-on-one and group meetings during road shows and at conferences in Europe, as well as in regular conference calls. In particular, the Management Board personally presented and explained the Group's strategy, its business situation, and the quarterly and annual results.

Shareholder structure on December 31, 2009



* as published in the statutory disclosures of 2009

Share price



TAG stock parameters

Stock market ticker	TEG
Type of stock	Bearer ordinary shares
ISIN	DE0008303504
Transparency level	Prime Standard
Indices	SDAX, German CDAX Performance, SDAX Performance Index, Prime All Share, Prime Financial Services, Classic All Share, DIMAX, EPRA
German securities code number	830350
Designated Sponsor	M.M. Warburg Bank, Hamburg Close Brothers Seydler AG, Frankfurt/Main
Stock exchange	Xetra, München, Frankfurt/Main

Net Asset Value (NAV)

As in previous years, TAG instructed the independent valuers Cushman & Wakefield, Frankfurt, and Rödl & Partner, Nuremberg, to assess the fair and market values of its properties. This is done in accordance with the valuation method applied by international valuers, which corresponds to the principles set out in the International Valuation Standards. The market values arrived at by the valuers form the basis for calculating the Net Asset Value (NAV), which serves as the international benchmark for assessing and comparing real estate companies, and as an indicator of the company's inherent value.

The NAV is calculated using only the equity before minorities as shown on the balance sheet, divided by the number of shares. All figures used in the calculations are backed by valuers' reports.

On 31 Dec 2009, the Net Asset Value was EUR 6.03 per share, vs. EUR 7.01 at the end of 2008. This decline is mainly the result of impairment write-downs on adjustments made to the valuation of the investment properties.

Corporate Governance

TAG corporate governance report for fiscal 2009

In accordance with section 3.10 of the “German Corporate Governance Code“ (GCGC) in the version dated 18 June 2009, the Management Board and Supervisory Board submit the following report on corporate governance at TAG Immobilien AG:

1. The GCGC and the company’s compliance with its recommendations aims to strengthen the shareholder, customer, public and employee confidence in the company’s management. The code is an instrument to heighten transparency and control of listed companies. TAG embraces an open and active information policy towards shareholders and the public. Providing open, prompt information to stakeholders creates transparency and builds trust. Shareholders, analysts and the media are given regular updates by means of business reports, financial statements, press conferences and conference calls on the company’s quarterly and annual results. All of the company’s information may be accessed online on the TAG homepage. Since TAG has established corporate governance as an important element in its corporate culture, it also helps to strengthen its enterprise value.

2. Article 161 of the German Stock Corporations Act stipulates that the Management Board and Supervisory Boards shall issue annual declarations of conformance with the recommendations of the GCGC, specifying which recommendations were not applied. The Declaration of Conformance dated December 2009 was the subject of the Supervisory Board session of 8 December 2009 and was published in December 2009.

   Any deviations from the recommendations of the GCGC are mainly for technical reasons. Please refer to the Declaration of Conformance printed below for the reasons for deviations from the recommendations of the GCGC. The size of the Supervisory Board - which was comprised of four shareholder representatives in 2009 - does not warrant the formation of committees. In this constellation, the Supervisory Board was able to work effectively and efficiently both internally and in coordination with the Management Board.

3. The remuneration paid to members of the Supervisory Board is governed by Article 15 of the Company’s Articles of Association. For each full fiscal year of their membership on the Supervisory Board, members receive a fixed compensation in the amount of EUR 7,500.00 plus the premiums for appropriate D & O insurance. In addition, each member receives 2 percent of the amount exceeding a 4-percent share in profits distributed to the shareholders. This variable remuneration must not, however, exceed three times the fixed remuneration provided for in paragraph 1. The Chairman receives twice this amount and his deputy one-and-a-half times this amount. The remuneration paid to members of the Supervisory Board thus comprises a fixed and a variable, performance-based component. The following net remuneration was paid:

Dr. Lutz R. Ristow (Chairman)	EUR 15,000
Prof. Dr. Ronald Frohne (Deputy Chairman)	EUR 11,250
Rolf Hauschildt	EUR 7,500
Rolf Elgeti (through 31 May 2009)	EUR 3,125
Andrés Cramer (from 27 Aug 2009)	EUR 2,500

Dr. Lutz R. Ristow rendered additional services to the company in 2009 above and beyond his duties as Chairman of the Supervisory Board. These were remunerated according to the time expended. He received a total of 120 TEUR in fees in 2009. Prof. Dr. Ronald Frohne is a partner in the Nörr LLP, which provided legal advice on corporate law issues and other legal matters in 2009. A total fee of 72 TEUR was paid for these services. For further legal relations/relationships with related parties, please refer to the Notes to the Consolidated Financial Statement on page 114. The comments made there form part of this Corporate Governance Report.

In the case of Erhard Flint and Andreas Ibel, who left the TAG Immobilien AG Management Board early on 31 March and 30 June 2009 respectively, mutually acceptable agreements were signed regarding the early termination of their respective seats on the Board and employment contracts. The settlements promised to the two gentlemen were based on the remaining term of their employment contracts. Please refer to the Remuneration Report and the Notes to the Consolidated Financial Statement on pages 44 and 116 for details on the remuneration paid to members of the Management Board and the amounts paid out or promised. They also form part of this Corporate Governance Report.

Article 6.6 of the GCGC stipulates that members of the Supervisory Board and the Management Board to disclose details of shares held directly or indirectly in the Company or financial instruments based on these: As of 31 December 2009, the following shares were held:

Hamburg, April 2010

Supervisory Board and Management Board
TAG Immobilien AG

Shareholders	Number of shares
Dr. Lutz R. Ristow und Rita Ristow	1,062,887
Albert Asmussen GmbH (Prof. Dr. Ronald Frohne)	278,127
A&B Vermögensverwaltung GmbH, Düsseldorf (Managing Director: Rolf Hauschildt)	300,000
WH Vermögensverwaltung GmbH, Düsseldorf (Waltraud Hauschildt)	400,000
RH Vermögensverwaltung GmbH, Düsseldorf (Rolf Hauschildt)	300,000
Dr. Wolfgang Schnell	51,786
Rolf Elgeti (CEO)	54,000
Hans-Ulrich Sutter (CFO)	7,500

Schwalbenburg, Hamburg

Statement of conformity

Statement of conformity by the Management Board and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act

The Management Board and the Supervisory Board of TAG Immobilien AG (hereinafter also referred to as the "Company") declare that the Company has conformed and continues to conform to the recommendations on corporate governance drafted by the Government Commission on the German Corporate Governance Code in the version dated 18 June 2009 (hereinafter referred to as "GCGC"), issued by the German Federal Ministry of Justice and published in the official part of the electronic Bundesanzeiger publication save for the following exceptions:

1. The members of the Supervisory Board and of the Management Board are - currently still - covered by a Group-wide D&O insurance policy, which provides for a small deductible (Article 3.8 of the GCGC). This entails a collective insurance policy which also covers the Group's other management and executive staff. To date, it has not been considered expedient to make any distinction between the members of the Supervisory Board and the Management Board, on the one hand, and the rest of the Company's employees, on the other. Accordingly, no such distinction has been provided for in the insurance policy. In accordance with the Management Board Compensation Act, which took effect on 5 August 2009, the deductible applicable to members of the Management Board is to be increased to one-and-a-half times their annual fixed compensation in the course of 2010 within the transitional period expiring on 30 June 2010 in accordance with the Act. The deductibles applicable to members of the Supervisory Board will also be increased to one-and-a-half times their annual fixed compensation within this period.

2. The Supervisory Board of TAG Immobilien AG has to date not formed any committees. In particular, it has not formed an audit committee (Article 5.3.2 Sentence 1 of the GCGC) or a nomination committee (Article 5.3.3 of the GCGC). The Company's Supervisory Board takes the view that such committees are neither necessary nor appropriate given the Company's specific situation, particularly the size of the Supervisory Board, which permits efficient activity.

3. The Company's consolidated financial statements are not published within 90 days of the end of the financial year (Article 7.1.2 of the GCGC). The consolidated financial statements are published within the first four months of the conclusion of the financial year or eight weeks after the end of the quarter in accordance with the statutory provisions. The Company's Management Board and Supervisory Board do not consider a shorter publication period to be justified given the differences in the periods and in view of the expense and volume of work involved.

Hamburg, im Dezember 2009

Supervisory Board and Management Board der TAG Immobilien AG

Supervisory Board Report

Dear Shareholders,
Ladies and Gentlemen,

In fiscal 2009, in fulfilling its advisory and monitoring duties as per the law and the company's Articles of Association, the Supervisory Board paid close attention to the Management Board's management of operations.

Monitoring of the management and cooperation with the Management Board

The Supervisory Board regularly advised the Management Board in the discharge of its duties and continuously monitored the management of the Company. The Supervisory Board was involved in all decisions of fundamental importance to TAG Immobilien AG and the Group.

In accordance with Section 90 para 1 and para 2 of the German Stock Corporations Act, the Management Board furnished regular, up-to-date and comprehensive information on all relevant issues of corporate planning and strategy. The Management Board reported orally and in writing on the Company's economic condition, the profitability of the Group's companies, its business progress, and on the risk situation and risk management.

The Chairman of the Supervisory Board was also in constant contact with the Management Board and in particular with the Chairman of the Management Board, and was regularly briefed on current business matters and major transactions. Important matters were immediately brought to his attention.

Deliberations and resolutions of the Supervisory Board

In a total of five meetings, the Supervisory Board deliberated on and discussed numerous topics as well as activities requiring its approval in conjunction with the Management Board. In urgent matters, resolutions were taken outside meetings. In addition, conference calls were held to coordinate the interim financial statements. No member of the Supervisory Board attended fewer than half of the meetings.

Against the background of the ongoing crisis in the financial and capital market, the meetings of the first half of the year focused especially on the redefinition of the Group's core business and adaptation of its business model to conditions in the real estate market. The consequences of the decision taken at the end of 2008 to largely end new building activities for third parties and project development were repeatedly the subject of discussions. The Supervisory Board agreed with the Management Board's decision to only continue with ongoing new construction projects, such as the Stuttgart Südtor property, and not to start any more new projects or develop existing sites. In addition, the sales of various properties were approved, mainly from the holdings of Bau-Verein zu Hamburg Aktien-Gesellschaft, in order to be able to exploit opportunities that presented themselves on the market.

At the meeting of 21 April 2009 Supervisory Board approved the annual financial statements for 2008 and the audit of the Company's results of operations by the auditors. Furthermore, the Management Board's duties were reallocated.

At the meetings held in the second half of the year, the Supervisory Board dealt in particular with the continuing effects of the financial and economic crisis, which had already led to a first-half loss of EUR -15.3 million due to market-driven and early depreciation of investment properties. Provisions for contingencies from construction activities of earlier years, made in line with the principles of commercial prudence following a detailed risk analysis update in the middle of the year, also contributed to the losses, as did restructuring measures to optimise the personnel structure. The Supervisory Board approved each of these proposals and actions by the Management Board, which were ultimately necessary to address the ongoing crisis.

In the session on 18 June 2009 it was decided to propose to the Annual General Meeting that a controlling and profit transfer agreement be signed between TAG Immobilien AG and TAG Gewerbeimmobilien-Aktiengesellschaft, in order to benefit from tax advantages. This decision was made irrespective of the strategic intent to convert TAG Gewerbeimmobilien-Aktiengesellschaft to a REIT if capital market conditions improve. The conversion has been postponed again.

At the meeting on 8 December 2009, the acquisition of Alpha Ostara's residential property portfolio was discussed and given a positive evaluation. The acquisition of 94 percent of the shares in Ostara Alpha S.á.r.l., which owns about 787 apartments located in Berlin and to a lesser extent in Flensburg and Zingst, was supported, as was the payment in shares, by means of a capital increase against contribution in kind. The resolution to increase the share capital was then adopted in parallel to the negotiations with the sellers of the shares and the determination of final details in a circular resolution on 30 December 2009 and 02 January 2010. The capital increase involves issuing 2,418,182 shares against contributions in kind.

At the meeting of 8 December 2009, in light of the coming-into-effect of the law on executive compensation on 4 August 2009, the model for identifying and determining the variable components of executive compensation was discussed. Details of the remuneration report are available on page 44 of this annual report.

Finally, in its meeting of 8 December 2009 the Supervisory Board determined that as an independent member, Prof. Ronald Frohne meets the criteria for independence and expertise in the field of accounting and auditing laid down in the revised version of the Accounting Law Modernization Act, as required under Section 100 para 5 of the German Stock Corporations Act.

The Supervisory Board approves the acquisition of additional shares in Bau-Verein zu Hamburg Aktien-Gesellschaft to increase the shareholding, which was increased from approx. 72 percent to approx. 91 percent during the period under review. This increased participation will help to simplify the Group structure.

For fiscal 2009, the Supervisory Board again regarded all measures for safeguarding liquidity as having priority over profit-earning activities.

By circular resolution dated 17 December 2009, the Supervisory Board and Management Board jointly decided to issue a convertible bond of EUR 12.5 million with an interest rate of 4.5 percent and a term of 3 years.

Auditors of 2009 financial statements

In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board engaged Nörenberg • Schröder GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, which had been elected at the Annual General Meeting, as the auditors of the annual financial statements of TAG Immobilien AG for 2009.

On May 4, 2009, the auditors submitted the declaration of independence stipulated by Article 7.2.1 of the German Corporate Governance Code, which provided no grounds for doubt or objections. The requirements specified in Article 7.2.3 of the German Corporate Governance Code with respect to the relations between the Company and the auditors have been met.

Approval of annual financial statements and consolidated financial statements

The auditors, Nörenberg • Schröder GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, audited of the annual financial statements and the management report as well as the consolidated financial statements and the Group management report for 2009, which were prepared in accordance with the International Financial Reporting Standards (IFRS). An unqualified auditor's report was issued.

The financial statements and the audit reports were forwarded to all members of the Supervisory Board in good time and deliberated upon in detail at the meeting on 9 April 2010.The auditors attended the meeting, during which they elaborated on their report and were available to answer any questions. The auditor also confirmed that the early risk detection system installed by the Management Board is suitable for detecting, early on, any developments liable to jeopardise the Company's continued existence.

The Supervisory Board accepted the auditors' results and, on the basis of its own review of the parent-company and consolidated financial statements together with the respective management reports, had no objections. Accordingly, the Supervisory Board approved and accepted the annual and consolidated financial statements prepared by the Management Board. At its meeting on 9 April 2010, the Supervisory Board additionally approved the resolutions which the shareholders were asked to pass at the Annual General Meeting.

Corporate Governance

In the year under review, the Supervisory Board paid particular attention to monitoring the management's compliance with the principles of good corporate governance. In particular, there was a risk of conflicting interests in that the members of the Management Board of TAG also held offices on the Management Board of Bau-Verein zu Hamburg Aktien-Gesellschaft. No such conflicts of interests arose in 2009.

At its meeting of 18 June 2009, in accordance with Section 114 of the German Stock Corporations Act the Supervisory Board approved the signing of a consulting contract with the law firm Nörr LLP. As a partner of this law firm, Prof. Frohne did not take part in this the vote.

At its meeting in December, the Supervisory Board and Management Board jointly issued the declaration of conformance mandated by Section 161 of the German Stock Corporations Act regarding the recommendations set out in the German Corporate Governance Code. The recommendations have been followed save for a small number of justified exceptions. Given its current size, which permits efficient and swift decisions, the Supervisory Board still does not see any need to establish separate committees.

Personnel

Due to the changed business model and large-scale discontinuation of the project development measures, Mr Erhard Flint stepped down early from his Management Board mandates at TAG Immobilien AG and at the same time at Bau-Verein zu Hamburg Aktien-Gesellschaft, effective 31 March 2009. Mr Andreas Ibel left the Management Boards of both corporations on 30 June 2009. With effect from 1 June 2009, Mr Rolf Elgeti was appointed to the Management Board and with effect from 1 July 2009 as Chairman of the Management Board. Mr Elgeti had previously resigned his seat on the Supervisory Board. The Supervisory Board thanks the members of the Management Board who departed in 2009 for their many years of service.

At the Annual General Meeting held on 27 August 2009, Mr Andrés Cramer was elected to the Supervisory Board of the Company in place of Mr Elgeti.

The employees of TAG and its subsidiaries made a great contribution to the Group's performance with their commitment and dedication in the year under review. The Supervisory Board wishes to thank the Management Board and all employees for their efforts.

Hamburg, April 2010

The Supervisory Board

Dr. Lutz Ristow
Vorsitzender

Siemens, Munich

Group Management Report for the year 2009

Overview

The two halves of the past fiscal year 2009 could not have been more different for TAG Immobilien AG (TAG). After the new CEO came on board at the end of the first half of 2009, the management decided for reasons of transparency to simultaneously adjust the value of the properties by EUR -15.3 million and make provisions for earlier construction activities in the amount of EUR -5.2 million. These items resulted in a pre-tax loss (EBT) of EUR 28.4 million at the end of the first half of 2009. In contrast to this, the second half of 2009 was dominated by vacancy reductions and cost cuts. These measures and the avoidance of further devaluations of the property book value resulted in positive earnings before taxes of EUR 3.7 million in the 2nd half of 2009.

The full year 2009 therefore resulted in pre-tax earnings of EUR -24.7 million (previous year: EUR -42.1 million) due to the expenses incurred in the first half. TAG Group increased its net actual rentals from EUR 46.0 million in 2008 to EUR 46.9 million, despite a resolute sell-off of properties to the tune of EUR 72.8 million (previous year: EUR 44.8 million) which led to a significant fall in rental income. The overall increase in rental income, which has been achieved mainly by reducing the vacancy rate, also resulted in an increase in rental profits, from EUR 34.4 million to EUR 35.0 million (+2 percent).

For fiscal 2009, reassessments of investment properties resulted in EUR -13.5 million in adjustments to their value (previous year: EUR -18.7 million), representing 2.3 percent (previous year: 3.0 percent) of the IFRS book values of our properties. Most of this was made in the commercial property segment. Impairment losses on land held as inventories were not required at 31 December 2009, after EUR 5.4 million in impairment losses the previous year. Gross profit as the sum of these effects came to EUR 28.0 million (previous year: EUR 26.4 million), a year-on-year increase of 6 percent.

In addition, there were one-off effects of EUR 6.7 million in 2009, resulting primarily from expenses for former business activities in the property development sector. TAG has responded to this development and is no longer active in this sector. Other one-off costs relate to personnel measures which will quickly lead to cost reductions. Revenues increased from EUR 101.9 million to EUR 134.4 million (+32 percent).

With a loan to value (LTV) ratio of 67.4 percent (previous year: 66.4 percent) and an equity ratio before minority interests of close to 25 percent (previous year: 27.1 percent) TAG Group has a sound balance sheet structure by sector standards. The Company’s LTV is the sum of its liabilities to credit institutions, plus debts in connection with non-current assets intended for sale, minus cash and cash equivalents in relation to the property volume.

Based on the result for 2009, the Company will not be distributing any dividend for the year under review.

TAG Group

Business activity and group structure

TAG is the holding company of a diversified and clearly structured real estate group. Its activities focus on German metropolitan regions with growth potential, such as Hamburg, Berlin, Munich and the Rhine/Main region. It is headquartered in Hamburg, with additional branches in Berlin and Munich. TAG is divided into two divisions covering residential real estate and commercial real estate. TAG Group also offers real estate services as a supplement to its range of business. The subsidiary Bau-Verein zu Hamburg Aktien-Gesellschaft ("Bau-Verein" for short), which is also a listed company, is responsible for residential real estate within TAG Group.

Following the acquisition of nearly 20 percent of Bau-Verein's shares in the fourth quarter of 2009, TAG now approximately 91 percent of the Bau-Verein's share capital. This underlines TAG's continued focus on its core segment of residential real estate.

Most of TAG's commercial properties are held by TAG Gewerbeimmobilien-Aktiengesellschaft (TAG Gewerbe). The main business of TAG Gewerbe is the purchase, development and leasing of commercial real estate. The Company received pre-REIT status in June 2007. Achieving full REIT status for TAG Gewerbe is of secondary importance given the background of the current economic situation, and plans to convert TAG Gewerbe into a REIT are on hold until further notice.

LARUS Asset Management GmbH is the services unit, and offers the full spectrum of property management services within the Group. It manages its own commercial properties as well as those of third parties. The company, which was founded in 1992 as B.u.P. Project Management GmbH, became a joint venture between HSH Real Estate AG and TAG Immobilien AG in December 2007, and has been operating as LARUS Asset Management GmbH since autumn 2008.

Strategy and objectives

Over the past few years, TAG has effectively developed and expanded its portfolio through strategic, value-enhancing management. In 2009 in particular, the Company benefited from positive developments in vacancy reduction in the residential sector. In this way TAG was able to harness existing potential for achieving growth and unlocking value, enhancing both the yield and the earnings potential of the properties in its portfolio through active portfolio management. The strategic focus continues to be on real estate in German metropolitan regions which are characterised by attractive locations offering growth potential and a favourable long-term outlook. At the same time, properties of less strategic importance are being culled from the portfolio in order to realise profits and positive cash flows through value creation or when favourable opportunities arise. The success of this strategy is based on the Company's many years of experience and extensive, indepth knowledge of the market. TAG has used opportunities in the German property market to expand and diversify the business model into several segments and further optimise it. Thus, the Company is well set-up to deal with future challenges even against the current backdrop of rather subdued economic development.

