2010

Growing Assets

Annual Report

TAG

TAG Immobilien AG

"My vision is, that every investor interested in German residential property thinks first of TAG."

Rolf Elgeti

Group Financials (IFRS)

in TEUR	2010	(adjusted) 2009	(adjusted) 2008
A. Income statement key figures			
Revenues	82,941	120,848	101,896
a) Property sales	29,464	72,830	44,843
b) Rental income	51,802	46,218	54,231
c) Property management and other services	1,675	1,800	2,823
EBITDA before revaluation	31,413	13,729	20,296
EBIT	46,865	-1,293	-5,740
EBT	22,208	-24,732	-42,134
Consolidated net profit/loss before minority interests	19,191	-31,244	-36,441
Consolidated net profit/loss after minority interests	18,501	-29,166	-30,622
Earnings per share in EUR	0.48	-0.90	-0.98
B. Balance sheet key figures			
Total assets	1,190,507	801,421	842,287
Equity before minorities	356,461	196,398	228,120
Equity ratio in %	30	25	27
Bank loans	634,002	517,243	538,042
Of which current	110,490	116,304	130,062
Real estate volume	978,007	770,096	804,231
NAV per share in EUR	6.09	6.03	7.01
C. Employees			
Number of employees	168	119	126

Further figures	
Market capitalisation in TEUR on 31 December 2010	372,482
Subscribed capital in EUR	58,566,364.00
WKN/ISIN	830350/DE0008303504
Number of shares	58,566,364
Free Float in %	95
Stock exchange	SDAX/EPRA

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Highlights 2010

October

Shares in LARUS Asset Management GmbH increased to 100 %
Number of properties: 124
Assets under management: EUR 2.2 Mrd.

May

Acquisition of FranconoWest AG / Francono Advisory AG
Units: 1,965
Floor area: 125,999 sqm
Region: NRW, Saxony

March

Acquisition of TAG Nordimmobilien S.à r.l.
Units: 787
Floor area: 51,300 sqm
Region: Berlin

November

Completion of the “Stuttgart Südtor” project - a mixed-use city district
Area: 24,800 sqm
Hotel: 181 rooms
Flats: 77
Retail: 2
Underground parking: 196

December

Colonia REAL ESTATE AG

Takeover of Colonia Real Estate AG > 30 %
Portfolio in Germany
Units: 19,000
Real estate volume: EUR 814 m
Assets under management: EUR 2.1 Mrd.

Real estate volume up by **77 %** *in residential real estate alone*

Positive EBT of **EUR 22.2 million** *in 2010*

Successful placement of convertible bonds: **EUR 30 million** *in May and* **EUR 66 million** *in December*

Successful capital measures - share capital increased from **EUR 32.57 million** *to* **EUR 58.57 million**

Rental income rises again to **EUR 40.2 million**

Successful **integration** *of the acquired portfolios*

Restructuring *throughout the Group successfully* **concluded**

Vacancy reduced from **7.4 %** *to* **5.3 %** *at Group level within a year*

LTV holds strong at **53.0 %**

Seizing opportunities - Shaping the future.

Preface by the Management Board

Dear Shareholders, Ladies and Gentlemen,

In 2010, TAG Immobilien AG (TAG in the following) began to reap the benefits of its restructuring measures, which were initiated following a difficult year in 2009. Earnings before taxes rose from EUR -24.7 million in 2009 to over EUR +22.2 million, and we were glad to report earnings per share of 48 Cents for 2010. This very gratifying result is down to three major success factors:

First we were able to forge ahead with the vacancy reduction begun in the second half of 2009, and significantly lower operative and general costs. Group-wide vacancy was brought down from 7.4 percent to 5.3 percent. In residential properties alone, vacancy in the existing portfolio was nearly halved, bringing the vacancy rate from 10.3 percent to 5.9 percent. Vacancy would be even lower if we hadn't acquired properties with high vacancy rates in 2010.

On a like-for-like basis - i.e. without the acquisitions made in 2010 - we were in fact able to reduce vacancy to 4.7 percent.

These successes in vacancy reduction are reflected in the rental profit, which increased year-on-year from 35.0 million EUR to 40.2 million EUR. The vacancy reduction naturally also upgraded the value of our portfolio.

This was the second major property driver, contributing approx. EUR 12.8 million. Another fact worth noting is that we have managed to lower maintenance costs considerably even though a large portion of the vacant properties had to be readied for letting. After all, this operational progress improves our credit relations and therefore also enables us to release some of our previously tied-up equity.