Focus on longterm portfolio and active asset management

Through active asset management and targeted investments in individual properties TAG is gradually realising existing potential that leads directly to increased rental income. In principle, its business activities centre on the generation of stable cash flows and attractive returns. The reduction of vacancies in the residential property segment is paramount in this process. After a vacancy rate of 7.3 percent was achieved by 31 December 2009, the goal for 2010 is to significantly reduce this further.

As a result of the global financial crisis, the Group had already discontinued its property and construction development activities in 2008. All construction measures were reduced and no new construction projects were initiated in 2008, except those whose funding had already been secured in advance. An example of this is the Stuttgart Südtor project

Company Management

As in the past, the Company uses a modern financial tracking system, which allows it to calculate value growth and returns in connection with liquidity and earnings requirements in order to manage its growth targets. In this connection, TAG is managed according to the results achieved at the property level of the individual business segments. Key factors in this respect include feasibility studies, utilisation optimisation, cost accounting and controlling, and returns. Regular meetings with the asset and property management departments ensure that any portfolio measures taken are strategically sound. This includes all steps in the process from purchase to property positioning, rental, capital spending, valuation, optimisation and exit timing. In addition, all results and project budgets are reviewed at least once a year by independent international valuers with extensive market expertise, after which reports are produced following inspection of the real estate.

Underlying economic conditions

The global economy

Last year, the financial crisis triggered by the global economic crisis led to the worst macro-economic slump since post-war times. Overall, the world's economic output declined by around 2 percent - the first decline since 1950. The industrialised countries were particularly hard-hit by the recession, with a loss of around 3.5 percent, and especially economies dependent on exports and investment goods such as Japan and Germany. At its peak, the impact of the crisis on orders, industrial production, capacity utilization and exports was felt in almost all sectors. Less favourable financing conditions and substantial losses on the stock exchanges and stock markets led to declines in demand - in some cases immense - for investment and consumer durables. Ultimately, it is due to the numerous assistance measures by central banks and governments that the global economy did not slip even deeper into recession during the course of last year. Instead the speed of the downward trend slowed significantly and the low point was passed. The central banks lowered interest rates and accelerated liquidity measures. At the same time many governments launched economic stimulus programmes. This meant that by mid-2009 a vague global economic recovery was apparent.

Essential factors in this were the effects of the government stimulus programmes, a pick-up of trade on the world market, and the recovery of the financial and stock markets. As a result of this economic recovery and the low figures for the previous year some countries showed significant growth in real gross domestic product (GDP) in the second half of 2009. However, this was overshadowed by the rise in unemployment figures and these increases had a negative impact on private consumption. At the same time there was a growing reluctance to invest. In conclusion, growth in developed countries was hardly based on a self-supporting recovery, but rather on the aforementioned wide range of assistance measures and economic programmes.

The German economy - Key indices

In the second half of 2009, the largest economies in the euro zone, especially Germany and Italy, recorded slight gains, though over the course of 2009 Germany's economic performance in terms of GDP fell for the first time in six years: by 5 percent adjusted for price (according to a preliminary estimate by the German Federal Statistical Office of 13 January 2010). For the current year, the national economic institutes expect a rise in real GDP of between 1.2 percent (Institut für Weltwirtschaft - Institute for World Economics) and 2.1 percent (Deutsches Institut für Wirtschaftsforschung - German Institute for Economic Research). A further increase in GDP within this range is also predicted for 2011. Thus, the turnaround out of the crisis has indeed been achieved - but pre-crisis levels won't be reached until 2012. A recovery of the labour market is not yet in sight. According to the Hamburgisches Weltwirtschaftsinstitut (Hamburg Institute of International Economics), average unemployment for the year will rise to 3.61 million this year and grow further in 2011 to 3.78 million (Source: Dow Jones March 3, 2010).

The IFO business barometer, one of the most important early indicators for developments in the German economy, predicts stagnating revenues in 2010 - after 2009 brought the biggest decline since German reunification. Most recently, in February 2010, the IFO business barometer unexpectedly fell from 95.8 to 95.2 points, which the IFO Institute attributes to the icy winter (Source: Handelsblatt February 23, 2010).

The financial markets have eased markedly in the past year. This was due to unprecedented financial support from the central banks and a rate cut by the European Central Bank (ECB) to a record low of 1 percent. The ECB is expected to leave interest rates unchanged at 1 percent. In parallel to this development, prices fell in many euro zone economies during February, so that consumer prices in the euro area were only 0.9 percent more expensive year-on-year. Thus, the rate of inflation is currently below 2 percent. Many economists feel that there is no danger of inflation in the next few months of the current year (Source: Handelsblatt 21 January 2010, 4 March 2010).

Performance of the German real estate market

Commercial real estate

Office space rental volumes in the main German cities such as Berlin, Düsseldorf, Essen, Frankfurt, Hamburg, Cologne, Leipzig, Munich and Stuttgart declined by 23.5 percent to 2.85 million square metres in 2009, according to DIP/Aengevelt Research. Top and average rents also declined by 7.9 percent and 8.4 percent respectively. Munich, Hamburg and Stuttgart were exceptions to this trend. Most of the vacancy rates in the major office markets have also risen. In West Germany, vacancy was highest in Frankfurt at 14.4 percent, followed by Düsseldorf at 10.3 percent, Munich 9.7 percent, Berlin at 8.4 percent and Hamburg at 7.5 percent. Rental losses are to be expected in the development of the rental market in 2010 due to layoffs in the service industries as well as bankruptcies. First-class office properties with modern facilities and low energy consumption are not affected by these negative developments. In addition, it is expected that rental volumes of 2009 will not be reached again this year (Source: Die Welt, 19 January 2010).

Transaction volumes in the German commercial real estate market continued to decline in 2009. According to real estate consultants Jones Lang Lasalle, revenues from commercial properties came to EUR 10.3 billion, 47 percent less than in 2008. More than half of the total transaction volumes (EUR 5.4 billion) came from the main German office centres of Berlin, Düsseldorf, Frankfurt, Cologne and Munich, a year-on-year decline of around 30 percent in the aforementioned commercial property sector strongholds (2008: EUR 7.4 billion). The most serious decline - 51 percent - was seen in Frankfurt.

Office and retail properties were most in demand among investors in 2009. 42 percent of 2009 transaction volumes were for office properties and 28 percent for retail properties.

The buyer structure has changed completely. It appears that today's buyers are the former sellers of the „years of plenty". Moreover, the market is dominated by German investors with almost 90 percent of invested capital, mainly from funds, private investors, insurance companies, pension funds, and project developers. Foreign investors, who have opportunistically acquired a lot of real estate in the past, divested themselves of larger properties in particular last year due to the adverse market situation (Source: Jones Lang Lasalle, on.point, Capital Markets Newsletter Q4 2009, published 2010).

Real estate players in the euro zone are cautiously optimistic about the outlook for 2010. On the one hand, it is uncertain how the termination of the stimulus programmes will affect the economy, and on the other the high level of debt and the refinancing of securitisations are regarded with some concern. Nevertheless, in 2010 there will be a demand for larger, more attractive properties. However, there is likely to be a reversal in the trend in top rents and yields achieved, and - as was also the case in 2009 - risk-averse and equity-rich investors will be active on the buyer side. Based on these conditions and interest rates that continue to be attractive, real estate experts Jones Lang Lasalle expect slightly higher transaction volumes of EUR 12 billion in 2010. In their opinion, distress sales will still remain the exception in 2010, even though some of the financing of the boom years will gradually be coming to an end (Source: Jones Lang Lasalle, on.point, Capital Markets Newsletter Q4 2009, published 2010).

Residential real estate

In parallel to the office properties market, transaction volumes in the residential sector decreased to a total of 107 portfolios with 56,000 residential units and an estimated value of EUR 3.2 billion. The property experts at Savills attribute the declining investment to smaller traded residential packages and a changing customer structure, which largely consists of private investors, local housing companies and closed and open real estate funds.

The criteria for the traded residential portfolios are of high quality, as interest centres on fully let existing properties in good condition, or new construction projects in urban centres (Source: Handelsblatt 15 January 2010).

Germany remains an attractive location for property investment. The housing market in particular is a balanced market where from an investor's point of view, real estate is basically an attractive investment instrument, because as a material asset it brings stable returns and in appropriate locations there are hardly any vacancies.

This outlook, while cautious - for both the commercial and residential property sector - speaks for the stability and attractiveness of the German real estate market, particularly in these economically trying times. Generally speaking, there will still be buyers for small to medium sized portfolios this year. Prices will remain stable, particularly for residential properties in very sought-after locations and urban centres.

For buyers, the reluctance of banks to lend will be more critical. Therefore, a strong equity basis is a prerequisite when purchasing a property. And finally, the location of the property is crucial. In central areas and the centres of large cities with growth potential it can be assumed that rents will continue to remain at stable levels.

Against the backdrop of this rather subdued economic outlook, TAG feels that its diversified portfolio puts it in a good position to deal with future challenges. TAG's residential and commercial properties are mainly located in sought-after areas in German cities like Berlin, Hamburg, Munich and the Rhine/Main region. Existing properties are characterised by high quality, attractive returns, and - particularly in the commercial sector - stable cash flows based on long-term leases.

Accounting principles

Pursuant to Regulation (EC) No. 1606/2002, the consolidated financial statements of the listed stock corporation TAG as of 31 December 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as supplemented by the provisions of Section 315a (1) HGB (German Commercial Code). The annual financial statements of TAG as well as those of the Group companies were again prepared in accordance with the provisions of the German Commercial Code. In accordance with Regulation (EC) No. 1606/2002, the consolidated subgroup financial statements of listed subsidiary Bau-Verein zu Hamburg Aktien-Gesellschaft as of 31 December 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS), as supplemented by the provisions contained in Section 315a (1) of the German Commercial Code.

Results of operations

Operating performance

Despite an improvement in its operating business in 2009 accompanied by an increase in net rental income from EUR 46.0 million in 2008 to EUR 46.9 million in 2009, TAG sustained a loss of EUR 29.2 million after tax and minority interests (previous year loss of EUR 30.6 million). This was primarily due to impairment losses on real estate and non-recurring costs.

Consolidated revenues came to EUR 134.4 million (previous year EUR 101.9 million). At the same time, net income from ongoing rental business rose to EUR 35.0 million in 2009 (previous year EUR 34.4 million). In the period under review, revenues of EUR 72.8 million were generated from the sale of residential and commercial real estate (previous year EUR 44.8 million), translating into net income from sales of EUR 0.1 million (previous year EUR 2.5 million). Despite the higher rental income, it was necessary to adjust the fair value of the investment properties by a total of EUR 13.5 million (previous year EUR 18.7 million) primarily as a result of the higher property interest particularly in the commercial real estate segment. Fair values were reduced by 2 percent in the commercial real estate segment and by 2.7 percent in the residential real estate segment compared with 31 December 2008. The fair value adjustments do not have any effect on liquidity or the applicable loan covenants.

The Company has reacted to the protracted credit crisis and the resultant effects on all sectors of the economy by adjusting its previous business model. As a result, rental activities have been extended, while new construction and portfolio development have been scaled back. Moreover, staff costs were reduced substantially in 2009. TAG is planning to reduce its staff and material costs by a total of 50 percent compared with 2008 by 2010. Non-recurring costs of EUR 6.7 million arose in 2009 primarily in connection with staff layoffs as well as earlier construction activity. The loss at the EBT level stands at EUR 24.7 million (previous year loss of EUR 42.1 million).

With a loan-to-value (LTV) ratio of 67 percent and an equity ratio of 25 percent, the TAG Group has a sound balance sheet structure by sector standards and remains adequately financed. Thanks to strategic real estate management, the Group is able to enhance the value of its real estate and harness long-term stable income from rentals and, in individual cases, from real estate sales and purchases. A good example of this strategy was the purchase in 2009 of the Steckelhörn property in Hamburg, in which TAG's headquarters are located and which is mostly leased to third parties.

Revenues and earnings

Revenues, other operating income and fair value remeasurement

Revenues increased by 32 percent from EUR 101.9 million to EUR 134.4 million. At the same time, rental income including income from the collection of ancillary costs rose by 10 percent to EUR 59.7 million, up from EUR 54.2 million, within the TAG Group. Service income declined to EUR 1.8 million in 2009, down from EUR 2.8 million in 2008.

Revenues from sales of properties surged from EUR 44.8 million in 2008 to EUR 72.8 million in 2009 primarily as a result of heightened sales from the portfolio of investment properties.

Other operating income resulted from the favourable outcome of litigation, among other things, and stabilised at EUR 4.6 million (previous year EUR 5.4 million).

The net loss of EUR 13.5 million arising from the remeasurement of investment properties at their fair values, compared with the net gain of EUR 18.7 million in the previous year, was a material reason for the unsatisfactory gross profit. The remeasurements were primarily necessitated by the protracted credit crisis and are typical of the sector as a whole.

Despite these impairments, the Company still sees this as vindicating its strategy of reinforcing the profitability of investment properties by means of active project management. Situated in urban locations in German cities, TAG's real estate generates stable cash flows and good returns and thus underpins its long-term profitability.

Gross profit

The TAG Group's gross profit climbed from EUR 26.4 million in 2008 to EUR 28.0 million in 2009. This improvement was attributable to the reduced impairment losses on investment properties (up EUR 5.2 million on the previous year) and was offset only partially by reduced net income from sales as well as lower service income.

Expenses

Consolidated personnel expenses climbed from EUR 9.6 million to EUR 10.8 million as a result of non-recurring costs incurred in connection with adjustments to headcount.

Other operating expenses also increased from EUR 15.2 million 2008 to EUR 17.0 million as a result of non-recurring expenses in connection with earlier construction activities, the effects of which were not fully offset by cost cuts.

EBIT

The loss at the EBIT level (i.e. before interest and taxes) narrowed from EUR 5.7 million to EUR 1.3 million due to the substantial reduction in impairment losses on investment properties and receivables.

Share of profit of associates

In contrast to the previous year, in which the the share of losses of associates including impairment losses on receivables came to EUR 7.8 million, it was possible to report a share of profit of associates of EUR 1.9 million primarily as a result of the reversal of impairments which had been recognised on receivables.

Net borrowing costs

Net borrowing costs dropped to EUR 25.3 million (previous year EUR 27.9 million) particularly as a result of the sale of properties and the related lower borrowing requirements.

Earnings before taxes (EBT)

The loss at the EBT level contracted to EUR 24.7 million (previous year EUR 42.1 million).

Income taxes

Consolidated income tax expense came to EUR 6.1 million in 2009, following on from the income tax credits of EUR 10.1 million in 2008. The non-cash change is primarily due to revised tax forecasts for Group companies as well as the signing of a control and profit transfer agreement within the Group as a result of which unused tax losses cannot be utilised for the duration of the agreement.

Consolidated net loss after minority interests

Consolidated net loss after minority interests came to EUR 29.2 million (previous year consolidated net loss of EUR 30.6 million).

TAG's segments

The following section describes the performance of the Group's individual segments.

Residential real estate segment

Revenues from the Group's residential real estate portfolio rose by 49.3 percent in 2009 from EUR 67.2 million in the previous year to EUR 100.3 million.

At EUR 51.8 million in 2009, up from EUR 15.0 million in the previous year, Hamburg accounted for the greatest share of revenues. Thus, revenues in the Hamburg region increased more than three-fold, also delivering the greatest top-line growth in the residential real estate segment. The increase of EUR 36.8 million (+246 percent) was primarily due to property sales in 2009.

Revenues generated in the Berlin region rose by 17.9 percent from EUR 26.9 million in 2008 to EUR 31.7 million in 2009 due to the substantial reduction in vacancies as well as the sale of properties.

At EUR 4.0 million, the best earnings and, hence, the greatest bottom-line contribution within the residential real estate segment were achieved in Hamburg. This favourable result was also attributable to the stable fair values achieved in Hamburg.

Net earnings in the residential real estate segment came to EUR 4.9 million in 2009, down from EUR 9.2 million in the previous year. This decline was caused by fair value losses, predominantly in the Berlin region.

Commercial real estate segment
Revenues rose to EUR 30.2 million in the year under review, up from EUR 29.7 million in the previous year thanks to higher rental income.

Segment earnings more than doubled to EUR 14.0 million in 2009, up from EUR 5.3 million in the previous year, due to reduced fair value remeasurement losses, among other things.

Services segment
The services segment generated revenues of EUR 4.2 million in the year under review (previous year EUR 6.5 million), including internal Group revenues of EUR 2.4 million (previous year EUR 3.6 million). In line with the decline in revenues, segment earnings dropped from EUR 6.5 million in the previous year to EUR 4.2 million in 2009.

Financial condition and net assets

Total assets

Total assets contracted to EUR 801.4 million at the end of 2009, down from EUR 842.3 million at the end of 2008. This was accompanied by a decline in the equity ratio to just under 25 percent, compared with 27.1 percent in the previous year. Equity before minorities dropped from EUR 228.1 million at the end of 2008 to EUR 196.4 million at the end of 2009 due to the loss sustained for the year as well as the market-induced decline in the fair values of hedges, which - including deferred taxes and before minorities - resulted in a deduction of EUR 1.5 million from equity.

The value of the investment properties fell from EUR 620.9 million at the end of 2008 to EUR 596.7 million at the end of 2009 primarily as a result of selling and adjustments to fair value. The increase in property, plant and equipment from EUR 2.0 million in the previous year to EUR 10.2 million as of December 31, 2009 was predominantly due to the self-used share of the Group's real estate reported within this item. Available-for-sale properties dropped in value from EUR 176.7 million at the end of the previous year to EUR 146.6 million as of 31 December 2009 primarily as a result of property sales. As of 31 December 2009, the non-current available-for-sale assets comprise solely investment properties of EUR 17.9 million (previous year EUR 5.6 million), which are to be sold in the following year.

As a result of the declining fair values of real estate and reduced unused tax losses, there was a net overhang of deferred tax assets of EUR 2.0 million as of 31 December 2009, down from EUR 7.1 million in the previous year.

Capital spending

Total capital spending contracted from EUR 106.3 million in 2008 to EUR 71.5 million in 2009. The main focus of capital spending was on the Stuttgart Südtor construction project, which had been commenced in 2008 and is expected to be completed at the end of 2010. A total of EUR 23.4 million was invested in this project in 2009. A further highlight was the acquisition of the Steckelhörn 5-9 office building in Hamburg for EUR 20.3 million. Part of this building is being used as the Group headquarters for TAG and Bau-Verein.

A further amount of EUR 17.1 million was spent on acquiring further Bau-Verein shares. In accordance with IFRS, this investment is reported within cash flow from financing activities in the consolidated cash flow statement.

Finance

Total consolidated liabilities climbed to EUR 596.9 million in 2009, up from EUR 588.1 million in 2008. This was primarily due to an increase from EUR 2.0 million to EUR 8.6 million in the bank borrowings reported within liabilities in connection with non-current available-for-sale assets.

As of the end of 2009, the TAG Group had the following funding structure:

Bank borrowings due for repayment in more than one year were valued at EUR 400.9 million, compared with EUR 408.0 million in 2008. The Group is seeking to achieve a shift from short-term to long-term debt in its funding structures. The average interest rate on these non-current liabilities stood at around 4.9 percent allowing for the hedges utilised. In accordance with the investment strategy, current bank borrowings contracted from EUR 130.1 million in 2008 to EUR 116.3 million in 2009. The average interest rate on these liabilities was around 3.9 percent.

On the other hand, miscellaneous non-current liabilities rose from EUR 13.0 million to EUR 22.5 million primarily due to the issue of a convertible bond. Issued in December 2009, it has a total nominal value of EUR 12.5 million and is divided into units of EUR 125,000.00 each. It expires on 31 December 2012 and has a coupon of 4.5 percent p.a. The issue price stood at 100 percent of the nominal amount. The initial conversion price was fixed at EUR 5.15. The convertible bond may be converted into TAG stock using the contingent capital approved by the shareholders on 27 August 2009. The maximum number of shares is approx. 2.43 million.

in TEUR	**12/31/2009**	**12/31/2008**
Equity capital (including minority interests)	204,481	254,180
Bank borrowings	517,243	538,042
Other borrowings	71,084	48,104
Liabilities in connection with non-current available-for-sale assets	8,613	1,961
Total equity and liabilities	**801,421**	**842,287**

TAG assumes that all loans expiring in 2010 will be renewed as planned. TAG does not have any foreign-currency finance. In expectation of lower market interest rates, the Company's overall borrowing costs in should drop in the long term. Even though this will be partially off-set by higher bank margins, overall borrowing costs will still be lower, thus taking pressure off the TAG Group's costs.

Funding structure	12/31/2009	12/31/2008
Bank borrowings in TEUR	**517,243**	**538,042**
of which non-current	400,939	407,980
of which current	116,304	130,062
Net borrowing costs	-25,329	-27,910
Average interest rate in %		
non-current	4.9	5.6
current	3.9	5.7
Hedging of interest risks through swaps/caps		
Nominal volume in TEUR	299,399	316,919
Interest rate in %	4.5	4.4
Average term in years	4.1	5.5

Breakdown by remaining period	Mio. EUR
2010	116
2011	52
2012	110
2013	22
2014	64
2015	0
2016	27
2017	112
2018	14
Total	**517**

General statement on the Group's net assets, financial condition and results of operations

TAG's total assets contracted slightly by 5 percent in 2009, while the carrying amount of its investment properties fell by 4 percent. Although the Group sustained a net loss after minorities of EUR 29.2 million caused by impairment losses on investment properties, the conditions are in place for a future improvement thanks to the reinforcement and strengthening of operating business.

At just under 25 percent, the equity ratio remains at a high level by sector standards. TAG has sufficient liquidity and is solidly financed.

Employees

The TAG Group requires qualified specialists and executives to reach its strategic and operating goals. Dynamic and committed staff are crucial for its business success. Accordingly, the Group attaches key importance to bonding and training staff especially as the constant changes in undergoing conditions give rise to new tasks which can only be performed by committed and qualified employees.

At the end of 2009, TAG had 119 employees - excluding trainees, janitors and cleaning staff - down from 126 one year earlier.

Staff training at all levels of the Group ensures that employees have the competence required. This ensures strong employee bonding and a high number of qualified staff. TAG also offers its employees language and IT courses as well as instruction on real-estate-related matters via external training institutions. The training program also includes numerous internal courses for staff. Given the intensified competition for qualified staff and demographic trends, the availability of internal training is becoming an increasingly important competitive factor. TAG is a recognised career trainer in the real estate industry. In 2009, the Group had a total of 9 school leavers in traineeships.

Mr. Erhard Flint left the Company's Management Board effective 31 March 2009. He had been responsible for the TAG Group's construction, portfolio development and sales activities since January 2006. The CEO Mr. Andreas Ibel, who had also held his office since 2006, left the Company effective 30 June 2009. Rolf Elgeti was appointed new CEO of TAG by the Supervisory Board effective 1 June 2009. Mr. Elgeti had previously been a member of the Supervisory Board since October 2008.

Report on the Company's remuneration system in accordance with Section 315 (2) No. 4 of the German Commercial Code (remuneration report).

In accordance with the recommendations of the German Corporate Governance Code in the version dated 18 June 2009, the remuneration received by the members of the Management Board comprised fixed components which were paid on a monthly basis as well as a variable bonus, which was determined and paid once a year on the basis of the Group's business performance.

The amount of the variable bonus was tied to the Group's earnings before tax (EBT) calculated on the basis of the IFRS consolidated financial statements and was determined by the chairman of the Supervisory Board after the adoption of the consolidated financial statements. It was capped at a maximum amount.

With the Management Board Remuneration Act taking effect on 5 August 2009, the Supervisory Board discussed the implementation of these new provisions and the adjustments necessary to the variable Management Board remuneration as a result of these statutory requirements at its meetings in the second half of 2009.

At its meeting of 23 February 2010, the Supervisory Board decided to determine the variable components of the Management Board remuneration for 2009 on the basis of the following criteria, all of which fundamentally have the same ranking:

- performance of the share price in the year
- performance of the net asset value of the share in the year, and
- earnings before tax as recorded in the IFRS consolidated financial statements for the year net of any fair value remeasurement gains or losses on the investment properties.

These figures were calculated relative to the figures for the previous year. In the event of any extraordinary development in the individual criteria, the Supervisory Board may change their respective weighting

The variable remuneration is paid in instalments, i.e. over a period of three years, and may be corrected in the event of any deterioration in the Company's performance. Upon the ordinary termination of office on the part of any member of the Management Board, such member is entitled to receive the outstanding part of the variable remuneration to which he is entitled. The variable remuneration has been capped at EUR 250,000.00 or, in the case of the chairman of the Management Board (CEO), at EUR 500,000.00. No provision has been made for stock options or similar variable remuneration arrangements.

The members of TAG's Management Board are not entitled to claim any additional bonuses or remuneration if they simultaneously serve on the Management Board of Bau-Verein. The variable remuneration is determined and approved solely at the level of TAG.

In the event of any change of control, i.e. if one or more shareholders acquire a majority of the voting rights or a controlling influence over TAG, Mr. Rolf Elgeti, the chairman of the Management Board (CEO), is entitled to terminate his service contract subject to advance notice of six months. If this special right of termination is exercised, the Company undertakes to pay Mr. Elgeti a gross settlement on the date on which he leaves the Company equalling his annual gross salary provided that the service contract still has a remaining period of at least 24 months as of the date of termination. In the event of a shorter remaining period, he is entitled to claim a gross settlement equalling the gross salary which he would have earned in the remaining term of the service contract. A further condition precedent for payment of such gross settlement is the termination of any concurrent service contract in force with Bau-Verein.

The service contracts with the members of the Management Board do not provide for any pension entitlement to accrue. In the event of premature termination of the service contract for any other reason there is no entitlement to claim compensation. Please refer to the notes to the consolidated financial statements for details of the remuneration paid to the members of the Management Board.

Disclosures in accordance with Section 315 (4) of the German Commercial Code

The Company's share capital continues to stand at EUR 32,566,364.00 as of 31 December 2009 and is thus unchanged over the previous year. It is divided into 32,566,364 shares. The same rights are attached to all shares. There is one vote per share; dividend entitlement is determined by the number of shares held.

In a resolution passed at the annual general meeting held on 27 August 2009, the shareholders authorised the Management Board subject to the Supervisory Board's approval to increase the Company's share capital by a total amount of no more than EUR 8,000,000.00 by issuing up to 8,000,000 no-par-value ordinary shares on a cash and/or non-cash basis once or repeated times on or before 26 August 2014.

In addition, at the annual general meeting held on 27 August 2009, the shareholders authorised the Management Board subject to the Supervisory Board's approval to issue convertible and/or option bonds with a total nominal amount of up to EUR 64 million with a term of no more than ten years on or before 26 August 2014 and to grant the bearers or creditors of such bonds conversion or option rights on new shares in TAG with a proportionate share of its share capital of up to EUR 8,000,000.00 in accordance with the terms and conditions determined.

TAG is managed and represented by its Management Board. The Management Board comprises at least two persons who are appointed for a period of no more than five years in accordance with Section 84 of the German Stock Corporation Act. A repeated appointment or renewal of the period of office for a further maximum of five years is permissible.

The Supervisory Board names one of the members of the Management Board as Chairman. The Supervisory Board may dismiss the members of the Management Board and revoke the office of chairman of the Management Board for good cause, e.g. in the case of a material breach of duty, inability to engage in proper management or a resolution passed by the shareholders providing for a vote of no confidence.

The scope of the activities which the Company may perform is defined in its bylaws. These bylaws may only be modified by a resolution passed by the shareholders in accordance with Section 133 of the German Stock Corporations Act. In the absence of any mandatory statutory provisions, the shareholders pass their resolutions in accordance with the bylaws with a simple majority of the votes cast and, where applicable, a simple majority of the capital represented. A majority of at least 75 percent of the share capital represented is required for any amendment to the Company's purpose in accordance with Section 179 (2) of the German Stock Corporation Act.

TAG has entered into a change-of-control agreement in connection with a loan received. In the event of any change in the shareholder structure resulting in a change of control, the loan of EUR 10 million granted by the bank in question is subject to immediate repayment. Other than this, TAG itself has not entered into any material agreements which include change-of-control clauses. Only Bau-Verein entered into a contract with conwert Immobilien Invest SE, Vienna, governing their joint subsidiary GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg, under which the other party was entitled to exercise a call option in the event of any change in the shareholder structure or if any competing company was able to exercise material influence on the jointly held subsidiary, in this case GAG Grundstücksverwaltungs-Aktiengesellschaft.

However, this arrangement ceased to apply as of 1 January 2010 as Bau-Verein transferred the remaining shares in GAG Grundstücksverwaltungs-Aktiengesellschaft to conwert property Invest SE effective 31 December 2009.

The chairman of the Management Board (CEO) has a special right of termination in the event of any change in TAG's current shareholder structure. If this special right of termination is utilised, he is entitled to claim a settlement based on the remaining period of service contract as of the date of termination. Further information can be found in the remuneration report.

The Company is only aware of a single direct or indirect holding of more than 10 percent of its voting rights. This is held by Taube Hodson Stonex Partners LLP, London, United Kingdom. As of the balance sheet date, this entity held a share of 13.37 percent (previous year 16.77 percent).

Corporate governance declaration in accordance with Section 289a of the German Commercial Code

The corporate governance declaration in accordance with Section 289a of the German Commerical Code can be found on TAG's web site at www.tag-ag.com/investor_relations.

Risk report

Risk management system

The main purpose of risk and opportunities management is to safeguard the TAG Group and to ensure its continued development. All organisational units within TAG are obliged to observe the requirements of risk management to reduce exposure to risks, to safeguard the Group's assets and to support its continued successful performance.

The conscious management of risks permits the resultant opportunities to be harnessed with greater reliability. The Management Board of TAG is responsible for implementing an extensive and appropriate risk management process. As in previous years, a risk early detection system is utilised in accordance with Section 91 (2) of the German Stock Corporation Act. Group controlling supports the Management Board and the organisational units required to submit reports on a methodical basis by means of recurring internal report controls. Risks are recorded and evaluated once a quarter, with the countermeasures taken reviewed and updated. In addition, the Management Board and the Supervisory Board are kept regularly informed in writing. Moreover, the Management Board is immediately notified of all material risks and provided with the necessary information to take the requisite steps with minimum delay. The reviews conducted did not give rise to any evidence calling into question the appropriateness, efficacy and functioning of the risk management system.

Risk identification

In order to identify risks, TAG monitors general conditions and trends in the financial services and real estate sectors as well as internal processes. Risk identification is an ongoing task on account of the constant changes in conditions and requirements and is integrated in operative processes through the use of checklists, for example. As a matter of principle, all organisational units are required to identify risks likely to arise from present or future activity. Regular meetings, controlling discussions, department meetings, one-on-ones and queries also help to identify risks.

Sector risks

TAG is exposed to general risks in connection with the real estate sector. These risks typically entail the following:

- cyclical movements in the real estate market in general and in international and local markets
- sales and rental risks
- the risk of physical damage
- construction risks and the risk of construction budgets being exceeded

Description of individual risks

The head of each organisational unit is responsible for assessing risks. Each risk must be evaluated in terms of its potential loss and its probability of occurrence so as to identify the extent of the TAG Group's exposure. Individual risks must be evaluated in terms of their interdependencies with other risks. Controlling is integrated in the risk-exposed buying and selling processes.

General and sector risks
TAG is exposed to various risks in the real estate sector. In the rental market, surplus supply may exert pressure on prices and margins and result in vacancies. TAG minimises this risk by means of intensive examinations of the local market ahead of an investment.

TAG's real estate portfolio is subject to risks in the rental and investment markets. Market risks relate to possible changes in underlying economic conditions which may have an adverse effect on rental income and market conditions, resulting in heightened vacancy rates and lower revenues. On the demand side of the rental market, cyclical effects and long-term structural shifts may give rise to risks. Many experts expect the European economy and employment market to continue stagnating or even come under pressure from the turbulence afflicting the financial markets since 2008, the problems in the US housing market, the depreciation of the euro and rising oil prices.

In contrast to peripheral locations, the dynamic metropolitan regions and selected other locations which form the focus of TAG's strategy will not be materially affected by demographic factors - in contrast to more remote locations - meaning that TAG does not see any demo-graphic risk over the next ten years.

Unexpected changes on the supply and demand side of the rental markets are reflected in actual rental income, vacancies, future market expectations and thus ultimately also real estates prices. TAG sees little risk of any impairment in the fundamental appeal of real estates as an asset class. Various studies demonstrate that the particular risk/reward profile of real estate compared with other asset classes, the combination of security (inherent value of a tangible asset) and regular rental income will ensure that real estate plays a greater role in the asset portfolios of institutional investors.

Regulatory and political risks
TAG is exposed to general risks arising from changes in regulatory or legislative conditions. As its activities are confined to Germany and such changes normally do not occur suddenly or unexpectedly, there is sufficient time to adjust. We consider this risk to be marginal in 2010.

Rental risks
TAG addresses the risk of payment defaults under rental leases by leasing its properties to companies with a good credit rating in conjunction with a consistent and low-risk business model. In the case of residential tenants, a standard credit check is performed prior to the contract

being signed. TAG attempts to avoid risk clustering, i.e. a small number of tenants accounting for a large proportion of rental income. Siemens AG at TAG's largest tenant is considered to be an investment-grade premium tenant.

In addition, the risk of rental payment defaults is averted by an intensive analysis of the property, location and tenants ahead of the acquisition as well as ongoing observation of the relevant real estate markets. The scope for third-party utilisation also plays a crucial role in investments. Generally speaking, long-term leases are sought. At the same time, measures are taken at an early stage to ensure that expiring leases are renewed. Although there is an individual risk of default, we consider it to be marginal in its entirety.

In connection with rental risks, it should be noted that the leases which TAG has with Siemens AG as its largest tenant have been entered into for different periods. Some leases have a term of five years and expire in 2010. If they are not renewed and it is not possible to find a new tenant for the property, this will have an adverse effect on TAG Gewerbe's rental income and the fair value of its real estate.

Risks arising from corporate strategy

TAG considers the main risks with respect to corporate strategy to entail transaction risks. The crisis afflicting the financial market and tighter lending practices caused the transaction market to come to an almost complete standstill in 2008 and 2009. If any acquisition opportunities arise for TAG in 2010, there is a risk in connection with large-volume portfolio of the earnings and synergistic potential being overrated and the rental and cost risks being underrated.

TAG is responding to these risks by means of thorough pre-acquisition due-diligence exercises and the use of risk-oriented forecasts which are rolled over and adjusted with minimum delay on an ongoing basis.

Payment risks

Loss may occur as a result of excess payments or defaults, among other things. We consider the loss of assets to be the main source of risk in this respect and address it by means of an internal control system comprising incoming invoice examinations as well as payment approval components, among other things. This system is documented by means of instructions and signing rules and is regularly monitored.

We consider the probability and the potential financial effects of these risks to be minimal at the moment.

Financial risks

TAG's business activities expose it to various risks of a financial nature. These risks comprise interest, liquidity and loan renewals. On the basis of the guidelines issued by the Company's managing bodies, risk management is based in the central finance department. The counterparty default risks for derivative financial instruments and financial transactions are minimised by selecting investment-grade financial institutions.

Credit risks

TAG is dependent upon the receipt of bank loans to finance further acquisitions. Similarly, it must renew these loans when they expire or find alternate sources of finance. In all cases there is a risk that it may not be possible to renew such loans on these terms or only on less favourable terms due to the current financial crisis. However, TAG had already addressed this risk by restructuring material parts of its non-current debt in the previous year.

In December 2009, TAG took out a loan for EUR 10 million with a bank subject to the observance of certain financial covenants. The resultant risk is considered to be small. Similarly, the convertible bond of EUR 12.5 million issued in December 2009 is subject to certain terms and conditions which, if breached, constitute a liquidity risk.

The financial covenants and the terms and conditions underlying the convertible bond stipulate certain requirements with respect to TAG's gearing. In this connection, reporting and approval duties apply. Failure to comply with these requirements may result in the termination of these loans. In addition, a loan of EUR 245.1 million has been raised at the level of TAG Gewerbe and a further loan of EUR 31.0 million at the level of Bau-Verein for which financial covenants specifying certain capital service ratios and equity/debt ratios have been agreed. If any of these covenants are breached, premature loan repayments may be necessary.

Liquidity risk

At the moment, acquisition and selling business is proving difficult on account of the financial market crisis. The transaction market has largely come to a standstill.

TAG reacted systematically and appropriately to this in 2008 by adopting a strict cost-cutting programme and converting current debt into non-current debt. Accordingly, the risk is considered to be calculable given the selling activities as well as the issue of the convertible bond.

Extensive liquidity planning instruments are used in both the short and medium term area at the level of the individual operating subsidiary and the Group as a whole to ensure that business transactions are based on forecast data. Extensive liquidity reports are regularly submitted to the Management Board.

Interest risk

The Group's activities primarily expose it to risks arising from changes in interest rates. It uses derivative financial instruments to the extent necessary for managing existing interest risks. These include interest swaps to minimise exposure in the event of rising interest rates.

The TAG Group uses derivatives based on hedged assets to actively manage and reduce interest risks. As of 31 December 2009, subsidiaries Bau-Verein and TAG Gewerbe had conservative interest derivatives (mainly payer swaps) in a volume of roughly EUR 299.4 million (previous year EUR 316.9 million). Payer swaps constitute synthetic fixed-rate agreements in connection with a variable underlying. In this way, the Group is able to reduce its exposure to changes in the money market and also heighten the plannability of debt servicing with respect to the hedged repayments.

The Group's interest management works actively with credit management and Group planning. As a result, it is possible to structure derivatives in such a way that they generate the greatest possible benefits and maximum stability for the Group's current and future status.

Future changes in market interest rates may cause the derivatives to exert adverse effects on the hedge reserve in equity or consolidated net earnings.

Currency risk

As a matter of principle, all new loans are denominated in euros. One loan in Swiss francs was refinanced in euros in mid 2008. As of the balance sheet date, it has a volume of around EUR 7 million with a fixed interest rate and matures at the end of 2011. Accordingly, there is no currency risk.

Personnel risk

The TAG Group requires qualified specialists and executives to reach its strategic and operating goals. Dynamic and committed staff are crucial for its business success especially as the constant changes in undergoing conditions give rise to new tasks which can only be performed by committed and qualified employees.

It is a permanent challenge to recruit and retain employees for the Group in the face of intensive competition. Staff training at all levels of the Group ensures that employees possess the skills required. In addition, employees can be assigned tasks most matching their particular skills thanks to the fact that the subgroups concentrate on separate core business segments. Appropriate provisions have been set aside for all future material personnel-related risks.

IT and environmental risks

A loss of data or a protracted failure of the systems utilised could result in disruptions in TAG's business operations. For this reason, the Company has established its own network to avert external attacks on its IT systems. All relevant data is backed up on a daily basis. We therefore consider this risk and its possible ramifications to be small.

Legal risks

TAG has set aside reasonable provisions to cover risks in connection with legal disputes, claims for damages or guarantee claims. It supports the its subsidiaries efforts to raise the finance they require by issuing guarantees and letters of comfort. In addition, finance is made possible in the first place or granted at more favourable terms and conditions. These guarantees involve risks for TAG due to the risk of recourse being taken in the event of unforeseen project developments.

In 2009, a greater number of claims were asserted against TAG Asset Management GmbH by buyers of historical residential units on the grounds that the preferential tax treatment expected when the purchase contract was signed was not received. Encouraged by the pro-consumer court decisions, the acquirers are seeking to recover damages or, in some cases, to revoke the contracts, some of which were entered into many years ago. TAG is seeking to defend itself against such claims but is simultaneously endeavouring to compensate the acquirers in out-of-court settlements for any loss actually sustained. As far as can be seen, sufficient provisions have been set aside to cove these risks.

In connection with services provided in earlier years by TAG Asset Management GmbH for the acquisition of real estate, there are legal risks in connection with claims for the recovery of damages, which have so far only been asserted out of court and for which no provisions have been set aside. TAG Asset Management GmbH is currently engaged in negotiations to settle these claims. The maximum risk is estimated to be around EUR 1.6 million, although it currently cannot be quantified conclusively.

Other risks

Other risks are considered to be immaterial, improbable or minor in terms of their economic impact.

Material characteristics of the internal control and risk management system of relevance for Group accounting

The structure of TAG's internal control system of relevance for accounting is largely derived from the central organisation of its accounting system. Nearly all of the Group's financial statements are prepared by its own employees at the Group headquarters in Hamburg. Even though parts of accounting activities are performed locally, e.g. payroll accounting, which is handled by external service providers, and rental accounting, which is performed by the external and internal facility management company or LARUS Asset Management GmbH, final responsibility is held by the accounting department.

All the figures in the financial statements of the individual companies as well as the sub-group financial statements are checked by Financial Controlling and reconciled with the budgets. The main findings derived from these figures are submitted to the Management Board in a monthly report. The half-year and full-year figures are reviewed by external independent auditors. During the statutory audit, the Group's internal control system of relevance for accounting, including the IT system, is also examined. The statutory auditors report to the Management Board and the Supervisory Board on any material shortcomings and scope for improvement.

The accounts department primarily uses two software packages, both of which have been certified by independent auditors, to prepare the financial statements. In 2009, these are "Blue Eagle" and "Wowi/CS". The support of external service providers is utilised to prepare the internal and annual financial statements. Thus, independent valuers prepare reports on the fair value of our real estate. In addition, external tax consultants assist with tax calculations. The fair value of interest swaps is calculated with the assistance of external experts. Risks arising from interest swaps are monitored on an ongoing basis. The efficiency of interests swaps relative to the hedged loans is determined on a quarterly basis.

Overall view

In the light of the risks described above and the current business outlook, we do not see any risks liable to impair TAG's status as a going concern.

Events occurring after the balance sheet date

The non-cash equity issue executed by the Management Board on 18 December 2009 with the Supervisory Board's approval using part of the authorised capital was entered in the commercial register on 11 March 2010. As a result, the Company's share capital increased by 2,418,182 shares to EUR 34,984,546.00 as of 11 March 2010. The non-cash contribution was used to finance the acquisition of a portfolio comprising 787 residential units, mostly located in the Berlin metropolitan region.