This, we have achieved turnaround since the second half of 2009 and have largely completed the consolidation process within the Group - specifically this means that all of the Group's costs can be covered by the rental profit alone. Nonetheless, we intend to keep improving our operating result, reducing vacancy, and optimising our costs further in 2011.

At the same time we want to continue growing. We feel this is important for three reasons: First, many of our costs are fixed and step fixed in nature, so that growth in our core sectors makes us more profitable simply through economies of scale. Secondly, we see opportunities in the current marketplace to buy inexpensively because of special situations, which allows us to achieve first-time consolidation profits that increase the intrinsic value of our Group and hence the intrinsic value per share. Besides, at approx. EUR 19 million in 2010, this was our third major profit driver last year. We also believe that having a bigger company will boost the investability of our share and will accordingly be important for the valuation of our company in the capital markets.

We successfully pursued our growth strategy during the past business year. We bought and integrated residential real-estate portfolios in Berlin for approx. EUR 43 million with effect from January 2010. Its vacancy of around 14 percent at the time of purchase was reduced to 8.1 percent at year-end. Further, we acquired assets in North Rhine-Westphalia and Saxony with a total volume of EUR 104 million from Franconofurt AG. Here, too, we managed to quickly integrate the properties into the TAG platform, reducing both vacancy and costs.

Hans-Ulrich Sutter
CFO

Rolf Elgeti
CEO

However, the most significant strategic step taken last year was of course the participation in Colonia Real Estate AG and the subsequent acquisition of a controlling majority stake. Colonia's current situation is in many ways similar to TAG AG's situation in summer of 2009. Here too, the task at hand is to reduce vacancy, lower costs and increase rents. Ambitious though these goals may be, we should be able to realise the envisioned EUR 25-30 million per year in potential for synergy and improvement from this acquisition, at which point the Colonia takeover will become very lucrative for you as TAG shareholders. After all, we paid considerably less than the Net-Asset-Value (NAV) of Colonia, and as you know, profits in our industry often arise from acquisition.

To finance this transaction, we requested additional capital from you. We see it as a basic business principle only to carry out capital measures if a specific purpose has been set for the use of the funds and if the measure doesn't dilute our share value - and this will remain the case going forward.

Based on our strategy, we expect pre-tax earnings (EBT) of at least EUR 50-60 million for 2011, and expect our NAV to be EUR 8 per share at the end of the year.

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 to create additional value for you. Thank you for your trust and support in these unusual but very exciting times.

Yours sincerely,

Rolf Elgeti
CEO

Hans-Ulrich Sutter
CFO

Focus on active portfolio and asset management.

Group structure

TAG Immobilien AG		**Residential and commercial real estate** ▪ Founded in 1882 ▪ Listed on the SDAX ▪ Operative holding company of the group ▪ EUR 978 m real estate volume
TAG Gewerbeimmobilien-AG	**100 %**	**Commercial real estate** ▪ Pre-REIT status ▪ EUR 381 m real estate volume
TAG Sachsenimmobilien GmbH	**100 %**	**Residential real estate** ▪ 436 Units in Saxony ▪ Commercial and technical services for real estate ▪ Consolidated as of June 2010
TAG Nordimmobilien S.à r.l.	**100 %**	**Residential real estate** ▪ 787 Units predominantly in Berlin ▪ Consolidated as of January 2010
LARUS Asset Management GmbH	**100 %**	**Services** ▪ Services for commercial real estate ▪ EUR ~2.2 bn assets under management ▪ Takeover the shareholding of HSH Real Estate of the existing Joint Venture
FranconoWest AG	**97 %**	**Residential real estate** ▪ Residential property volume of around EUR 87 m ▪ 94 % of the properties located in North Rhine-Westphalia ▪ Consolidated as of August 2010
Bau-Verein zu Hamburg AG	**91 %**	**Residential and commercial real estate** ▪ Founded 1892 ▪ EUR 294 m real estate volume ▪ Listed on the General Standard
Colonia Real Estate AG	**> 50 %**	**Residential real estate / services** ▪ EUR 2.1 bn assets under management ▪ 19,000 units (Residential: Berlin, Dusseldorf, Salzgitter) ▪ Listed on the Prime Standard ▪ Services for residential real estate
ESTAVIS AG	**20 %**	**Residential real estate** ▪ EUR 78 m real estate volume (of which EUR 58 m are existing inventory and EUR 20 m are properties slated for development) ▪ Listed on the Prime Standard

As of: March 2011

TAG - an attractive asset class.