No other events of material importance capable of affecting the Company's business performance occurred after the balance sheet date.

Outlook

Economic expectations

DThe overall global economy recovered during the second half of 2009, but in the euro zone this was merely a moderate recovery. Nor is a significant improvement in the global economy expected for 2010 and 2011. There is little convincing evidence that a self-sustaining and lasting recovery has really taken place. Recent positive growth in the real economy is largely based on the special effects of the economic stimulus programmes. However, their effect will lessen in the next few months of the current year.

The resulting repercussions will be manifested in rising unemployment, a negative consumer climate and increasing bankruptcies, which in turn can affect the rental business as well as existing leases. With regard to the financial market, it is currently unclear what impact the continuing necessary consolidation efforts - explicitly by the banks - will have on the real economy. It appears that a rather dampening effect may be expected from this quarter, especially as regards the lending needed to finance a recovery.

In addition, significant economic risks exist worldwide from renewed turmoil in the financial and capital markets, a continued tightening of the credit markets, steeply rising commodity prices and other deflationary tendencies. These global economic risks can of course also have an unpredictable impact on the euro zone and on the German economy in particular.

For the current year, the national economic institutes expect a rise in real GDP of between 1.2 percent (Institut für Weltwirtschaft - Institute for World Economics) and 2.1 percent (Deutsches Institut für Wirtschaftsforschung - German Institute for Economic Research). And a further increase in GDP within this range is also predicted for 2011.

Expected profit situation / Outlook

Germany is still a stable market for real estate and thus an attractive location for property investment. The residential market in particular is a balanced market. With its diversified business model, split into the residential, commercial and service segments, TAG is in a position to actively exploit the opportunities of the whole real estate market while minimising risk. Its portfolio includes residential property in attractive locations in German metropolitan regions such as Hamburg, Berlin and Munich and the Rhine/Main region. These locations are characterised by a good infrastructure and growth potential in both economic and demographic terms.

Economic as well as purchasing power are concentrated in these regions, and despite the current economic difficulties, TAG believes that rentals will remain stable over the next few years and that it will be possible to gradually increase them, particularly in the residential segment, by means of active asset management. On the one hand this will be achieved by unlocking the potential available in the residential real estate market to directly increase rentals, and on the other through the vacancy reduction being pursued by the Company. The successful implementation of these activities has already led to increases in rental income at year-end.

In the current year of 2010 the focus will also be on further reducing vacancy in the residential property segment. We believe that the successful implementation of these activities, along with strategic, moderate investment, will have a favourable effect on revenues and earnings, as well as offering potential for increasing the value of our real estate. Apart from this, we will also take advantage of opportunities for further growth in the housing market, provided our acquisition criteria - such as the increase in net asset value, positive cash flow, and a positive effect on Group net income - are met.

The development of the German commercial property market is not quite as easy as in the residential segment. Given the uncertain economic situation for the next two years, rising vacancy rates and potential rent losses must be expected due to possible insolvencies. At the same time it is difficult to foresee the extent to which companies will be forced to make cost-saving measures that can be reflected in a reduction of leased space and the accompanying risk of rental losses.

In our opinion there is no potential need for write-downs of our commercial property values, as TAG's commercial real estate is characterised by good urban locations in German metropolitan regions offering growth potential. Furthermore, the Company generally has long-term leases with investment-grade tenants in the commercial real estate segment, which should minimise the risk of payment default.
No further acquisitions are currently planned in the commercial real estate sector; the focus of business activities is on asset management.

As well as the optimisation of the portfolio, the consolidation of the Group was largely completed in the second half of 2009. Against this background, the future staff and administrative costs have been significantly reduced. In future, all costs of the Group, including the financial result, can be covered solely from rental income from the residential and commercial segments. In other words, we achieved operational turnaround for TAG in 2009.

Following the portfolio restructuring and successful turnaround, TAG is optimally positioned for continued growth. TAG's strategic opportunity lies in being able to automatically improve its profitability and cash flow by making attractive acquisitions at already existing sites, thanks to the scalability of its business model and based on absolute optimisation of costs.

Based on this strategy, we, the management of TAG, expect pre-tax earnings (EBT) of at least EUR 10 million for 2010. And for 2011 we forecast a further increase in EBT.

Hamburg, 30 March 2010

Rolf Elgeti **Hans-Ulrich Sutter**

Consolidated balance sheet

Assets in TEUR	Notes	12/31/2009	(adjusted) 12/31/2008	(adjusted) 01/01/2008
Non-current assets				
Investment properties	(1)	596,720	620,942	556,702
Intangible assets	(2)	400	49	77
Property, plant and equipment	(3)	10,216	2,036	2,129
Investments in associates	(4)	440	347	4,220
Other financial assets	(5)	396	375	1,532
Deferred taxes	(6)	6,659	10,064	4,377
		614,831	**633,813**	**569,037**
Current assets				
Land with unfinished and finished buildings	(7)	146,618	176,667	204,610
Other inventories	(7)	1,619	478	6,430
Trade receivables	(8)	5,646	5,358	65,606
Income tax refund claims	(8)	1,074	1,395	458
Other current assets	(8)	6,858	11,365	26,484
Cash and cash equivalents	(9)	6,840	5,880	14,013
		168,655	**201,143**	**317,601**
Non-current available-for-sale assets	(10)	**17,935**	**7,331**	**0**
		801,421	**842,287**	**886,638**

Equity and liabilities in TEUR	Notes	12/31/2009	(adjusted) 12/31/2008	(adjusted) 01/01/2008
Equity				
Subscribed capital	(11)	32,566	32,566	32,566
Share premium	(12)	170,307	220,093	219,966
Other reserves	(13)	-11,866	-10,349	-208
Unappropriated surplus/-loss	(14)	5,391	-14,190	19,689
Attributable to the equity-holders of the parent company		196,398	228,120	272,013
Minority interests	(15)	8,083	26,060	34,500
		204,481	**254,180**	**306,513**
Non-current liabilities				
Bank borrowings	(16)	400,939	407,980	295,580
Retirement benefit provisions	(17)	1,881	1,920	1,962
Other non-current liabilities	(18)	22,521	13,018	8
Deferred taxes	(6)	4,618	2,990	13,054
		429,959	**425,908**	**310,604**
Current liabilities				
Other provisions	(19)	17,908	11,639	22,075
Income tax liabilities	(20)	1,854	1,440	4,114
Bank borrowings	(16)	116,304	130,062	217,377
Trade payables	(21)	6,105	8,603	15,627
Other current liabilities	(22)	16,197	8,494	10,328
		158,368	**160,238**	**269,521**
Liabilities in connection with the non-current available-for-sale assets	(23)	**8,613**	**1,961**	**0**
		801,421	**842,287**	**886,638**

Consolidated income statement

in TEUR	Notes	2009	(adjusted) 2008
Total revenues	**(24)**	**134,375**	**101,896**
Rental revenues	(24)	59,745	54,231
Rental expenses	(27)	-24,727	-19,861
Net rental income		35,018	34,370
Revenues from the sale of inventory real estate	(24)	37,081	44,546
Expenses on the sale of inventory real estate	(27)	-35,437	-42,084
Net revenues from sale of inventory real estate		1,644	2,462
Revenues from the sale of investment properties	(24)	35,749	296
Expenses on the sale of investment properties	(27)	-37,293	-296
Net revenues from sale of investment properties		-1,544	0
Revenues / net revenues from property management	(24)	1,800	2,823
Other operating income	(25)	4,599	5,427
Fair-value remeasurement of investment properties	(26)	-13,495	-18,700
Gross profit		**28,022**	**26,382**
Personnel expenses	(28)	-10,826	-9,556
Depreciation/amortisation	(29)	-651	-392
Impairment losses on receivables and inventories	(30)	-875	-6,941
Other operating expenses	(31)	-16,963	-15,233
EBIT		**-1,293**	**-5,740**
Share of profit of investees	(32)	0	-727
Share of profit of associates	(33)	93	-3,617
Impairment losses on receivables from associates	(34)	1,797	-4,140
Interest income	(35)	6,308	16,972
Borrowing costs	(35)	-31,637	-44,882
EBT		**-24,732**	**-42,134**
Income taxes	(36)	-6,096	10,089
Other taxes	(37)	-416	-11
Consolidated net profit/loss from continuing activities		**-31,244**	**-32,056**
Consolidated net profit/loss from discontinued business	(38)	0	-4,385
Consolidated net profit/loss before minorities		**-31,244**	**-36,441**
of which attributable to minority interests	(15)	-2,078	-5,819
of which attributable to the equityholders of the parent company		-29,166	-30,622
Earnings per share (EUR), basic			
Basic loss per share	(39)	-0.90	-0.94
Diluted loss per share	(39)	-0.83	-0.94

Consilidated statement of comprehensive income

in TEUR	Notes	2009	(adjusted) 2008
Net loss as shown in the income statement		**-31.244**	**-36.441**
Unrealised gains and losses from hedge accounting	(13)	-2.503	-16.090
Deferred taxes on unrealised gains and losses	(6)	801	5.149
Other comprehensive income after taxes		-1.702	-10.941
Total comprehensive income		**-32.946**	**-47.382**
of which attributable to minority interests	(15)	-2.263	-6.619
of which attributable to the equityholders of the parent company		-30.683	-40.763

Consolidated cash flow statement

in TEUR	Notes	2009	(adjusted) 2008
Consolidated net loss (attributable to equity holders of the parent)		**-29,166**	**-30,622**
Depreciation/amortisation	(29)	651	392
Impairment of other financial assets	(32)	0	800
Share of profits/losses of associates	(33)	-93	3,617
Changes from remeasurement of investment properties	(26)	13,495	18,700
Impairments on receivables and inventories	(30)	875	6,941
Reversals/impairments of receivables from associates	(34)	-1,797	4,140
Losses from the disposal of investment properties	(1)	1,544	0
Changes in deferred income taxes	(6)	5,033	-15,751
Changes in provisions	(17, 19)	6,230	-10,478
Changes in receivables and other assets	(7, 8, 9, 10)	15,247	72,274
Changes in payables and other liabilities	(18, 20, 22, 23)	1,066	-13,991
Cash flow from operating activities		**13,085**	**36,022**
Payments made for investments in investment properties	(1)	-18,677	-64,984
Payments received from the disposal of investment properties	(1)	35,749	296
Payments made for investments in intangible assets and property, plant and equipment	(2, 3)	-9,438	-271
Payments made for investments in other financial assets	(5)	-21	0
Cash flow from investing activities		**7,613**	**-64,959**
Dividends paid to shareholders	(14)	0	-3,257
Payments received from the issue of convertible bonds	(18)	12,500	0
Payments received from bank borrowings	(16)	56,129	173,933
Payments made for repaying bank borrowings	(16)	-76,556	-148,831
Payments made for business combinations without change of status	(12,15)	-17,137	-1,024
Cash flow from financing activities		**-25,064**	**20,821**
Net change in cash and cash equivalents		-4,366	-8,116
Cash and cash equivalents at the beginning of the period	(9)	3,771	11,887
Cash and cash equivalents at the end of the period	(9)	**-595**	**3,771**

Statement of changes in consolidated equity

in TEUR	Notes	Equity holders of the parent company: Subscribed capital	Share premium	Other reserves: Retained earnings	Other reserves: Hedge accounting reserve	Unappropriated surplus /accumulated loss	Total	Minority interests	Total equity
01/01/2008 before adjustments		**32,566**	**219,606**	**527**	**-735**	**20,049**	**272,013**	**34,500**	**306,513**
Adjustments in accordance with IAS 8		0	360	0	0	-360	0	0	0
01/01/2008		**32,566**	**219,966**	**527**	**-735**	**19,689**	**272,013**	**34,500**	**306,513**
Consolidated net profit		0	0	0	-10,141	-30,622	-40,763	-6,619	-47,382
Business combination without change of status	(12, 15)	0	127	0	0	0	127	-1,151	-1,024
Payments made to shareholders	(14)	0	0	0	0	-3,257	-3,257	-670	-3,927
12/31/2008		**32,566**	**220,093**	**527**	**-10,876**	**-14,190**	**228,120**	**26,060**	**254,180**
Consolidated net profit		0	0	0	-1,517	-29,166	-30,683	-2,263	-32,946
Business combination without change of status	(12, 15)	0	-1,407	0	0	0	-1,407	-15,730	-17,137
Issue of convertible bond	(12, 18)	0	368	0	0	0	368	0	368
Amounts withdrawn from share premium	(12, 14)	0	-48,747	0	0	48,747	0	0	0
Other changes in minorities	(15)	0	0	0	0	0	0	16	16
12/31/2009		**32,566**	**170,307**	**527**	**-12,393**	**5,391**	**196,398**	**8,083**	**204,481**

Consolidated segment report

in TEUR	Real estate Hamburg	Real estate Berlin	Real estate Munich	Real estate Others	Total Resi-dential	Com-mercial	Services	Other acitivites/ Consoli-dation	Group
Total revenues	**51,784**	**31,735**	**5,878**	**10,945**	**100,342**	**30,160**	**4,216**	**-343**	**134,375**
Previous year	14,954	26,919	20,545	4,806	67,224	29,722	6,466	-1,516	101,896
■ Of which external revenues	51,784	31,735	5,878	10,945	100,342	30,160	1,800	2,073	134,375
Previous year	14,954	26,919	20,545	4,806	67,224	29,722	2,823	2,127	101,896
■ Of which internal revenues	0	0	0	0	0	0	2,416	-2,416	0
Previous year	0	0	0	0	0	0	3,643	-3,643	0
Segment profit/loss	**4,049**	**-2,403**	**1,678**	**1,591**	**4,915**	**14,018**	**4,195**	**296**	**23,424**
Previous year	7,518	-2,650	4,578	-293	9,153	5,297	6,466	39	20,955
■ Of which remea-surement of investment properties	-215	-5,695	-40	-110	-6,060	-7,402	0	-33	-13,495
Previous year	3,473	-5,161	723	-1,965	-2,930	-15,770	0	0	-18,700
■ Non-allocated other operating income									4,599
Previous year									5,427
Gross profit									**28,023**
Previous year									26,382
■ Non-allocated income and expenses									-52,754
Previous year									-68,517
EBT									**-24,731**
Previous year									-42,134
Segment assets	**83,638**	**203,365**	**43,089**	**31,484**	**361,576**	**403,203**	**0**	**5,295**	**770,074**
Previous year	125,227	202,938	45,846	38,021	412,032	386,808	0	5,391	804,231
■ Non-allocated assets									31,347
Previous year									38,056
Total assets									**801,421**
Previous year									842,287

Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of TAG Immobilien AG, Hamburg, (hereinafter referred to as "TAG" or the "Company" or, in connection with the Group as the "TAG Group") as of 31 December 2009 were prepared in accordance with the International Financial Reporting Standards in the form required to be applied in the European Union. In addition, the provisions contained in Section 315a (1) of the German Commercial Code were observed. The requirements set forth in the standards applied have been fulfilled and result in the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.

The following new accounting standards and interpretations were subject to compulsory application for the first time for the IFRS consolidated financial statements prepared for the previous year:

As a result of the first-time application of the revised IAS 1 "Presentation of the Financial Statements", equity which is not related to transactions with the shareholders, is presented in two statements, the income statement and the statement of comprehensive income. The statement of changes in equity now concentrates on transactions with shareholders in their capacity as owner. The first-time application of IAS 1 resulted in some changes to the presentation of individual items without any modifications to the rules for recognising or measuring such items.

The revisions to IFRS 7 "Financial Instruments: Disclosures" led to additional disclosures in the notes concerning the methods used to measure the fair value of financial instruments as well as the type and extent of risk.

IFRS 7	Financial instruments: disclosures (revised)
IAS 1	Presentation of financial statements (revised)
IAS 23	Borrowing costs (revised)
IFRIC 9 und IAS 39	Reassessment of embedded derivatives / financial instruments: recognition and measurement
IFRIC 11	Group and treasury share transactions in accordance with IFRS 2
IFRIC 13	Customer loyalty programmes
IFRIC 15	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
Diverse	IFRS 2008 improvement project

The first-time application of these new accounting rules did not have any effect on the consolidated financial statements.

The following standards, which were new or revised as of the balance sheet date and had in some cases not yet been endorsed by the European Union, are not applicable until after the balance sheet date - pending endorsement by the European Union - and were not early adopted on a voluntary basis.

IFRS 2	Share-based payments (still awaiting EU endorsement)
IFRS 3	Business combinations (modified in 2008, to be applied from 2010)
IAS 24	Related party disclosures (modified, to be applied from 2011)
IAS 27	Consolidated and separate financial statements (modified in 2008, to be applied from 2010)
IAS 32	Financial instruments: disclosure (modified, to be applied from 2011)
IAS 39	Financial instruments: recognition and measurement - eligible hedged items (modified, to be applied from 2010)
IFRIC 9	Financial instruments: classification and measurement
IFRIC 12	Service concession agreements (to be applied from 2010)
IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 16	Hedges of a net investment in a foreign operation (to be applied from 2010)
IFRIC 17	Distributions of non-cash assets to owners (to be applied from 2010)
IFRIC 18	Transfers of assets from customers (to be applied from 2010)
IFRIC 19	Extinguishing financial liabilities with equity instruments
Diverse	IFRS 2009 improvement project

Future application of the new and revised standards is currently not expected to have any material impact on the Group's consolidated financial statements. This particularly also applies to the modification to IAS 17 as a result of the 2009 improvement project, as a result of which real estate leases must also be assessed retroactively in accordance with the general criteria for classifying leases. EU endorsement of the improvement project is still pending, however.

The financial year of the parent company and the consolidated subsidiaries, joint ventures and associates, all of which are domiciled in Germany, is the calendar year. Uniform recognition and measurement methods have been applied to the financial statements prepared by the consolidated companies in accordance with IFRS. The consolidated financial statements are prepared in euros, which is the Group's functional currency. Amounts are mostly stated in thousands of euros (TEUR). As a result, rounding differences may occur.

The consolidated income statement is prepared using the type of total cost method. EBIT is defined as earnings before income and other taxes, interest and other net borrowing costs. EBT stands for earnings before income and other taxes.

The material part of its business is performed at the offices located at Steckelhörn 5, Hamburg. TAG is a listed real estate company which can look back on a history spanning more than 125 years. Its main business activities entail residential and commercial real estate in German metropolitan regions as well as the provision of real estate services. It primarily performs activities aimed at generating long-term value from its portfolios.

Under its articles of incorporation, the Company's object is to acquire and manage domestic and foreign real estate, to acquire and market equity interests including in real estate funds and to engage in all other related business as well as to build and operate railways and to construct, acquire, lease and operate transport companies of all kinds particularly motorised transport companies and to engage in all kinds of transportation including forwarding.

TAG's consolidated financial statements and Group management report were prepared by the Management Board and released for publication on 30 March 2010.

Consolidation

The consolidated financial statements include all companies in which TAG is entitled directly or indirectly to exercise a majority of the voting rights. These enterprises are included in the consolidated financial statements from the date on which the TAG Group obtains control. If shares in subsidiaries are considered to be of subordinate significance from the Group's perspective, they are recognised as financial instruments in accordance with IAS 39.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The excess of the cost of acquisition over the fair value is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

If shares are acquired or sold in companies which are previously or subsequently consolidated in full (business combination without any change of status), the differences between the purchase price and the carrying amount of the net assets acquired or sold are recognised directly in equity.

Joint ventures are recognised in the consolidated financial statements on a prorated basis. The assets and liabilities as well as revenues and expenses of jointly controlled entities are recognised in the consolidated financial statements in accordance with the size of the share held in these companies. Enterprises over which the Group may exercise significant influence (associates) are accounted for using the equity method of accounting.

Income and expenses as well as receivables and liabilities between fully consolidated companies are eliminated. Intercompany transactions not realised by a sale to third parties are eliminated.

Minority interests in consolidated equity capital and consolidated net profit are recorded under "Minorities" in the consolidated balance sheet and the consolidated income statement. The effects of purchase accounting recognised directly in the income statement are also included in calculating the share in consolidated net profit attributable to minority interests.

The following companies are consolidated in full:

- TAG Immobilien AG, Hamburg (parent company)
- Tegernsee-Bahn Betriebsgesellschaft mit beschränkter Haftung, Tegernsee (98.12 percent)
- Kraftverkehr Tegernsee-Immobilien GmbH, Tegernsee (98.28 percent)
- TAG Asset Management GmbH, Hamburg (99.97 percent)
- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg (90.54 percent)
- AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Hamburg (93.99 percent)
- TAG Gewerbeimmobilien-Aktiengesellschaft, Hamburg (99.98 percent)
- TAG Beteiligungs GmbH & Co. KG, Hamburg (99.50 percent)
- Wenzelsplatz Grundstücks GmbH, Hamburg (99.97 percent)
- Wenzelsplatz GmbH & Co. Nr. 1 KG, Hamburg (99.97 percent)
- Wasserkraftanlage Gückelsberg OHG, Leipzig (99.47 percent)
- TAG Dresdner Straße GmbH & Co. KG, Hamburg (99.97 percent)
- Ingenieur-Kontraktbau Gesellschaft für Ingenieurfertigbau mit beschränkter Haftung, Leipzig (99.97 percent)
- TAG Stuttgart-Südtor Verwaltungs GmbH, Hamburg (99.97 percent)
- TAG Stuttgart-Südtor Projektleitungs GmbH & Co. KG, Hamburg (99.97 percent)
- Trinom Hausverwaltungs GmbH i.L., Leipzig (99.97 percent)
- Bau-Verein zu Hamburg Altbau-Immobilien GmbH, Hamburg (90.54 percent)

- Bau-Verein zu Hamburg Wohnungsgesellschaft mbH, Hamburg (90.54 percent)
- BV Hamburger Wohnimmobilien GmbH, Hamburg (90.54 percent)
- BV Steckelhörn Verwaltungs GmbH, Hamburg (90.54 percent)
- BV Steckelhörn GmbH & Co. KG, Hamburg (90.54 percent)
- G+R City Immobilien GmbH, Berlin (90.54 percent)
- VFHG Verwaltungs GmbH, Berlin (90.54 percent)
- Wohnanlage Ottobrunn GmbH, Hamburg (90.54 percent)
- Bau-Verein zu Hamburg Eigenheim-Immobilien GmbH, Hamburg (90.54 percent)
- Bau-Verein zu Hamburg „Junges Wohnen“ GmbH, Hamburg (90.54 percent)
- URANIA Grundstücksgesellschaft mbH, Hamburg (90.54 percent)
- Bau-Verein zu Hamburg Hausverwaltungsgesellschaft mbH, Hamburg (90.54 percent)
- VFHG Haus- und Grundstücks GmbH & Co. Wohnanlage Friedrichstadt KG, Berlin (90.54 percent)
- ARCHPLAN Projekt Dianastraße GmbH, München (60.30 percent)
- Fürstenberg'sche Häuser GmbH, Hamburg (93.97 percent)
- Bau-Verein zu Hamburg Bauregie GmbH, Hamburg (90.54 percent)
- Patrona Saxoniae Grundbesitz GmbH, Hamburg (99.97 percent)
- Patrona Saxoniae GmbH & Co. KG, Hamburg (99.97 percent)
- TAG Logistik Immobilien Verwaltungs GmbH, Hamburg (99.98 percent)
- TAG Logistik Immobilien GmbH & Co. KG, Hamburg (99.98 percent)
- Hamburg-Bremer Vermögensverwaltungsgesellschaft mbH, Hamburg (90.54 percent)

In 2009, Feuerbachstraße 17/17a Leipzig Grundstücksverwaltung GmbH & Co. KG, Leipzig, was almagmated into TAG Immobilien AG and Wohnen im Loft AG & Co. oHG, Leipzig and Trinom Business Apartments GmbH, Leipzig, amalgamated into TAG Asset Management GmbH.

In addition, BV Steckelhörn GmbH & Co. KG and its general partner BV Steckelhörn Verwaltungs GmbH, were consolidated for the first time on 13 August 2009 following the acquisition of all their capital. These companies were newly incorporated or acquired as shelf companies by the Group. As of the date of acquisition, they did not have any business operations as defined in IFRS 3.

The following companies are consolidated on a proportionate basis:

- Neue Ufer GmbH & Co. KG, Leipzig (49.99 percent)
- DESIGN Bau BV Hamburg Verwaltungs GmbH, Hamburg (45.27 percent)
- DESIGN Bau BV Hamburg GmbH & Co. KG, Hamburg (45.27 percent)
- An den Obstgärten Verwaltungs GmbH, Ingelheim (45.27 percent)
- An den Obstgärten Bauträger GmbH & Co. KG, Ingelheim (45.27 percent)

With respect to the joint ventures, the shares in Neue Ufer GmbH & Co. KG, Leipzig, DESIGN Bau BV Hamburg GmbH & Co. KG, Hamburg and An den Obstgärten Bauträger GmbH & Co. KG, Ingelheim, are considered significant as of the balance sheet date.

The following financial data are available for these companies as of 31 December 2009:

Joint venture	Assets TEUR	Liabilities TEUR	Revenues TEUR	Net profit/loss TEUR
Neue Ufer GmbH & Co. KG, Leipzig	178 (Previous year 503)	5,964 (Previous year 5,871)	283 (Previous year 267)	-419 (Previous year -623)
DESIGN Bau BV Hamburg GmbH & Co. KG, Hamburg	8,513 (Previous year 11,687)	4,473 (Previous year 7,434)	87 (Previous year 916)	-212 (Previous year -248)
An den Obstgärten Bauträger GmbH & Co. KG, Ingelheim	8,130 (Previous year 7,697)	8,416 (Previous year 7,773)	2,806 (Previous year 2,928)	-209 (Previous year -17)

The assets and liabilities stated are current in nature.

The following companies are accounted for as associates using the equity method of accounting:

- GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg (17.81 percent, until 31 December 2009)
- GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH & Co. KG, Hamburg (45.27 percent)
- Verwaltung GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH, Hamburg (45.27 percent)
- LARUS Asset Management GmbH, Hamburg (49.79 percent)

The shares in GAG Grundstücksverwaltungs-Aktiengesellschaft were sold on 31 December 2009 for a price of EUR 1.00. Accordingly, this company was deconsolidated as of that date. As the carrying amount of this company's equity also stood at EUR 1.00, the sale did not generate any profit or loss.

The following combined financial information on these associates is available as of 31 December 2009:

Associates	Assets TEUR	Liabilities TEUR	Revenues TEUR	Net profit/loss TEUR
GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg	69,812 (Previous year 142,280)	78,484 (Previous year 142,910)	92,632 (Previous year 9,279)	-9,657 (Previous year -12,203)
GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH & Co. KG, Hamburg	5,605 (Previous year 5,630)	5,605 (Previous year 5,494)	411 (Previous year 579)	6 (Previous year -176)
Verwaltung GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH, Hamburg	31 (Previous year 30)	2 (Previous year 2)	2 (Previous year 2)	0 (Previous year 1)
LARUS Asset Management GmbH, Hamburg	6,205 (Previous year 6,444)	5,349 (Previous year 5,776)	4,519 (Previous year 4,066)	726 (Previous year 538)

The following companies are of subordinate importance for the consolidated financial statements and are therefore not consolidated on account of their immateriality. The following table sets out these companies with details of their equity and net profit/loss as calculated in accordance with German accounting rules together with TAG's other associates (in accordance with Sections 315a (1), 313 (2) of the German Commercial Code):

	Share held %	Equity capital TEUR	Net profit/loss TEUR
BVV Bau-Verein zu Hamburg Fonds Verwaltungs-gesellschaft mbH, Hamburg	90.54	446	20
Zweite BVV Bau-Verein zu Hamburg Fonds Verwaltungs-gesellschaft mbH, Hamburg	90.54	46	0
Zweite Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG, Hamburg	18.83	2,009	-133
Vierte Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG, Hamburg	35.58	1,113	124
TAG Beteiligungsverwaltungs GmbH, Hamburg	49.60	22	2
Adamshof Grundstücks GmbH, Leipzig	6.00	N/A	N/A

Disclosures on the shares held in fully and proportionately consolidated companies as well as associates and other investments refer to the shares held directly or indirectly by TAG.

Recognition and measurement principles

Principles

These financial statements are based on the going-concern principle. Amounts are for the most part measured at cost. This does not apply to investment properties or hedges, which are recognised at their fair value.

Investment properties

Investment properties are classified as properties held by the Group which it does not use itself and which are not available for sale. Available-for-sale properties are reported as current assets. Real estate which is to be held on a long-term basis but does not come within the definition of an investment property in accordance with IAS 40 is recorded within property, plant and equipment.

No marketing activities are performed in connection with investment properties. They are to be held in the portfolio and leased on a medium to long term basis and used to enhance the Group's enterprise value. Real estate held under operating leases in which the Group is the lessee is not classified as or reported within financial assets.

Investment properties are initially recognised at cost including transaction costs. They are subsequently measured at their fair value, which reflects market conditions as of the balance sheet date. Any gains or losses from changes in fair value are recognised in the income statement.

If investment properties are reclassified as current assets, subsequent measurement is based on the fair value as of the date of the change of use. If current assets are reclassified as investment properties, any difference between the fair value and the carrying amount as of that date is recognised in the income statement. When the Group completes the production of an internally generated investment property, any difference between the fair value and the carrying amount as of that date is also recognised in the income statement.

The fair values of investment properties were calculated with the assistance of external valuers based on current market data and using acknowledged valuation methods. For the most part, this involved the discounted cash flow method and the capitalised income value method.
The independent valuers retained are suitably qualified and experienced in the light of the location and type of the real estate to be valued.

Intangible assets

Individual intangible assets are initially recognised at cost. Intangible assets acquired as part of the acquisition of a company are recognised at their fair value as of the date of acquisition. Thereafter, they are recognised at cost less cumulative amortisation and cumulative impairment losses accruing.

Intangible assets with a definite useful life are written down on a straight-line basis over their expected useful life (generally three years) and tested for impairment in the event of any indication of any impairment in their value. The amortisation period and method are reviewed at the end of each year at least and any resultant changes treated as a change to the estimate.

Intangible assets with an indefinite life undergo impairment testing at least once a year at the level of the individual asset or at the level of the cash-generating unit. These intangible assets are not systematically written down. The indefinite life assumption is reviewed for its continued justification at least once a year. If the assumption no longer applies, the prospective definite useful life is applied.

Impairments on intangible assets are presented individually in Note 2 and recorded within amortisation of intangible assets in the income statement.

Property, plant and equipment

Property, plant and equipment are shown at cost less cumulative systematic depreciation and cumulative impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets in question, which is generally three to 13 years in the case of technical, business and operating equipment and 30 to 50 years in the case of real estate. The depreciation methods and useful lives are reviewed at the end of each fiscal year and adjusted if necessary. The carrying amounts of property, plant and equipment are reviewed for any impairment upon any evidence arising indicating that the carrying values exceed the recoverable values. Impairment losses on real estate are identified using external valuation reports prepared on the basis of the discounted cash flow method or the capitalised income value method. Impairments on property, plant and equipment are presented individually in Note 3 and recorded within depreciation of property, plant and equipment in the income statement.

Investments in associates

Investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant control but which is not a subsidiary or joint venture. In contrast to full consolidation, the assets, liabilities, income and expenses of the associate are not included in the consolidated financial statements when the equity method of accounting is applied.

The cumulative post-acquisition movements in the associate's equity are adjusted against the carrying amount of the investment on an annual basis. The Group's share of the associate's post-acquisition profits or losses is recognised in the income statement.

Other financial assets

This item includes financial assets which are initially recognised at their fair value. The Group determines the classification of its financial assets upon initial recognition and reviews this allocation at the end of each fiscal year to the extent that this is permissible and appropriate.

Financial assets at fair value through profit or loss are held for short-term trading purposes. Derivative financial instruments are also assigned to this category unless they are designated as derivatives and are effective as such. Profit and loss from financial assets held for trading purposes is recognised in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed payment dates are classified as held-to-maturity investments and measured at cost less repayments and an amount representing the difference between the original and repayable amount using the effective interest method. Impairments are recognised in the income statement.

Available-for-sale financial assets are assets which are not held for trading purposes or are designated as held-to-maturity investments and do not constitute loans and receivables. After initial recognition, they are measured at their fair value provided that this can be reliably determined, with any gains or losses recorded in a separate item under equity.

If it is not possible to reliably determine their fair value (e.g. in the case of non-listed shares in incorporated or non-incorporated entities), they are recognised at historical cost. When the asset is sold or if it is found to be impaired, the amount previously carried under equity is taken to the income statement.

Land with finished and unfinished buildings and other inventories

Land with finished and unfinished buildings and other inventories are reported at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Borrowing costs in connection with the acquisition or construction of land are capitalised provided that the applicable conditions for this are satisfied.

Trade receivables and other current assets

Trade receivables primarily result from the sale of real estate, rentals and facility management and are recorded at the original invoice amount less an adjustment for non-recoverable receivables. Receivables are adjusted if there is substantial objective evidence that the Group will not be able to recover the receivables. They are derecognised as soon as they are unrecoverable.

Income tax refund claims and liabilities as well as deferred taxes

Actual income tax refund claims and liabilities are recognised at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates and tax laws that have been enacted as of the balance sheet date.

Deferred income taxes are calculated using the balance-sheet oriented liability method for all temporary differences arising as of the balance sheet date between the carrying value of an asset or liability and its tax base. Excluded from this is goodwill arising from acquisition accounting.

Deferred income tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that realisation of the related income tax benefit through future taxable profits is probable within a forecast period of five years. The carrying amount of deferred income tax assets is reviewed on each balance sheet date and adjusted to the extent that sufficient taxable profits will not be available.

Deferred income tax assets and liabilities are measured on the basis of tax rates expected to apply in the period in which an asset is realised or a liability settled in the light of the tax rates likely to apply as of the date of reversal.

Deferred income tax assets are set off against deferred income tax liabilities of the same taxable entity if they relate to income taxes levied by the same taxation authority and the enterprise has a legally enforceable right to set off current tax assets against current tax liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank with an original maturity period of less than three months.

Non-current available-for-sale assets and related liabilities

A non-current asset or group of available-for-sale assets are designated as available for sale if the carrying amount is predominantly realised via a sales transaction rather than through continued use. They are recognised at the lower of the carrying amount and fair value net of the cost of disposal. These assets or groups of assets and the related liabilities are shown separately on the face of the balance sheet.

Differentiation of equity capital

Debt and equity instruments are classified as financial liabilities or equity depending on the economic effect of the underlying contract. An equity instrument is any contract that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities. Equity instruments are recorded at the issue process less directly attributable equity transaction costs.

Equity transaction costs are costs which would not have arisen had it not been for the issue of the equity instrument. Equity transaction costs (e.g. all costs related to equity issues) net of the resultant income tax benefits, are deducted from equity and netted with other paidin capital.

The components of a hybrid instrument issued by the Group (convertible bond) are recorded separately as financial liabilities and equity instruments in accordance with the economic effect of the underlying contract. The fair value of the debt capital component as of the date of issue is measured by reference to the market interest on comparable non-convertible instruments. This amount is recorded as a financial liability at amortised cost using the effective interest method until settlement in the case of conversion or expiry of the instrument. The equity component is determined by deducting the value of the debt capital component from the fair value of the entire instrument. The result net of income tax effects is recorded within equity and is not subject to subsequent measurement.

Hedges (cash flow hedge accounting)

The effective portion of the change in the fair value of derivatives suitable for use as cash flow hedges for floating-rate loans and designated as such is recorded in equity within a hedge accounting reserve taking account of the effects of deferred taxes. The hedge relates to the floating rates on the loans raised. The gains or losses attributable to the ineffective portion are recognised in profit and loss. Efficacy is measured using the dollar offset method.

(Expected) hedge relationships are removed from the balance sheet when the Group dissolves the hedge relationship or the hedging instrument expires or is sold, terminated or exercised or is no longer suitable for hedging. The gain or loss recognised in equity in full at this date is retained in equity and not released to the income statement until the hedged (expected) transaction is also recognised in the income statement. If the expected transaction is no longer likely to materialise, the entire gains or losses recognised in equity are immediately released to the income statement.

Liabilities

When liabilities, these predominantly being bank borrowings to finance real estate, are initially recognised, they are measured at cost, i.e. the fair value of the consideration given net of transaction costs. After initial recognition

Retirement benefit provisions

In the past, the Group had a defined-benefit retirement benefit plan for former members of the Management Board and employees of its subsidiary Bau-Verein zu Hamburg Aktien-Gesellschaft and their family members. Expenses incurred with the benefits granted under this plan are calculated using the projected unit credit method. The amount to be carried as a liability is the sum total of the present value of the defined-benefit obligation and the unrecognised actuarial gains and losses less unrecognised past service costs and the fair value of the plan assets used to directly settle the liability.

Other provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation is possible despite uncertainty as to the amount or timing.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. This also includes leases for a certain period of time. Leases are classified as finance leases if the risks and rewards incidental to ownership of the asset are transferred to the lessee. All other leases are classified as operating leases.

Accordingly, leases in which the Group is the lessor are predominantly operating leases. Economic ownership of the leased real estate and, hence, the duty to recognise it on the balance sheet, remain with the Group. Income from leases is reported as rental income.

Lease payments under operating leases in which the Group is the lessee are recognised as an expense in the income statement on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Group and the amount of revenue can be reliably measured.

Revenue from the sale of real estate is recognised when the risks and opportunities arising from ownership of the real estate have passed to the buyer (transfer of ownership rights, benefits and obligations arising from the real estate).

Rental income from investment properties as well as available-for-sale properties which are regularly leased when acquired or sold is recorded on a straight-line basis over the term of the lease.

Revenues from the provision of services are recognised in accordance with the percentage of completion as of the balance sheet provided that they can be reliably assessed. The percentage of completion is determined on the basis of the fees agreed upon with the customer under the individual contracts or for the specific activities.

Currency translation

The consolidated financial statements are prepared in euros. The euro is the currency of the primary economic environment in which the Group operates and is therefore the functional currency.

Foreign-currency transactions are translated into the functional currency of the applicable Group company at the exchange rate applying on the date of the transaction. Monetary foreign-currency items are subsequently translated at the applicable end-of-year exchange rate. Any exchange-rate differences arising in the settlement of foreign-currency transactions or from the translation of monetary foreign-currency items are taken to the income statement as exchange-rate gains or losses.

Material judgements and estimates

In applying the recognition and measurement methods, the Management Board has utilised the following accounting estimates and assumptions which have a material effect on the amounts shown in the consolidated financial statements:

- With respect to the real estate held by the Group, the Management Board must determine as of the balance sheet date whether it is held on a long-term basis for rental or for investment or whether it is available for sale. Depending on the outcome of this decision, real estate is accounted for as investment properties or as available-for-sale land with finished or unfinished buildings (inventories) or as non-current available-for-sale assets.
- The fair value of investment properties is determined solely on the basis of the results of the independent valuers who are retained for this purpose. These are mostly international companies. The calculations are performed using the discounted cash flow method or the capitalised income value method. For valuation purposes, the valuers must estimate certain factors, such as future rental income and the applicable discount rates, which may have a direct bearing on the fair value of the investment properties. The fair value of these properties as of the balance sheet date stood at TEUR 596,720 (previous year TEUR 620,942).
- The estimate of the net proceeds from the sale of real estate held as inventories entails uncertainty particularly with respect to the realisable prices. As of the balance sheet date, the carrying amount of the land with finished and unfinished buildings stood at TEUR 146,618 (previous year TEUR 176,667).
- In connection with the recognition of deferred income tax assets on tax losses, it is necessary to forecast the Group's future taxable earnings. For this purpose, it is assumed that in the absence of any evidence of specific legal risks jeopardising the continued availability of the tax losses the tax losses are available in full within a forecast period of five years. Deferred income tax assets on tax losses are valued at TEUR 22,707 as of the balance sheet date (previous year TEUR 29,971).
- With respect to other provisions, various assumptions have been made, e.g. with respect to the probability and amount of utilisation of provisions for rental guarantees and litigation risks. For this purpose, account is taken of all information available as of the balance sheet date. Other provisions are valued at TEUR 17,908 as of the balance sheet date (previous year TEUR 11,639).

Changes in accounting estimates and errors in prior periods in accordance with IAS 8

Contrary to the consolidated financial statements as of 31 December 2008, the classification of gross profit in the income statement has been modified primarily in line with the recommendations of the European Public Real Estate Association (EPRA) and now presents net rental income and the net proceeds from the sale of inventory and investment properties separately. This results in a more transparent presentation of the individual items within gross profit. The previous year's figures have been restated accordingly.

In the balance sheets prepared in earlier years, deferred income tax assets and liabilities were netted in full. As of 31 December 2009, they are only netted if the deferred tax refers to one and the same tax entity (company or fiscal unit). The figures for the previous years have been restated accordingly. As a result, deferred income tax assets came to TEUR 10,064 (previously TEUR 7,074) as of 31 December 2008 and TEUR 4,377 (previously TEUR 0) as of 1 January 2008. Deferred income tax liabilities came to TEUR 2,990 (previously TEUR 0) as of 31 December 2008 and TEUR 13,054 (previously TEUR 8,677) as of 1 January 2008.

In connection with a cash equity issue executed in 2006, expense of TEUR 600 was initially recognised as equity transaction costs and deducted from the share premium. Subsequent classification of these costs as expense in the year of issue resulted in an increase in the share premium (net of the resultant income tax effects) for the current and other years of TEUR 360, with a corresponding drop in the profit/loss carried forward.

Finally, liabilities from the negative fair values of derivative financial instruments (interest swaps) were divided into current and non-current liabilities for the first time as of 31 December 2009. The figures for the previous years have been restated accordingly. As a result, miscellaneous non-current liabilities came to TEUR 13,018 (previously TEUR 8) as of 31 December 2008. Miscellaneous current liabilities came to TEUR 8,494 (previously TEUR 21,504) as of 31 December 2008.

Payments made in connection with business combinations without any change of status are reported within cash flows from financing activities in the cash flow statement as of 31 December 2009. In the previous year, an amount of TEUR 1,024 had been reported within cash flows from investing activities. As a result, net cash outflows from investing activities now come to TEUR 64,959 (previously TEUR 65,983) and net cash inflows from financing activities to TEUR 20,821 (previously TEUR 21,845) in the previous year.