Business activity

TAG serves as a holding for a diversified real-estate group whose activities span both the residential and commercial real-estate sectors and the service sector. The company's focus lies on the German real-estate market, especially on metropolitan regions such as Hamburg, Berlin, Munich, Leipzig and North Rhine-Westphalia. TAG is a proprietor and realises appreciation potential within its portfolio through active asset management and strategic acquisitions of attractive properties. At year-end 2010, the total real estate volume came to EUR 978 million. The TAG Group maintains offices in Hamburg, Berlin, Leipzig, Dusseldorf and Munich and has a total of 168 employees (on 31 Dec 2010). TAG Immobilien AG is a public company, listed on the SDAX since December 2006.

Group strategy

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

TAG has made use of and accelerated existing 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 reductionin vacancy costs and exploitation of potential for rent increases.

Consolidation as the basis for future growth

Since mid-2009, TAG has strategically built a solid basis in these extraordinary economic times. It did so by optimising its portfolio and business model on the one hand, and achieving operational turnaround on the other, which will enable continued growth. With regard to acquisitions, TAG is focusing on residential properties that are a good match for TAG's structure and strategy, i.e. that are located in German metropolitan regions where TAG already has investments. Other important criteria in realising a transaction include its positive effects on the NAV (Net-Asset-Value), profits and cashflow.

Growth as a strategic opportunity

TAG's business model is characterised by a high proportion of fixed and step fixed costs relative to total costs. This means that additional growth can be achieved at much lower cost, since the integration and implementation of all newly acquired real estate can be achieved without appreciable additional staff resources. 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 asset play

TAG's strategic outlook hinges on this increased focus on active asset management, vacancy reduction and further growth, and the much-improved profitability that results from this. 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 realisation of long-term value increase potential and according market valuation that comes with this should benefit our shareholders.

Our portfolio

TAG Immobilien AG has 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.

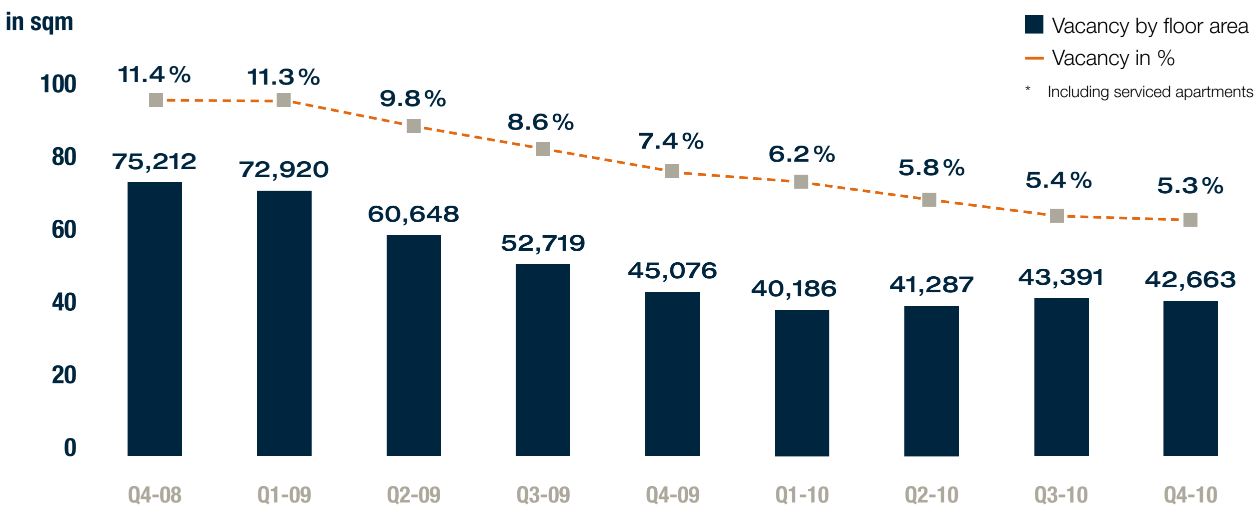
Increased portfolio value:
- *efficient vacancy reduction through active rental management*
- *Integration of attractive acquisitions*

Overall portfolio

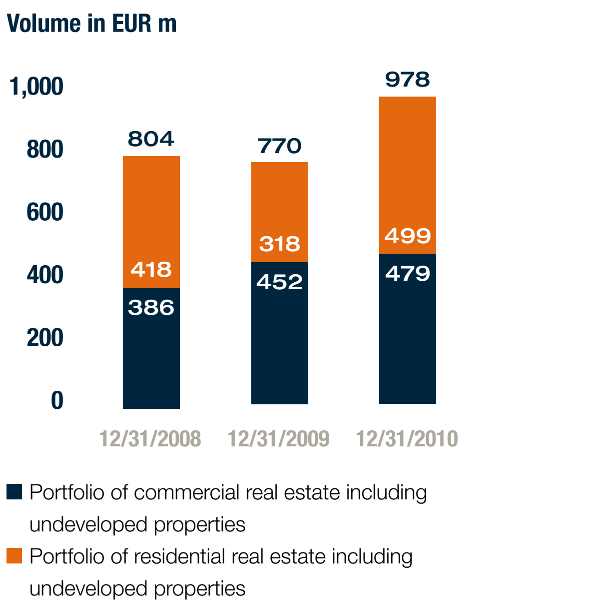
Portfolio	Numbers of buildings	Units	Floor area sqm	Vacancy sqm	Vacancy %	Annualised net actual rental TEUR	Net actual EUR/sqm	Target rent TEUR p.a.	Book value TEUR	Maintenance costs EUR/sqm p.a.	Management costs EUR/sqm p.a	Return on target rent p.a. at IFRS book value %
Commercial portfolio												
2010	32	32	335,688	12,625	3.8	25,974	6.70	27,012	404,973	7.26	5.07	6.7
2009	33	33	342,911	17,940	5.2	26,543	6.81	27,744	409,209	5.29	4.41	6.8
Residential portfolio												
2010	293	7,512	465,663	30,038	6.5	29,182	5.58	31,175	460,379	11.54	7.86	6.8
2009	75	4,206	263,331	27,135	10.3	16,616	5.86	19,047	273,952	15.47	14.28	7.0
Subtotal portfolio												
2010	**325**	**7,512**	**801,351**	**42,663**	**5.3**	**55,157**	**6.05**	**58,187**	**865,344**	**9.71**	**6.66**	**6.7**
2009	108	4,239	606,242	45,076	7.4	43,159	6.41	46,791	683,161	9.92	8.88	6.9
Others*												
2010	16	199	44,852			5,081		6,883	113,294			
2009	22		347,355			2,412		2,525	87,067			
Overall portfolio												
2010	341	7,711	846,203			60,238		65,070	978,638			
2009	130	4,239	953,597			45,571		49,316	770,228			

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

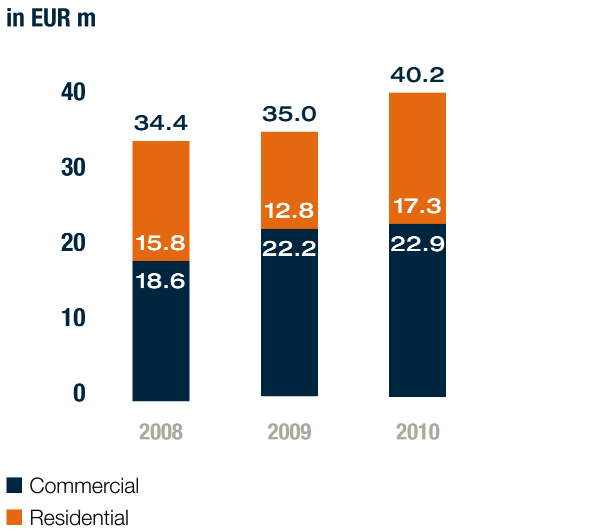
Portfolio - Vacancy rate reduction - Total*



Real estate volume



Rental profit per segment



Successful vacancy reduction results in increased value of property holdings

Since the second half of 2009, our business activities have focused on vacancy reduction - and successfully so. In 2010, too, TAG effectively proved that its proficiency lies in reducing vacancy and the resultant lowering of vacancy costs and long-term increase in the value of the portfolio. Group-wide vacancy, which at the end of 2008 was at 11.4 percent, was down to 7.4 percent by the end of 2009 and further reduced in 2010, to 5.3 percent across the portfolio. In other words, within two years vacancy across the Group was cut by 43 percent, and by 5.3 percent within the past year - i.e. from year-end 2009 to year-end 2010. In residential properties alone, vacancy was reduced from 10.3 percent to 6.4 percent over the course of the year. These figures include the newly acquired portfolios. Looking only at 'TAG's pre-existing inventory' the rental activities resulted in a vacancy reduction from 10.3 percent to 5.9 percent.