In accordance with the revisions to IAS 1, the consolidated balance sheet has been prepared using the three-column method (31 December 2009, 31 December 2008 and 1 January 2008) to allow for the changes and adjustments made to presentation. In cases in which the figures for the previous year have also been restated, a three-column system is applied.

Notes on business discontinued in the previous year

In the past, the Group has also been involved in construction and construction management. This primarily entailed the management of the construction projects executed by GAG Grundstücksverwaltungs-Aktiengesellschaft. The Management Board and the Supervisory Board decided in 2008 to discontinue these business activities. As a result, there were no assets or liabilities, income or expenses from discontinued activities in 2009.

The assets and liabilities attributable to the discontinued business are reported in the balance sheet as of 31 December 2008 under non-current available-for-sale assets and liabilities in connection with non-current available-for-sale assets.

The main asset and liability groups concerned are set out below:

Assets	12/31/2009 TEUR	12/31/2008 TEUR
Trade receivables	0	1,710
Other current assets	0	1
Total	**0**	**1,711**

Liabilities	12/31/2009 TEUR	12/31/2008 TEUR
Other provisions	0	1,750
Income tax liabilities	0	19
Trade payables	0	192
Total	**0**	**1,961**

In the income statement for the previous year, the net profit/loss attributable to the discontinued business is reported under consolidated net profit/loss from discontinued business for the previous year making due allowance for income tax effects (see also Note 38).

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The net cash flows attributable to the discontinued business and related solely to operating activities are analysed in the following table:

	2009 TEUR	2008 TEUR
Consolidated net profit/loss from discontinued business	0	-4,385
Changes to provisions	0	91
Deferred income taxes	0	0
Changes to receivables and other assets	0	820
Changes to payables and other liabilities	0	-911
Cash inflow/outflow from operating activities	0	-4,385

Notes on the balance sheet

1. Investment properties

In 2009, fair values were adjusted for impairment of TEUR 19,500 (previous year TEUR 30,292) and reversals of TEUR 6,005 (previous year TEUR 11,592). Total changes in fair value thus came to TEUR -13,495 (previous year TEUR -18,700) The table below sets out the movements in the real estate portfolio:

Investment properties	TEUR
Amount on 1 January 2008	**556,702**
Additions as a result of acquisition	52,291
Additions through subsequent cost of acquisition or construction	12,693
Reclassification as non-current available-for-sale assets	-5,620
Disposals as a result of sales	-296
Reclassification of available-for-sale properties	23,872
Net gains/losses in fair value as of 31 December 2008	-18,700
Amount on 31 December 2008	**620,942**
Additions as a result of acquisition	12,288
Additions through subsequent cost of acquisition or construction	6,389
Reclassification as non-current available-for-sale assets	-12,315
Disposals as a result of sales	-37,293
Transfer from available-for-sale properties	20,204
Net gains/losses in fair value as of 31 December 2009	-13,495
Amount on 31 December 2009	**596,720**

In the year under review, investment properties valued at TEUR 596,720 (previous year TEUR 620,942) were secured by real-property liens and the assignment of rental income.

The income statement contains the following significant amounts relating to investment properties:

Investment properties	2009 TEUR	2008 TEUR
Rental income	50,162	41,683
Operating expenses (maintenance, facility management, land taxes etc.)	-18,417	-16,645
Total	**31,745**	**25,038**

Operating expenses relate almost solely to leased real estate. The expenses attributable to vacant real estate are of subordinate importance.

2. Intangible assets

The table below sets out the movements in intangible assets, which primarily comprises purchased software. Currently, there are no intangible assets with an indefinite useful life. As in the previous year, no impairment was recognised on intangible assets.

Intangible assets **Historical cost**	**Concessions and licences TEUR**
Amount on 1 January 2008	**281**
Additions in 2008	11
Disposals in 2008	-34
Amount on 31 December 2008	**258**
Additions in 2009	384
Disposals in 2009	-73
Amount on 31 December 2009	**569**

Intangible assets **Cumulative amortisation**	**Concessions and licences TEUR**
Amount on 1 January 2008	**204**
Additions in 2008	39
Disposals in 2008	-34
Amount on 31 December 2008	**209**
Additions in 2009	33
Disposals in 2009	-73
Amount on 31 December 2009	**169**

Carrying amount on 31 December 2009	400
Carrying amount on 31 December 2008	49

3. Property, plant and equipment

Property, plant and equipment Historical cost	Real estate TEUR	Technical equipment TEUR	Operating and business equipment TEUR	Total TEUR
Amount on 1 January 2008	**2,474**	**2,922**	**2,759**	**8,155**
Additions in 2008	21	102	129	252
Disposals in 2008	0	-70	-54	-124
Amount on 31 December 2008	**2,495**	**2,954**	**2,834**	**8,283**
Additions in 2009	8,103	18	933	9,054
Disposals in 2009	0	-11	-888	-899
Amount on 31 December 2009	**10,598**	**2,961**	**2,879**	**16,438**

Property, plant and equipment Cumulative depreciation	Real estate TEUR	Technical equipment TEUR	Operating and business equipment TEUR	Total TEUR
Amount on 1 January 2008	**1,390**	**2,563**	**2,072**	**6,025**
Additions in 2008	81	39	233	353
Disposals in 2008	0	-72	-59	-131
Amount on 31 December 2008	**1,471**	**2,530**	**2,246**	**6,247**
Additions in 2009	82	42	271	395
Impairment losses in 2009	223	0	0	223
Disposals in 2009	0	-11	-632	-643
Amount on 31 December 2009	**1,776**	**2,561**	**1,885**	**6,222**

Carrying amount on 31 December 2009	8,822	400	994	10,216
Carrying amount on 31 December 2008	1,024	424	588	2,036

Within property, plant and equipment, land with a carrying amount of TEUR 8,822 (previous year TEUR 1,024) is secured with real estate liens and the assignment of rental income.

4. Investments in associates

Movements in shares in associates were as follows:

Investments in associates	TEUR
Amount on 1 January 2008	**4.220**
Share of net gains/losses from hedge accounting	-258
Share of net profit/loss for the year	-3.107
Additions	-508
Amount on 31 December 2008	**347**
Share of profit for the year	93
Amount on 31 December 2009	**440**

The share of losses of associates is not recorded if the carrying amount of the investment in the associate in question has already reached zero and there is no obligation to absorb any further loss. Accordingly, share in the profit of associates (previous year loss) of TEUR 3 (previous year TEUR -73) was not recorded in the year under review. As of the balance sheet date, the cumulative non-recorded share of losses of associates came to TEUR 70 (previous year TEUR 73).

5. Other financial assets

Other financial assets predominantly comprise the shares in associates and other investments not consolidated for materiality reasons. Movements in these were as follows:

Other financial assets **Historical cost**	**Investments in affiliated companies TEUR**	**Miscellaneous shares in associates TEUR**	**Total TEUR**
Amount on 1 January 2008	**3,463**	**661**	**4,124**
Disposals in 2008	-1,157	0	-1,157
Amount on 31 December 2008	**2,306**	**661**	**2,967**
Additions in 2009	0	21	21
Amount on 31 December 2009	**2,306**	**682**	**2,988**

Other financial assets **Impairments on**	**Investments in affiliated companies TEUR**	**Miscellaneous shares in associates TEUR**	**Total TEUR**
Amount on 1 January 2008	**1,964**	**628**	**2,592**
Additions in 2008	0	0	0
Amount on 31 December 2008	**1,964**	**628**	**2,592**
Additions in 2009	0	0	0
Amount on 31 December 2009	**1,964**	**628**	**2,592**

Carrying amount on 31 December 2009	342	54	396
Carrying amount on 31 December 2008	342	33	375

6. Deferred income tax assets

Deferred income tax assets (+) and liabilities (-) break down as follows:

Deferred income taxes	12/31/2009 TEUR	12/31/2008 TEUR	12/31/2008 TEUR
Unused tax losses and interest carried forward	22,707	29,971	20,937
Gains/losses from remeasurement of investment properties	-27,020	-30,617	-29,913
Recognition and measurement of receivables	110 -175	1,502 0	272 0
Gains/losses from remeasurement of hedge accounting	6,415	5,556	426
Recognition and measurement of inventory properties	-135	1,055	0
Recognition and measurement of liabilities	129 -953	-1,006 0	-1,221 0
Miscellaneous	963	613	822
Total deferred income tax assets	30,324	38,697	22,457
Total deferred income tax liabilities	-28,283	-29,611	-31,134
Net amount	-23,665 23,665	-28,633 28,633	-18,080 18,080
Deferred income taxes recorded on the face of the balance sheet	6,659 -4,618	10,064 -2,990	4,377 -13,054

7. Land with unfinished and finished buildings and other inventories

The table below sets out the movements in land with unfinished and finished buildings in the fiscal year under review:

Land with unfinished and finished buildings	2009 TEUR	2008 TEUR
Amount on 1 January	**176,667**	**204,610**
Additions	25,592	41,647
Disposals as a result of sales	-35,437	-40,277
Reclassification as investment properties	-20,204	-23,872
Impairments	0	-5,441
Amount on 31 December	**146,618**	**176,667**
of which secured with real-property liens and assignment of rental income	146,618	176,667

The impairment losses recognised in the previous year on available-for-sale properties were for the most part identified on the basis of valuation reports and were due to lower fair values less selling costs caused by reduced market acceptance of these properties. The impairments are reported in the income statement under impairments on inventories and receivables. The carrying amounts of these properties, which were recognised at their fair value less selling costs, after impairment stood at TEUR 69,485 as of 31 December 2008.

Borrowing costs in connection with the available-for-sale properties were capitalised in the year under review as well as in earlier years provided that the applicable conditions were satisfied. The average borrowing cost rate stood at around 2.8 percent (previous year 5.9 percent). Capitalised borrowing costs came to TEUR 1,084 in the year under review (previous year TEUR 534).

Other inventories break down as follows:

Other inventories	12/31/2009 TEUR	12/31/2008 TEUR
Prepayment towards construction costs	1,338	0
Heating and operating costs not yet billed	240	349
Miscellaneous	41	129
Total	**1,619**	**478**

8. Trade receivables, income tax refund claims and other current assets

Trade receivables break down as follows:

Trade receivables	12/31/2009 TEUR	12/31/2008 TEUR
Receivables from the sale of properties	2,247	3,667
Rental receivables	2,807	1,262
Miscellaneous	592	429
Total	**5,646**	**5,358**

In the year under review, impairments (individual adjustments and bad debts) of TEUR 875 (previous year TEUR 1,500) on trade receivables were recognised in the income statement due to the insufficient credit worthiness on the part of customers. These impairments are reported in the income statement under impairments on inventories and receivables. The carrying amounts of the adjusted receivables stood at TEUR 1,710 as of 31 December 2009 (previous year TEUR 1,082). Movements in the individual adjustments to receivables break down as follows:

Individual adjustments	TEUR
Amount on 1 January 2008	**2,265**
Consumed in 2008	-89
Reversed in 2008	-1,169
Additions in 2008	494
Amount on 31 December 2008	**1,501**
Consumed in 2009	-620
Reversed in 2009	-217
Additions in 2009	739
Amount on 31 December 2009	**1,403**

The income tax refund claims comprise corporate tax refund claims including the solidarity surcharge and trade tax for the consolidated companies.

Other current assets primarily break down as follows:

Other current assets	12/31/2009 TEUR	12/31/2008 TEUR
Receivables from associates	3,186	6,975
Receivables from joint ventures	571	571
Receivables from affiliated companies	168	157
Prepaid expenses	27	32
Positive fair values on interest swaps	1	0
Miscellaneous	2,905	3,630
Total	**6,858**	**11,365**

9. Cash and cash equivalents

Cash and cash equivalents include cash in hand at cash at banks. The cash flow statement includes the cash in hand and cash at banks less short-term overdraft facilities at banks. In this respect, cash and cash equivalents in the cash flow statement differ from the corresponding item reported in the balance sheet. The two items are reconciled in the notes to the cash flow statement.

10. Non-current available-for-sale assets

This item breaks down as follows:

Other current assets	12/31/2009 TEUR	12/31/2008 TEUR
Available-for-sale investment properties	17,935	5,620
Assets in discontinued business	0	1,711
Total	**17,935**	**7,331**

Investment properties are sold on the basis of a decision made by the Management Board for the purpose of obtaining liquidity from the proceeds of the sale. The Group expects to sell the investment properties in the following year. The investment properties disclosed in the previous year were sold in the year under review.

The liabilities attributable to the investment properties are reported within liabilities in connection with available-for-sale assets. Gains or losses from the measurement of these assets came to TEUR 3,374 as of the balance sheet date (previous year TEUR 0) and were reported within profit and loss under fair-value remeasurement of investment properties. Investment properties of TEUR 8,935 (previous year TEUR 5,620) are allocated to the residential real estate segment (Berlin region) and those of TEUR 9,000 (previous year TEUR 0) to the commercial real estate segment. Discontinued business is not included in the segment report.

11. Subscribed capital

As in the previous year, TAG's share capital amounted to TEUR 32,566 as of 31 December 2009 and is divided into 32,566,364 no par value shares with equal voting rights. The shares are bearer shares.

The Management Board is authorised subject to the Supervisory Board's approval to increase the share capital once or repeatedly on or before 26 August 2014 on a cash and/or non-cash basis by a maximum amount of TEUR 8,000 by issuing up to 8,000,000 no-par value shares subject to the exclusion of the shareholders' pre-emptive subscription rights (Authorised Capital 2009/I).

In a resolution dated 27 August 2009, the shareholders increased the share capital by up to TEUR 8,000 through the issue of up to 8,000,000 new bearer shares on a contingent basis (Contingent Capital 2009/I). The contingent capital is to be used to grant shares to the bearers or creditors of convertible and/or option bonds which are issued by the Company on or before 26 August 2014 in accordance with the authorisation granted by the shareholders on 27 August 2009.

12. Share premium

The share premium primarily contains the premium on the equity issues executed in former years as well as withdrawals to equalise the net losses for the year recorded in accordance with German commercial law. Reference should be made to the consolidated statement of changes in equity, which also includes the restated figures for the previous year, for details of the movements in this item in the year under review.

13. Other reserves

Other reserves break down as follows:

Other reserves	12/31/2009 TEUR	12/31/2008 TEUR
Legal reserves	46	46
Other retained earnings	481	481
Hedge accounting reserves	-12,393	-10,876
Total	**-11,866**	**-10,349**

The legal reserve complies with the provisions contained in Section 150 of the German Stock Corporations Act. Other retained earnings comprise the profit retained in earlier years.

The hedge accounting reserve includes gains and losses from hedges (cash flow hedges) recognised in equity after the deduction of deferred taxes. This item breaks down as follows:

Hedge accounting reserves	2009 TEUR	2008 TEUR
Amount on 1 January	**-10,876**	**-735**
Unrealised gains and losses	-2,417	-14,987
Recycling of unrealised gains and loss in earlier years to profit and loss	175	0
Net amount	-2,242	-14,987
Deferred tax effect	725	4,846
Other comprehensive income after tax	-1,517	-10,141
Amount on 31 December	**-12,393**	**-10,876**

14. Unappropriated surplus/ accumulated loss

The consolidated statement of changes in equity sets out the movements in the unappropriated surplus (previous year: accumulated loss) in the year under review.

15. Minority interests

This item refers to the shares held by minority shareholders in the equity and net profit or loss for the year of the consolidated subsidiaries The net profit attributable to the equity holders of the parent company equals the difference between the consolidated net profit before minority interests and the minority interests reported in the income statement.

16. Bank borrowings

Bank borrowings consist almost exclusively of liabilities arising in connection with the acquisition of investment properties or the acquisition and development of available-for-sale properties. Investment properties are normally financed on a long-term basis and available-for-sale properties on a short-term basis. Lending terms and conditions (interest rates, repayments) are adjusted at regular intervals. Short-term loans are repaid upon the sale of the property. In the case of long-term finance, repayments are generally between 1 percent and 2 percent p.a. as in the previous year. The bank borrowings are secured in an amount of TEUR 506,190 (previous year TEUR 538,042). For the most part, collateral takes the form of real property liens and the assignment of rental income as well as pledges on shares in affiliated companies.

17. Retirement benefit provisions

The retirement benefit provisions relate to the commitments made in earlier years to former members of the Management Board and employees of the subsidiary Bau-Verein zu Hamburg Aktien-Gesellschaft and their dependants. Movements in these were as follows:

Retirement benefit provisions	TEUR
Opening amount on 1 January 2008	**1,962**
Utilised	-207
Released	-40
Addition (interest costs, included in personnel expenses)	205
Amount on 31 December 2008	**1,920**
Utilised	-208
Released	-37
Addition (interest costs, included in personnel expenses)	206
Amount on 31 December 2009	**1,881**

The table below sets out the parameters used as a basis for calculating the retirement benefit provisions:

	12/31/2009 %	12/31/2008 %
Interest rate	5.00	5.00
Rate of salary increase	1.50	1.50
Retirement age	In accordance with Social Code VI	

As in earlier years, changes in the actuarial assumptions, which however were only of minor importance, were recognised in profit and loss within personnel expenses. Of the retirement benefit provisions, an amount of TEUR 215 (previous year TEUR 215) is due for payment within one year. These amounts together with other pension obligations are reported within non-current liabilities.

The table below sets out movements in the net liabilities recognised:

	2009 TEUR	2008 TEUR
Recognised on the face of the balance sheet as of 1 January	1,920	1,962
Post-retirement benefit expense	168	165
Post-retirement benefit payments	-207	-207
Recognised on the face of the balance sheet as of 31 December	**1,881**	**1,920**

As in the previous year, the present value of the defined-benefit obligation corresponds to the liability shown in the consolidated balance sheet. A reconciliation statement has therefore been dispensed with. The present value of the defined-benefit obligation stood at TEUR 1,962 as of 31 December 2007, TEUR 2,188 as of 31 December 2006, TEUR 2,329 as of 31 December 2005 and TEUR 2,467 as of 31 December 2004.

18. Other non-current liabilities

Movements in other non-current liabilities break down as follows:

Other non-current liabilities	12/31/2009 TEUR	12/31/2008 TEUR
Convertible bond	11,958	0
Negative fair value of interest swaps (non-current part)	10,557	13,010
Miscellaneous	6	8
Total	**22,521**	**13,018**

The Company issued 100 bearer convertible bonds each with a nominal amount of TEUR 125 in December 2010, making a total of TEUR 12,500. The convertible bonds, which entitle the holders to convert the bonds into shares issued by TAG Immobilien AG, have a coupon of 4.5 percent p.a. and expire on 31 December 2012 The initial conversion price for the Company's bearer shares is EUR 5.15.

19. Other provisions

Other provisions break down as follows:

Other provisions	Amount 1 Jan. 2009 TEUR	Utilised TEUR	Released TEUR	Added TEUR	Amount 31 Dec. 2009 TEUR
Outstanding services in connection with sold land	806	712	54	5,140	5,180
Outstanding construction costs	4,942	1,703	68	1,717	4,888
Repairs	2,225	662	96	1,744	3,211
Legal, consulting and auditing costs	1,198	838	42	820	1,138
Outstanding invoices	706	547	72	441	528
Miscellaneous	1,762	1,214	100	2,515	2,963
Total	**11,639**	**5,676**	**432**	**12,377**	**17,908**

The provisions for outstanding services in connection with sold land primarily concern construction activities still to be performed in connection with sold properties.

The provisions for outstanding construction costs relate to expected obligations with respect to construction costs which have not yet been invoiced.

The provisions for repairs relate to obligations to remedy any faults exhibited by sold real estate.

As the provisions are expected to be utilised next year, no allowance has been made for any material interest effect.

20. Income tax liabilities

Income tax liabilities include provisions for current income tax liabilities for corporate tax (including the solidarity surcharge) and trade tax.

21. Trade payables

Trade payables comprise liabilities from the purchase of land and other trade payables.

22. Other current liabilities

Other current liabilities break down as follows:

Other current liabilities	12/31/2009 TEUR	12/31/2008 TEUR
Negative fair value of interest swaps (current part)	9,283	4,233
Value added tax	2,114	17
Loans from related parties	1,484	1,443
Prepayments received	756	416
Deferred income	8	48
Miscellaneous	2,552	2,337
Total	**16,197**	**8,494**

23. Liabilities in connection with available-for-sale assets

The liabilities comprise bank borrowings in connection with available-for-sale investment properties as of the balance sheet date. In the previous year, these liabilities related solely to liabilities in connection with discontinued business.

Notes on the income statement

24. Revenues

The Group's revenues comprise rental income, revenue from the sale of real estate and revenue from property management. Rental income breaks down into income from investment properties and other rented properties held as inventories.

Rental income	2009 TEUR	2008 TEUR
Rental income on investment properties	50,162	41,683
Rental income on available-for-sale properties	9,583	12,548
Total	**59,745**	**54,231**

25. Other operating income

The table below breaks down the main items of other operating income:

Other operating income	2009 TEUR	2008 TEUR
Income from settlement proceedings	1,579	360
Other off-period income	1,108	2,205
Income from the reversal of provisions	469	1,128
Income from the insolvency settlement of Wünsche AG, Hamburg	356	0
Waiver of interest owing on trade tax in earlier years	0	535
Miscellaneous	1,087	1,199
Total	**4,599**	**5,427**

26. Fair-value remeasurement of investment properties

This item comprises gains and losses from the fair-value measurement of investment properties as of the balance sheet date.