These achievements are all the more remarkable because no elaborate renovations and attendant high investments were needed to ready the vacant flats for rental - indeed, investment was reduced. At the same time, rents were up by 3.6 percent in 2010 vs. 2009 on a like-for-like basis. Finally, the successful vacancy reduction and active rental management led to a lower vacancy rate, which resulted in lower vacancy costs and improved rental profit. The latter came to EUR 17.3 million for residential properties in 2010, up by 35 percent (EUR 12.8 million) over 2009.

Marienstraße, Meerane

Portfolio - Residential

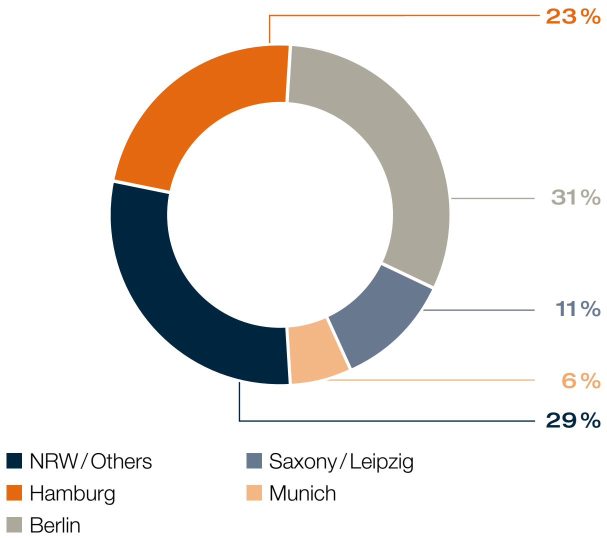
Increased portfolio value thanks to attractive acquisitions

TAG seizes opportunities that open up in the German real estate market and relies on external growth as well - provided the properties match our company's structure and strategy. One important criterion for acquisition is location. The properties must be have good locations in German metropolitan regions, and mainly where TAG's portfolio is already focused, such as in Hamburg, Berlin, Leipzig and North Rhine-Westphalia. A positive impact on income and the Net-Asset-Value is another condition for acquisition. The acquisitions were largely financed with capital measures, which in turn can only be successfully placed if the upcoming transactions are communicated clearly. This kind of Corporate Governance ensures investors' trust in the TAG share and the Shareholder Value generated.

In the first quarter of the past business year, TAG acquired a residential real estate portfolio in Berlin containing properties in the Charlottenburg, Prenzlauer Berg and Kreuzberg districts. This added 787 units and 51,300 sqm of floor space to our portfolio. The purchase price of EUR 43 million was financed by taking over a loan and by issuing TAG shares in a capital increase against contributions in kind. In all, approximately 2.4 million shares at an issue price of EUR 5.50 per share were issued to the owner in return for shares in the company, and excluding shareholders' subscription rights.

In the second quarter, TAG acquired another attractive residential real estate portfolio of around 2,000 units at central locations in North Rhine-Westphalia from FrancoWest AG, and at selected sites in Saxony from Francono Advisory AG, which now does business as TAG Sachsenimmobilien GmbH. These two acquisitions expanded TAG's residential real estate inventory in regions where it is already invested by more than 40 percent. The total transaction volume came to around EUR 104 million, again financed by issuing new TAG shares.