27. Expenses from the rental and sale of real estate

Rental expenses also include the increase/decrease in as yet unbilled rechargeable heating and operating costs in the year under review as well as billed heating and operating costs in the previous year (change in inventories). Expenditure on the sale of available-for-sale properties primarily comprises portfolio costs for properties sold in the year under review. Accordingly, the expense from the sale of portfolio real estate chiefly comprises the expenses in connection with inventories sold, which are recognised through profit and loss.

28. Personnel costs

Personnel costs break down as follows:

Personnel costs	2009 TEUR	2008 TEUR
Wages, salaries and bonuses	9,345	8,149
Social security	1,131	1,034
Post-retirement benefits	350	373
Total	**10,826**	**9,556**

Roughly half of the social security expense includes payments to the statutory pension fund.

29. Depreciation/amortisation

Depreciation and amortisation expense breaks down as follows:

Depreciation/amortisation	2009 TEUR	2008 TEUR
Amortisation of intangible assets	33	39
Depreciation of property, plant and equipment	618	353
Total	**651**	**392**

Depreciation includes impairments on property, plant and equipment of TEUR 223 (previous year TEUR 0)

30. Impairments on receivables and inventories

This item breaks down as follows:

Impairments	2009 TEUR	2008 TEUR
Impairments on receivables	875	1.500
Impairments on inventories	0	5.441
Total	**875**	**6.941**

31. Other operating expenses

The table below analyses the main items of other operating income:

Other operating expenditure	2009 TEUR	2008 TEUR
Costs of repairs for sold real estate	7,289	2,881
Legal, consulting and auditing costs	2,745	2,248
Cost of premises	1,085	1,163
Loan arrangement fees	941	1,295
Cost of rental guarantees	234	996
Currency translation losses	0	204
Miscellaneous	4,669	6,446
Total	**16,963**	**15,233**

In the year under review, other operating expenses included payments under operating leases of TEUR 1,563 (previous year TEUR 923).

32. Share of profit of investees

The share of profit of investees breaks down as follows:

Share of profit of investees	2009 TEUR	2008 TEUR
Absorption of loss from non-incorporated entities	0	73
Impairment losses on investments in investees	0	-800
Total	**0**	**-727**

The impairment losses on investees relate to the economic situation of one associate.

33. Share of profit of associates

This item includes the share of profits of TEUR 93 (previous year TEUR 0) and losses TEUR 0 (previous year TEUR 3,617) of the companies accounted for using the equity method.

34. Impairments on receivables from associates/ reversals

This item includes reversals to impairments (previous year impairments in the form of adjustments) to receivables from associates in the light of payment receipts and their fair value remeasured in the light of the adverse economic conditions. In the previous year, the fair value of the receivables was calculated on the basis of expected future cash flows on the basis of forecasts. The carrying amount of the receivables after impairment stands at TEUR 4,000.

35. Net borrowing costs

Net borrowing costs consist of the following items:

Net borrowing costs	2009 TEUR	2008 TEUR
Interest income	6,308	16,972
Borrowing costs	-31,637	-44,882
Total	**-25,329**	**-27,910**

Interest income comprises interest on financial assets of TEUR 1,153 (previous year TEUR 4,648) and interest derivatives used for hedging purposes of TEUR 5,155 (previous year 12,324).

Interest and similar expenses comprise interest on financial liabilities of TEUR 17,200 (previous year TEUR 33,044) and interest derivatives used for hedging purposes of TEUR 14,437 (previous year TEUR 11,838).

In the year under review, expense of TEUR 81 (previous year TEUR 0) was recorded as interest expense within cash flow hedges for reasons of ineffectiveness.

36. Income taxes

Income taxes (income tax expense in the year under review, income tax refund in the previous year) recorded in the income statement break down as follows:

Income taxes	2009 TEUR	2008 TEUR
Actual income tax expense	-386	-572
Deferred income taxes	-5,710	10,661
Total	**-6,096**	**10,089**

Deferred income taxes break down as follows:

Deferred income taxes charged/credited to the income statement	2009 TEUR	2008 TEUR
Gains/losses from revaluation of investment properties	3,795	-704
Recognition and measurement of provisions	65	-30
Capitalisation of unused tax losses	-7,265	8,477
Recognition and measurement of receivables	-1,566	1,230
Recognition and measurement of inventories	-1,190	1,055
Recognition and measurement of liabilities	1,061	215
Miscellaneous	-610	418
Total	**-5,710**	**10,661**

Expected and actual net tax expense is reconciled as follows:

Actual net tax expense	2009 TEUR	2008 TEUR
Earnings before income taxes (EBT after other taxes)	-25,148	-42,145
Expected net tax expense	8,118	13,486
Reconciled with tax effects from:		
Notional net tax on discontinued business	0	1,403
Income and expenses from earlier years	285	159
Subsequent capitalisation or non-capitalisation of unused tax losses	-13,648	-1,886
Tax-free income and non-deductible expenses	-1,070	-3,360
Miscellaneous	219	287
Actual net tax expense	**-6,096**	**10,089**

The theoretical tax rate is calculated as follows:

Theoretical tax rate	2009 %	2008 %
Corporate tax	15.00	15.00
Solidarity surcharge	0.83	0.83
Trade tax	16.45	16.45
Total	**32.28**	**32.28**

The notional consolidated tax rate for the year stands at -24.2 percent (previous year 23.9 percent). Deferred taxes of TEUR 801 (previous year TEUR 5,149) were recognised under equity in the year under review.

Deferred income tax assets do not include corporate tax losses of around EUR 80.3 million (previous year approx. EUR 41.3 million) and trade tax losses of around EUR 72.7 million (previous year approx. EUR 62.3 million) as utilisation currently does not appear to be likely. Deferred income tax assets on unused tax losses were substantially determined on the basis of company forecasts covering a period of five years. The capitalisation of deferred income tax beyond the volume of reversal effects which can be influenced can be derived from these forecasts.

The sum total of unrecognised deferred income taxes in connection with shares in subsidiaries, associates and joint ventures stands at around EUR 0.5 million (previous year EUR 0.4 million). These would be recognised upon the sale of companies on account of the only 95 percent exemption from tax on the proceeds of the sale. The Group does not expect any strain from this as there are currently no plans for a sale.

Alter Steinweg, Hamburg

37. Other taxes

Other taxes mainly comprise motor vehicle tax and VAT backpayments for earlier years.

38. Consolidated net profit/loss from business discontinued in the previous year

This item for the previous year break down as follows in the income statement:

	2009 TEUR	2008 TEUR
Income from services	0	7,404
Other operating income	0	3
Expenses for services	0	-11,776
Other operating expenses	0	-16
Earnings before tax (EBT)	0	-4,385
Income taxes	0	0
Consolidated net profit/loss from discontinued business	**0**	**-4,385**

Of the consolidated net loss from discontinued business recognised in the previous year, a sum of TEUR 3,123 was attributable in full to the equity holders of the parent company and a sum of TEUR 1,262 to minority interests.

39. Earnings per share

Earnings per share state the earnings for a period attributable to a single share. For this purpose, consolidated earnings are divided by the weighted number of shares outstanding. This figure may be diluted by potential shares (e.g. convertible bonds). Earnings per share are calculated as follows:

	2009	2008
Consolidated net loss	-29,166	-30,622
Number of shares outstanding	32,566,364	32,566,364
Loss per share (basic)	**-0.90**	**-0.94**
Dilution effect	12	0
Diluted consolidated net loss	-29,154	-30,622
Number of shares outstanding (diluted)	34,993,549	32,566,364
Loss per share (diluted)	**-0.83**	**-0.94**

Holders of the convertible bond are entitled to conversion into 2,427,185 shares. This effect is included in the calculation of the diluted loss per share on the basis of a total number of 34,993,549 potential shares.

In the previous year, EUR 0.13 of the loss per share of EUR 0.94 was attributable to discontinued business and EUR 0.81 to continuing business.

Notes on the cash flow statement

The cash flow statement has been prepared in accordance with the indirect method and distinguishes between operating, investing and financing activity. The cash and cash equivalents reported as of the balance sheet include all bank accounts and overdraft facilities with banks due for settlement within three months of the balance sheet date and break down as follows:

Cash and cash equivalents	12/31/2009 TEUR	12/31/2008 TEUR
Cash and cash equivalents carried on the face of the balance sheet	6,840	5,880
Overdraft facilities with banks	-7,435	-2,109
Total	**-595**	**3,771**

Further cash flows included in cash flow from operating activities in the cash flow statement contain the following components:

Cash flows	2009 TEUR	2008 TEUR
Interest paid	-31,637	-44,882
Interest received	6,308	16,972
Taxes paid	-421	-582
Taxes received	353	11
Dividends received	0	73

Notes on segment reporting

The segment report constitutes an integral part of the notes to the consolidated financial statements. For reasons of convenience, it is shown in a separate table in front of the notes to the consolidated financial statements.

The segments presented are Residential and Commercial, which comprise the Company's real estate assets and the income and earnings derived from them. The Residential segment is additionally divided into categories based on the regional distribution of the properties. A further segment - Services - has also been defined. The figures disclosed in the segment report are based solely on the IFRS accounting rules.

Within the Residential portfolio, a regional distinction is drawn between Hamburg, Berlin (including the Leipzig region) and Munich, where most of the Company's real estate is located as well as branches. Further residential properties in other parts of Germany are assigned to the Other Real Estate segment. The Company does not have any real estate outside Germany.

The Services segment entails the management of the Company's own as well as third-party real estate and the commercial management of internal and external real estate companies. The Other Activities/Consolidation column primarily comprises income from the lease of the railway infrastructure in Tegernseer Tal and the elimination of intragroup income and expenses.

The net segment profit/loss for the Residential and Commercial segments corresponds to the contributions to net profit/loss made by the applicable properties. Rental expenses and the cost of selling land are deducted from the income from rental and sales, while revaluation gains are added. In the commercial real estate segment, the largest customer accounted for revenues of around EUR 13.7 million in 2009 (previous year approx. EUR 13.6 million). Net profit/loss in the service segment matches the income generated in this segment as the related expenses (primarily personnel costs) are not recorded separately for the purposes of internal reporting.

Segment assets comprise the carrying amounts of the real estate allocated to the individual segments and recorded in the balance sheet.

Disclosures on financial instruments

Risks as a result of financial instruments

The Group's business activities expose it to various risks of a financial nature. These risks comprise interest, liquidity and loan risks. On the basis of the guidelines issued by the Company's managing bodies, risk management is based in the central finance department. The counterparty default risks for derivative financial instruments and financial transactions are minimised by selecting investment-grade financial institutions.

Material accounting and measurement methods

Details of the material accounting polices applied including recognition criteria, the basis of measurements and the basis for recognising income and expenses are described in the section entitled “Significant accounting principles - details of recognition and measurement principles”.

Capital risk management

The Group manages its capital with the aim of maximising income from its investments by optimising its equity and debt capital. In this connection, precautions are taken to ensure that all Group companies are able to operate in accordance with the going-concern assumption. The consolidated equity capital (before minority interests) shown on the balance sheet is used as the parameter for managing capital.

As a joint stock company, TAG is subject to the minimum capital requirements specified in the German Stock Corporation Act. In addition, the Group is subject to the customary and industry-standard minimum capital requirements stipulated by the financial services industry, particularly with respect to the finance of specific items of real estate. Compliance with these minimum capital requirements is monitored on an ongoing basis and was ensured at all times in the year under review as well as in the previous year.

Risk management reviews the Group’s capital structure on a quarterly basis in the light of the cost of capital and the risk inherent in each capital class. In order to satisfy the external capital adequacy requirements, accounting ratios are tracked and forecast regularly. This includes capital service ratios for specific properties, loan-to-value parameters and financial covenants.

The equity ratio as of the end of the year is as follows:

Equity ratio	**12/31/2009 TEUR**	**12/31/2008 TEUR**
Equity (before minority interests)	196,398	228,120
Total assets	801,421	842,287
Equity ratio	**24.5**	**27.1**

Categorisation of financial instruments in accordance with IFRS 7

The following tables reconcile the carrying amounts of the financial instruments with the categories specified in IAS 39 and disclose the fair values of the financial instruments for each category together with the source of measurement:

31 December 2009	Book value TEUR	of which coming with the scope of IFRS 7	Category* TEUR	Fair value TEUR
Other financial assets	396	396	AfS	396
Trade receivables	5,646	5,646	LaR	5,646
Other current assets	6,858	6,830	LaR	6,830
Cash and cash equivalents	6,840	6,840	LaR	6,840
Non-current available-for-sale assets	17,935	0	LaR	0
Non-current bank borrowings	400,939	400,939	AmC	349,914
Other non-current liabilities	22,521	11,964	AmC	11,964
Current bank borrowings	116,304	116,304	AmC	116,304
Trade payables	6,105	6,105	AmC	6,105
Other current liabilities	16,197	4,036	AmC	4,036
Liabilities in connection with non-current available-for-sale assets	8,613	8,613	AmC	8,613

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

31 December 2008	Book value TEUR	of which coming with the scope of IFRS 7	Category* TEUR	Fair value TEUR
Other financial assets	375	375	AfS	375
Trade receivables	5,358	5,358	LaR	5,358
Other current assets	11,365	11,333	LaR	11,333
Cash and cash equivalents	5,880	5,880	LaR	5,880
Non-current available-for-sale assets	7,331	1,711	LaR	1,711
Non-current bank borrowings	407,980	407,980	AmC	397,638
Other non-current liabilities	13,018	8	AmC	8
Current bank borrowings	130,062	130,602	AmC	130,602
Trade payables	8,603	8,603	AmC	8,603
Other current liabilities	8,494	3,780	AmC	3,780
Liabilities in connection with non-current available-for-sale assets	1,961	192	AmC	192

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

Fair value of financial instruments

Financial instruments at fair value through profit and loss can be classified and allocated to the appropriate hierarchical level according to the importance of the measurement input used. This is done on the basis of the significance of the input factors for the overall measurement. Specifically, the lowest level applicable to the measurement as a whole is applied. The hierarchical levels are determined on the basis of the input factors:

Level 1: The prices listed in active markets for identical assets or liabilities (unchanged).

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 (non-observable inputs)

The financial instruments recorded at fair value in the consolidated financial statement (and the disclosures on the fair values of the financial instruments) are all based on Level 2 information and input factors.

Other financial assets are recognised at cost less any impairments as it is not possible to reliably determine their fair values due to the absence of active markets for these assets. 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.

Trade receivables, other current assets, cash and cash equivalents and non-current available-for-sale assets (if coming within the scope of IFRS 7) are due for settlement in a short space of time. Accordingly, their carrying amount as of the balance sheet date comes close to their fair value. This also applies to current bank borrowings, 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 bank borrowings and other non-current liabilities is calculated using the discounted cash flow method. The discount rate is based on an appropriate market interest rate.

Net gains and losses from financial instruments

In addition to the aforementioned impairments on trade receivables and reversals of these impairments (see Note 8; part of loans and receivables) and receivables from associates (see Note 34, part of loans and receivables), the following net gains and losses were recorded on financial instruments:

- In the year under review, a gain of TEUR 155 (previous year TEUR 0) was recognised from the measurement of derivative financial instruments and reported within other operating income. In the previous year, all derivative financial instruments were used in hedge relations, meaning that changes in their value were not reported in profit and loss.
- In the year under review, interest expense, which was calculated in accordance with the effective interest method, was recorded for financial liabilities recognised at their fair values in equity at an amount of TEUR 594 (previous year TEUR 671).
- Fee and commission expenses not included in the calculation of the effective interest rate and resulting from financial liabilities not recognised at fair value through profit and loss came to TEUR 347 (previous year TEUR 624).

Interest income from financial assets, which is attributable in full to the available-for-sale financial assets, and interest expense on financial liabilities, which is attributable in full to financial liabilities at amortised cost, is included in net borrowing costs (Note 35).

Purposes of financial risk management

The main risks monitored and managed by means of the Group's financial risk management comprise interest, credit and liquidity risks. The Group attempts to minimise the effects of interest risks by means of derivative financial instruments (interest swaps). The utilisation of financial derivatives is directly monitored by the Management Board. The Group does not engage or trade in financial instruments including derivative financial instruments for speculative purposes.

Interest risk

The Group's activities expose it to risks arising from changes in interest rates. It uses derivative financial instruments to a necessary extent to manage existing interest risks. These include interest swaps, albeit only in a small volume, as well as caps to minimise the risk of changing interest rates and sensitivity in the event of rising interest rates.

The TAG Group uses derivatives based on hedged assets to actively manage and reduce interest risks. As of 31 December 2009, the subsidiaries Bau-Verein zu Hamburg Aktien-Gesellschaft and TAG Gewerbeimmobilien-Aktiengesellschaft had entered into conservative interest derivatives (primarily payer swaps) with a nominal volume of EUR 299.4 million (previous year EUR 316.9 million). Payer swaps constitute synthetic fixed-rate agreements in connection with a variable underlying. In this way, the Group is able to reduce its exposure to changes in the money market and also heighten the plannability of debt servicing with respect to the hedged repayments. The Group's interest management works actively with credit management and Group planning. As a result, it is possible to structure derivatives in such a way that they generate the greatest possible benefits and maximum stability for the Group's current and future status.

If interest rates on constant liabilities to banks are assumed to increase (decrease) by 0.5 percentage points, net interest result deteriorates (improves) as follows:

Interest sensitivity	**12/31/2009 TEUR**	**12/31/2008 TEUR**
Net borrowing costs in the year under review	-25,329	-27,910
Average interest rate on non-current loans in %	4.9	5.6
Average interest rate on current loans in %	3.9	5.7
Change in interest expenditure in the event of a 0.5% increase in interest levels	-1,168	-901
Change in interest expenditure in the event of a 0.5% decrease in interest levels	1,168	901

The change in interest expenditure in this fictitious analysis would directly affect consolidated net profit and consolidated equity in the light of the effect on income tax considerations.

The Group entered into the interest swaps set out in the following table to hedge the interest risk. Under these contracts, fixed interest rates calculated on the basis of agreed nominal amounts are swapped.

Derivative	Hedged asset	Nominal volume		Interest rate in %	Duration in years	Market value	
		2009 EUR	2008 EUR			2009 EUR	2008 EUR
Payer swap	Siemens-Portfolio	20,000,000	20,000,000	4.410	8.4	-1,556,467	-1,312,317
Payer swap	Siemens-Portfolio	20,000,000	20,000,000	4.800	7.4	-2,086,687	-1,893,189
Payer swap	Siemens-Portfolio	20,000,000	20,000,000	4.805	4.7	-1,881,902	-1,632,962
Payer swap	Siemens-Portfolio	30,000,000	30,000,000	4.545	7.4	-2,503,546	-2,149,229
Payer swap	Hamburg-Ottensen	8,134,500	8,280,700	4.745	2.4	-543,649	-464,927
Payer swap	Commercial RE package	23,882,680	24,466,734	4.000	2.5	-1,180,484	-810,041
Payer swap	Commercial RE package	2,686,028	2,919,650	4.000	2.5	-122,781	-87,098
Payer swap	Maximilian-Portfolio	9,490,316	9,694,190	4.450	5.7	-741,228	-609,533
Payer swap	Maximilian-Portfolio	10,908,358	11,192,615	4.818	7.0	-1,083,033	-981,655
Payer swap	Maximilian-Portfolio	0	9,000,000	4.680	0	0	-132,177
Payer swap	Moers	10,515,800	10,699,800	4.235	7.1	-685,323	-536,470
Payer swap	Residental RE package	28,897,500	29,387,500	4.430	2.7	-1,800,409	-1,453,405
Payer swap	Bärenpark	17,000,000	17,000,000	4.780	3.0	-1,274,861	-1,119,509
Cap	Residental RE package	1,000,000	1,000,000	4.430	2.7	579	295
Payer swap	Maximilian-Portfolio	9,000,000	0	2.830	3.9	-104,763	0
Payer swap	Südportfolio	20,000,000	20,000,000	4.740	0.5	-395,729	-558,898
Payer swap	Südportfolio	20,000,000	20,000,000	5.210	2.5	-1,610,650	-1,499,051
Payer swap	Südportfolio	17,884,256	18,503,795	5.100	4.5	-1,669,744	-1,553,840
Payer swap	VBL package	0	5,000,000	3.610	0.0	0	-29,475
Payer swap	VBL package	30,000,000	30,000,000	3.570	0.7	-598,648	-419,087
Total		**299,399,438**	**307,144,984**	**4.47**	**4.1**	**-19,839,323**	**-17,242,568**

The period shown in the table also includes the periods in which the hedged payment flows arise in essentially identical parts. The Group assumes that the payment flows will also be included in net profit/loss for this period.

In the event of any changes in market interest rates, derivatives accounted for by means of hedge accounting may have an impact on the hedge accounting reserve under equity.

	12/31/2009 TEUR	12/31/2008 TEUR
Change in market value in the event of a 0.5 pp increase in interest levels	5,942	1,536
Change in market value in the event of a 0.5 pp decrease in interest levels	-5,942	-1,536

The change in the value of the interest derivatives in this fictitious analysis would solely affect consolidated equity in the light of the effect on income tax considerations assuming the unchanged effectiveness of the hedge relations.