Real estate portfolio by region*



* as of: 12/31/2010 by book value

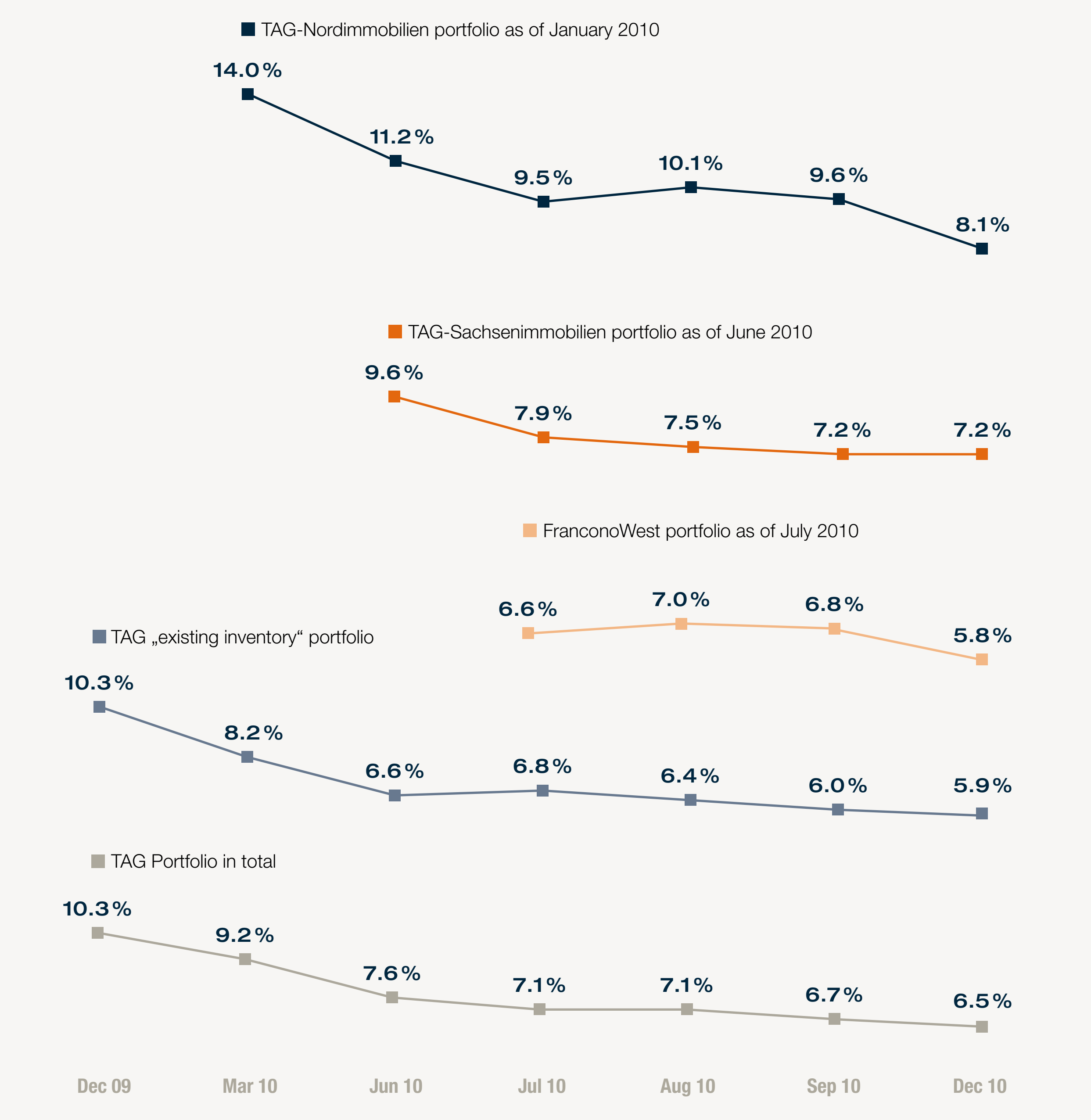
Bärenpark, Berlin

Units: 886
Floor area: 48,193 sqm
Target rent TEUR p.a.: 2,712

Moers - Asberg

Units: 370
Floor area: 24,569 sqm
Target rent TEUR p.a.: 1,569

Vacancy rate reduction - Residential



Ottobrunn, Munich

Units: 80
Floor area: 5,615 sqm
Target rent TEUR p.a.: 725

Markgrafenstraße, Leipzig

Units: 52
Floor area: 3,937 sqm
Target rent TEUR p.a.: 836

Eichholz, Hamburg

Units: 122
Floor area: 6,025 sqm
Target rent TEUR p.a.: 566

Zehlendorf, Berlin

Units: 347
Floor area: 18,630 sqm
Target rent TEUR p.a.: 1,254

Paradieshof, Hamburg

Units: 8 residential, 4 commercial
Floor area: 1,065 sqm
Target rent TEUR p.a.: 146