Payment default risk

The payment default risk is the risk of loss for the Group if a counterparty fails to honour its contractual obligations. The Group enters into business relations solely with creditworthy counterparties and, if appropriate, requests collateral to reduce the risk of loss in the event of the counterparty's failure to comply with its duties. The Group uses available financial information including its own records to evaluate its customers. Risk exposure is monitored on an ongoing basis. There are trade receivables due from a large number of customers spread over different sectors and regions. Regular credit assessments are performed to determine the financial condition of the receivables. Material receivables are predominantly held against customers with good credit ratings.

As of the balance sheet date, available-for-sale financial assets (trade receivables) overdue by more than three months but not adjusted stand at TEUR 791 (previous year TEUR 970). Financial assets overdue by more than one year whose value has not been adjusted are valued at TEUR 3,145 (previous year TEUR 3,862).

The Group is for the most part not exposed to any payment default risks on the part of a counterparty or group of counterparties with similar characteristics. The Group defines counterparties as those with similar characteristics if they are related parties. Only TAG Gewerbeimmobilien-Aktiengesellschaft is exposed to payment default risk clustering. Rental income from a new tenant gained in 2007 currently stands at around EUR 13.7 million p.a. (previous year approx. EUR 13.6 million). Given the tenant's credit rating, no payment defaults are expected.

With the exception of the figures contained in the following table, the carrying amount of the financial assets recognised in the consolidated financial statements less any value adjustments constitute the Group's maximum payment default risk. This does not include any collateral received.

	12/31/2009 TEUR	12/31/2008 TEUR
Guarantees in favour of associates	505	2,970
Guarantees in favour of joint ventures	0	5,100

Liquidity risk

The Management Board is responsible for liquidity risk management and has established an appropriate model for managing short, medium and long-term finance and liquidity requirements. The Group controls liquidity risks by maintaining reasonable reserves and bank facilities and by means of ongoing monitoring of forecast and actual cash flows and the reconciliation of the maturities of financial assets and liabilities.

The following tables set out the contractual durations of the Group's financial liabilities. Based on the non-discounted cash flows of financial liabilities as of the earliest day on which the Group is under any settlement obligation.

Residual maturity of financial liabilities	12/31/2009 TEUR	12/31/2008 TEUR
Due for settlement in less than 1 year	135,058	143,177
1 to 5 years	227,878	207,942
more than 5 years	185,025	200,046
Total	**547,961**	**551,165**

In addition, there are estimated future payment outflows from interest on financial liabilities due for settlement in less than one year of around EUR 16 million (previous year around EUR 20 million), in more than one but less than five years of around EUR 31 million (previous year around EUR 54 million) and in more than five years of around EUR 8 million (previous year approx. EUR 27 million).

The following table analyses the maturities of financial assets expected by the Group based on the non-discounted contractual maturities of financial assets including interest.

Residual maturity of financial assets	12/31/2009 TEUR	12/31/2008 TEUR
Due for settlement in less than 1 year	19,316	24,282
more than 5 years	396	375
Total	**19,712**	**24,657**

As of the balance sheet date, financial assets worth TEUR 2,130 (previous year TEUR 1,000) were pledged as collateral for liabilities to banks on a short-term basis. This cash is subject to normal interest during the pledge period.

The Group is able to utilise overdraft facilities. The total amount not utilised as of the balance sheet date stands at TEUR 7,426 (previous year TEUR 2,637). The Group expects to be able to settle its liabilities from operating cash flow, the inflow of financial assets due for settlement and existing credit facilities at all times.

Credit risk

The Group is dependent upon the receipt of bank loans to finance further acquisitions. Similarly, it must renew these loans when they expire or find alternate sources of finance. In all these cases, there is a risk of not being able to renew the loans at the same or other terms.

Within the Group, risks arise from the observance of financial covenants with respect to a new loan raised at the end of 2009 for TEUR 10,000 and with respect to the convertible bond for TEUR 12,500 also issued at the end of 2009. The financial covenants and the terms and conditions underlying the convertible bond stipulate certain requirements with respect to TAG's gearing. In this connection, reporting and approval duties apply. Failure to comply with these requirements may result in the termination of these loans. The aforementioned bank loan also includes a repayment obligation in the event that legal disputes within the Group exceed a certain size as well as in the event of any change in the shareholder structure resulting in a change of control.

In addition, a loan of EUR 245.1 million has been raised at the level of TAG Gewerbe AG and a further loan of EUR 31.0 million at the level of Bau-Verein zu Hamburg Aktien-Gesellschaft for which financial covenants with respect to capital service ratios and equity/debt ratios have been agreed. If any of these covenants are breached, premature loan repayments may be necessary.

In the year under review, the financial covenants specified in the loan agreements were observed; only in one case was it necessary to lodge additional collateral of TEUR 75 with a bank due to failure to comply with a cover ratio in connection with a loan which had a carrying amount of EUR 25.9 million as of the balance sheet date.

Collateral

As in the previous year, the Group holds collateral in the form of financial assets (ondemand accounts and savings accounts) from tenants valued at around EUR 3.8 million. The relevant contracts provide for collateral equaling three monthly rental installments to be provided.

The Group grants creditors collateral in the form of cash of around EUR 2.1 million (previous year around EUR 3.4 million) to secure outstanding construction activities.

Other details

Contingent liabilities and other financial obligations

In addition to the aforementioned guarantees, there are contingent liabilities of TEUR 3,000 in the form of possible additional purchase price payments in connection with the acquisition of real estate. As of the balance sheet date, these broke down as follows:

Other financial obligations	**12/31/2009 TEUR**	**12/31/2008 TEUR**
Rentals for business premises	3,466	6,173
Others (e.g. manager contracts, leases, rental guarantees)	1,137	3,744
Total	**4,603**	**9,917**

One part of the other financial obligations of TEUR 1,000 (previous year TEUR 2,053) is due for settlement in less than one year, a further part of TEUR 2,855 (previous year TEUR 5,567) between one and less than five years and a further part of TEUR 748 (previous year TEUR 2,297) in more than five years.

Minimum lease payments under operating leases

As of the balance sheet date, there are fixed future claims to minimum lease payments, which relate to operating leases primarily entailing commercial real estate of around EUR 149 million (previous year around EUR 136 million), of which around EUR 10 million (previous year around EUR 4 million) is due for settlement in less than one year, around EUR 49 million (previous year around EUR 40 million) in more than one year but in less than five years and around EUR 90 million (around EUR 92 million) in more than five years.
Leases for commercial real estate generally have fixed minimum terms of up to ten years. In some cases, the tenants are offered renewal options. In such cases, rental adjustment clauses reduce the market risk of long-term fixed prices.

Material transactions with related persons

The following main transactions with related parties arose in the year under review:

Business relations with joint ventures

- There were business relations between Bau-Verein zu Hamburg Aktien-Gesellschaft, a subsidiary of TAG, and DESIGN Bau BV Hamburg GmbH & Co. KG in the form of construction management and accounting activities. This resulted in income of TEUR 31 in the year under review (previous year TEUR 194).

Business relations with associates

- Bau-Verein zu Hamburg Aktien-Gesellschaft issued a guarantee towards a bank for TEUR 505 (previous year TEUR 2,970) in favour of GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH & Co. KG in 2004. No remuneration has so far been agreed. However, the Group charged fees of TEUR 3 (previous year TEUR 3) plus VAT for property management and accounting/controlling services performed for this company.
- Fees for the provision of construction management, facility management and accounting/controlling services of TEUR 691 (previous year TEUR 8,902) plus VAT were charged to GAG Grundstücksverwaltungs-Aktiengesellschaft in the year under review. BV Steckelhörn GmbH & Co. KG became the owner of the commercial prop-erty in Steckelhörn in Hamburg under the terms of a purchase contract dated 1 September 2009 with GAG Grundstücksverwaltungs-Aktiengesellschaft for a price including transaction costs of TEUR 20,259.
- In the year under review, there were business relations with LARUS Asset Management GmbH in the form of construction management and administrative activities. This resulted in income of TEUR 93 (previous year TEUR 140) and expense of TEUR 1,480 (previous year TEUR 1,932) in the year under review.

Business relations with other related parties

- Dr. Lutz R. Ristow, Chairman of TAG's Supervisory Board, received fees of TEUR 120 in the year under review (previous year: TEUR 114) for services outside his office on the Supervisory Board.
- Banque Havilland S.A., Luxembourg, in whose supervisory board Dr. Lutz R. Ristow is a member, granted TAG a loan for TEUR 10,000 in December 2009. The loan has a term of three years and is subject to an interest rate of 5 percent p.a. It is secured through the assignment of shares in and receivables from affiliated companies.
- Nörr LLP, Munich, with which Prof. Dr. R. Frohne, a member of the Supervisory Board, is related, received payments of TEUR 72 in the year under review (previous year TEUR 63) for legal advice.
- As of the balance sheet date, there are loan liabilities of TEUR 1,484 (previous year TEUR 1,443) towards Immobilienkontor Leipzig GmbH, Leipzig in which members of TAG's Supervisory Board hold shares. The liabilities are subject to interest of 7.5 percent.

- WH Vermögensverwaltungs GmbH, Düsseldorf, with which Supervisory Board member Rolf Hauschildt is related, granted additional collateral free of charge as security for a bank loan in an outstanding amount of TEUR 15,688 (previous year TEUR 15,879) as of the balance sheet date. TAG primarily provided collateral of its own as security for this loan.
- TAG Beteiligungs GmbH & Co. KG, in which members of the Management Board have a 0.5 percent stake, acquired shares in TAG Gewerbeimmobilien-Aktiengesellschaft from Bau-Verein AG at a price of TEUR 969 in 2009. There are ongoing receivables of TEUR 3,793 (TEUR 3,593) due from TAG Beteiligungs GmbH & Co. KG as of the balance sheet date subject to interest of 6 percent p.a.

Auditor's fees

The independent auditor's fee payable in 2009 for the entire Group of TEUR 450 (previous year TEUR 421), which is reported as expense, includes fees (plus value added tax) for the audit of the financial statements of TEUR 375 (previous year TEUR 380), fees for other auditing activities of TEUR 58 (previous year TEUR 35), fees for other activities of TEUR 11 (previous year TEUR 0) and, as in the previous year, an amount of TEUR 6 for tax consulting activities.

Headcount

The Group had a total headcount of 119 as at 31 December 2009 (previous year 126). The annual average stood at 123 (previous year 132). As in the previous year, an average of 14 people were additionally employed as janitors.

Supervisory Board

Members of the Supervisory Board and offices held by them in other supervisory boards or comparable domestic and international corporate governance bodies in accordance with Section 285 No. 10 of the German Commercial Code in 2009:

Dr. Lutz R. Ristow, Hamburg, businessman (Chairman)
- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg (Chairman)
- TAG Gewerbeimmobilien-Aktiengesellschaft, Hamburg (Chairman)
- Banque Havilland S.A., Luxembourg (since 10 July 2009)

Prof. Dr. Ronald Frohne, New York, attorney and public auditor (Deputy Chairman)
- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg
- Würzburger Versicherungs-AG, Würzburg
- TELLUX-Beteiligungsgesellschaft mbH, Munich
- AGICOA, Geneva, Switzerland
- CAB, Copenhagen, Denmark

Rolf Hauschildt, Düsseldorf, bank clerk
- Germania Epe AG, Gronau-Epe (Chairman)
- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg
- ProAktiva Vermögensverwaltung AG, Hamburg
- Allerthal Werke AG, Grasleben
- Solventis AG, Frankfurt/Main
- Scherzer & Co. AG, Cologne
- RM Rheiner Management AG, Cologne

Rolf Elgeti, businessman, Potsdam (until 30 May 2009)
- treveria plc, Isle of Man, United Kingdom

Andrés Cramer, businessman, Hamburg (since 27 August 2009)
- The Event People AG, Cologne, (Chairman)

Management Board

Members of the Managemnt Board and offices held by them in other supervisory boards or comparable domestic and international corporate governance bodies in accordance with Section 285 No. 10 of the German Commercial Code in 2009:

Rolf Elgeti, Chief Executive Officer, Potsdam (since 1 June 2009)

- treveria plc, Isle of Man, United Kingdom
- GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg (Chairman, since 24 June 2009)
- AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Hamburg (Chairman, since 30 June 2009)

Hans-Ulrich Sutter, Chief Financial Officer, Berlin

- TAG Gewerbeimmobilien-Aktiengesellschaft, Hamburg (since 26 May 2009)
- AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Hamburg (since 30 June 2009)

Andreas Ibel, Chief Executive Officer, Hamburg (until 30 June 2009)

- GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg (Chairman, until 24 June 2009)
- AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Hamburg (until 30 June 2009)

Erhard Flint, Hamburg, Chief Officer Construction and Sales, Hamburg (until 31 March 2009)

- AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Hamburg (until 30 June 2009)

Total remuneration received by the Supervisory Board and the Management Board

Total remuneration to the Management Board came to TEUR 2,565 in the year under review (previous year TEUR 860) and breaks down as follows:

	Fixed remuneration*	Variable remuneration	Settlement payments
Rolf Elgeti	TEUR 167 (Previous year TEUR 0)	TEUR 370 (Previous year TEUR 0)	TEUR 0 (Previous year TEUR 0)
Hans-Ulrich Sutter	TEUR 271 (Previous year TEUR 180)	TEUR 250 (Previous year TEUR 0)	TEUR 0 (Previous year TEUR 0)
Andreas Ibel	TEUR 148 (Previous year TEUR 338)	TEUR 0 (Previous year TEUR 0)	TEUR 645 (Previous year TEUR 0)
Erhard Flint	TEUR 284 (Previous year TEUR 342)	TEUR 0 (Previous year TEUR 0)	TEUR 338 (Previous year TEUR 0)

* including taxable additional benefits

Part of the remuneration received by Andreas Ibel and Erhard Flint was paid by the subsidiaries Bau-Verein zu Hamburg Aktien-Gesellschaft and Bau-Verein zu Hamburg Eigenheim-Immobilien GmbH.
The settlement for Mr. Flint was paid in 2010.

The remuneration paid to the Supervisory Board in the year under review came to TEUR 39 (previous year TEUR 165).

Notification of share transactions in accordance with Section 21 of the German Securities Trading Act

The Company received the following notifications in accordance with Section 21 of the German Securities Trading Act:

- In accordance with Section 21 of the German Securities Trading Act, we were informed by Ratio Asset Management LLP London, London, UK that its share in the voting rights of TAG had dropped below the threshold of 5 percent and stood at 4.85 percent on 20 February 2009. 4.40 percent of the voting rights are attributable to Ratio Asset Management LLP via The Ratio European Fund, George Town, Cayman Islands, and 0.45 percent via The Ratio Value Fund. Updated notification was received from Ratio Asset Management LLP and The Ratio European Fund in March 2009, according to which the two entities hold a share of 2.90 percent as of 27 February 2009.
- TAG was additionally notified that Dr. Lutz R. Ristow exceeded the threshold of 3 percent and held 3.11 percent on 23 February 2009. 1.47 percent of the voting rights are attributable to a subsidiary. At the same time, Dr. Lutz R. Ristow stated in connection with TAG's equity issue of 2006 that his share dropped below the thresholds of 5 percent and 3 percent on 8 June 2006 and stood at 2.69 percent on that date. 1.47 percent of the voting rights were also attributable to a subsidiary.
- IP Concept Management S.A, Luxembourg, stated that it had dropped below the threshold of 5 percent and held a share of 4.77 percent as of 22 April 2009. Voting rights of 4.50 percent were attributable to the legally separate investment fund FvS Strategie SICAV-Multiple Opportunities and a further 0.27 percent to the legally separate investment fund Vermögenswachstum Global Funds 1. On 28 July 2009, IP Concept Management S.A. held 5.07 percent via the fully attributable voting shares held by the legally separate investment fund FvS Strategie SICAV Multiple Opportunities. On 21 October, the threshold of 5 percent was dropped below again, so that IP Concept Management S.A. held 4.77 percent. 4.47 percent of the voting shares were attributable to the investment fund FvS Strategy SICAV Multiple Opportunities. On 14 December 2009, IP Concept Fund Management S.A. notified TAG that it held 5.02 percent. 4.63 percent of the voting shares were attributable to the investment fund FvS Strategy SICAV Multiple Opportunities.

- THSP Limited, London, United Kingdom, informed TAG on 10 March 2009 that it held 11.515 percent as of 8 August 2006. Of this, 6.63 percent of the voting shares were held directly by and attributable to St. James's Place Greater European Progressive Unit Trust, London, United Kingdom. As of 28 February 2007, a share of 16.365 percent was held. Of this, 6.63 percent of the voting shares were held directly by and attributable to St. James's Place Greater European Progressive Unit Trust, London, United Kingdom. There-upon, THSP notified TAG that it held 0 percent as of 31 March 2008. At the same time, Taube Hodson Stonex Partners Limited, London, United Kingdom, informed TAG in March 2009 that its share in the Company had dropped to 0 percent on 31 March 2008. Taube Hodson Stonex Partners LLP, London, United Kingdom, reported that it held 16.77 percent in TAG as of 31 March 2009. Of this, 6.63 percent of the voting shares were again held directly by and attributable to St. James's Place Greater European Progressive Unit Trust, London, United Kingdom. On 22 July 2009, Taube Hodson Stonex Partners LLP, London, United Kingdom, reported that it held 13.37 percent in TAG. Of this, 6.63 percent of the voting shares were again held directly by and attributable to St. James's Place Greater European Progressive Unit Trust, London, United Kingdom.
- A further shareholder reported that he had exceeded a threshold. Mr. Jonathan Chenevix-Trench, London, United Kingdom, held 3.06 percent as of 17 June 2009.
- Finally, The European Asset Value Fund, Luxembourg, informed TAG on 9 October 2009 that it had dropped below the 5 percent threshold and held 4.89 percent as of 12 May 2006 following an equity issue at the time. All the shares of 4.89 percent are held by and are attributable to The European Asset Value Fund for an unspecified third party.

Corporate Governance Code declaration pursuant to Section 161 of the German Stock Corporation Act

The joint declaration of the Management and Supervisory Board concerning the recommendations of the Government Commission on the German Corporate Governance Code required pursuant to Section 161 of the German Stock Corporation Act has been prepared and made available to shareholders on the TAG website. TAG's listed subsidiary, Bau-Verein zu Hamburg Aktien-Gesellschaft, has also issued the declaration required pursuant to Section 161 of the German Stock Corporations Act and made it available on its website.

Material events after the balance sheet date

Effective 1 January 2010, control was gained over nearly 100 percent of the shares in Ostara Alpha S.a.r.l., Luxembourg. The main asset of this company is a portfolio of domestic residential real estate worth around EUR 47 million.

The acquisition was executed through the issue of 2,418,182 new shares from the Company's authorised capital, a cash component of around EUR 4.5 million and the transfer of the acquiree's bank borrowings of around EUR 26 million. The shares had a fair value of around EUR 11.2 million.

As the acquiree does not apply IFRS accounting rules, reliable data on the individual net assets acquired is not yet available. Preliminary model calculations for the allocation of the cost of the business combination indicate that the net fair value of the identifiable assets, liabilities and contingent liabilities are higher than the price paid.

As a result of the equity issue, the issued capital and the number of shares rose to EUR 34,984,546.00 or 34,984,546 shares following registration of the underlying non-cash equity issue in the commercial register in March 2010. There is no need to adjust earnings per share on account of this transaction.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the Group, and the 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.

Hamburg, 30 March 2010

Rolf Elgeti **Hans-Ulrich Sutter**

Hummelsbütteler Kirchenweg, Hamburg

Independent auditor's report

We have audited the consolidated financial statements prepared by TAG Immobilien AG Hamburg comprising the balance sheet, income statement, statement of changes in equity, cash flow statement, notes to the consolidated financial statements and the management report for the business year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the Group management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the additional accounting provisions in accordance with Section 315a (1) of the German Commercial Code is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW = Institute of German Public Auditors). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit includes an assessment of the financial statements of the companies included in the Group, the definition of the consolidation group, the accounting and consolidation principles applied and the significant estimates made by the legal representatives as well as an appraisal of the overall situation presented by the consolidated annual financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the results of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the supplementary provisions of German commercial law in accordance with Section 315a (1) of the German Commercial Code and in the light of these provisions give a true and fair view of the net assets, financial position and results of operations of the Group. The Group management report is consistent with the consolidated financial statements and on the whole provides a suitable understanding of the Group's position and suitably presents the opportunities and risks to future development.

Hamburg, 31 March 2010

Nörenberg • Schröder
GmbH Wirtschaftsprüfungs-
gesellschaft

Michels, Wirtschaftsprüfer
(German Public Auditor)

Thiel, Wirtschaftsprüfer
(German Public Auditor)

TAG’s Financial calender

Zehlendorf, Berlin

21 April	Annual Report 2009
12 May	Interim Report - 1st quarter of 2010
25 June	Shareholder‘s meeting 2010, Hamburg
10 August	Interim Report - 2nd quarter of 2010
09 November	Interim Report - 3rd quarter of 2010

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The English version of the annual report is a translation of the German version of the annual report.
The German version of this annual report is legally binding.

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