Portfolio Residential*

Region	Units	Floor area sqm	Va-cancy sqm	Va-cancy %	Annua-lised net actual rental TEUR	Net actual EUR/sqm	Target rent TEUR p.a.	Book value TEUR	Main-tenance costs EUR/sqm p.a.	Manage-ment costs EUR/sqm p.a	Return on target rent p.a. at IFRS book value %
Berlin	2,479	145,230	7,487	5.2	8,321	5.03	8,765	142,098	19.28	6.90	6.2
Leipzig	1,009	65,792	6,299	9.6	3,364	4.71	3,687	52,569	4.71	5.67	7.0
Hamburg	1,576	94,948	4,468	4.7	7,057	6.50	7,451	104,666	8.63	7.83	7.1
Munich	176	12,010	1,016	8.5	1,295	9.81	1,362	27,873	12.39	12.52	4.9
NRW/Others	2,272	147,683	10,767	7.3	9,146	5.57	9,910	133,165	7.94	9.15	7.4
Overall portfolio	**7,512**	**465,663**	**30,038**	**6.5**	**29,182**	**5.58**	**31,175**	**460,371**	**11.54**	**7.86**	**6.8**

* as of 12/31/2010 by book value

Portfolio - Commercial

Key project 'Stuttgart Südtor' successfully concluded after nearly two years of construction

TAG's key project "Stuttgart Südtor" involved the construction of a multipurpose urban quarter with total rental space of around 24,800 sqm in the immediate proximity of Marienplatz, at the heart of Baden-Württemberg's capital city. TAG successfully concluded its only development project on schedule after 22 months of construction. In early November 2010, an international Hotel with 181 rooms, two retailers and the public parking garage with 196 spaces opened their doors. The 77 apartments are nearly 85 percent rented and we are in late-stage negotiations concerning the rental of several floors of the office section and a restaurant space.

Office space in attractive urban locations in Germany

TAG's long-term focus in commercial real estate is on office properties with long-term leases in sought-after business locations of German metropolises such as Hamburg, Munich and North Rhine-Westphalia/Mannheim. In addition to their good locations, the properties are distinguished by their high quality, attractive 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.

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, employment agencies, Linde Gas Therapeutics GmbH and Kratzer Automation AG.

In addition, TAG's commercial properties are characterised by strong cashflow and long rental periods. Of the rental contracts that expire in 2011, nearly 50 percent have already been renewed. TAG generated 50 percent of its rental income with its commercial property portfolio, and 57 percent of the rental profits. Vacancy in the commercial property portfolio is now just 3.8 percent after 5.2 percent at year-end 2009.

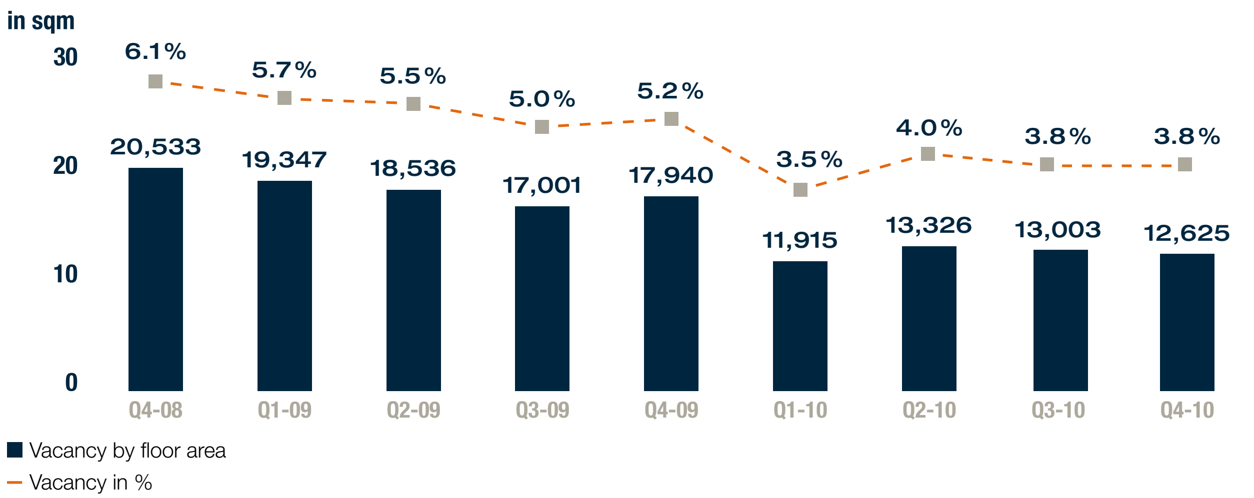
The intrinsic value of the commercial real estate portfolio is evidenced among other things by good urban locations in German metropolises with growth potential. Also, the value of TAG's commercial real estate was upgraded slightly in 2010, which has to do partly with the fact that the rents in several properties are considerably below the market. A similar trend can be expected for the current business year. No further acquisitions are planned in the commercial real estate sector; instead, our activities here are focused on asset management.

Top 5-tenants*

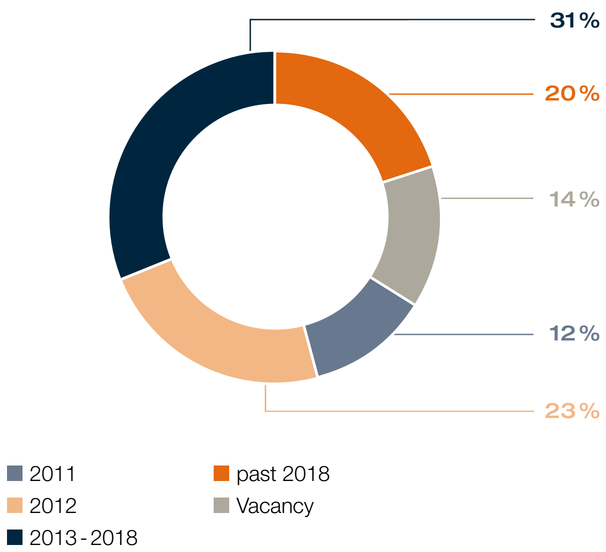
Tenants	Rental p.a. TEUR	in % of annualised rental 2010
Siemens AG	12,848	50
State/City authorities	1,854	7
Federal Employment Office	955	4
Linde Gas Therapeutics GmbH	464	2
Kratzer Automation AG	458	2
Total	**16,579**	**65**

* Commercial real estate - annualised rental 2010 25,974 TEUR

Vacancy rate reduction - Commercial real estate

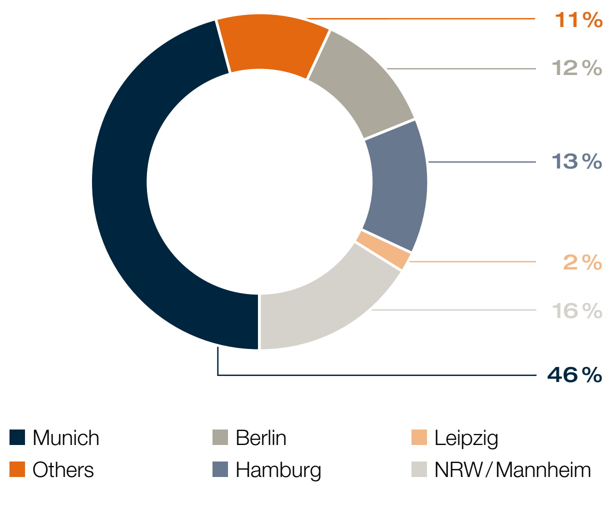


Duration of commercial rental agreements*



* as of 12/31/2010 per rent

Real estate portfolio by region*



* as of 12/31/2009 by book value

Franz-Geuer Straße

Dynamostraße

Steckelhörn

Siemensdamm

Bartholomäusstraße

Kustermannpark

Hofmannstraße

Commercial Presentation of individual properties

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.
Siemensdamm	13629 Berlin, Siemensdamm 50, Wernerwerksweg 16	53,962	16.1	-	0.0	3,000	11.5	4.63	3,000
Dynamostraße	68165 Mannheim, Dynamostraße 4	32,032	9.5	-	0.0	2,373	9.1	6.17	2,373
Franz-Geuer-Straße	50823 Köln, Franz-Geuer-Straße 10	26,492	7.9	-	0.0	2,400	9.2	7.55	2,400
Logistikzentrum Gründlacher Straße	90765 Fürth, Gründlacher Straße 259	23,964	7.1	-	0.0	1,054	4.1	3.67	1,054
Hofmannstraße	81379 München, Hofmannstraße 51	23,152	6.9	-	0.0	1,826	7.0	6.57	1,826
Pegasus Business Center	85716 Unterschleißheim, Gutenbergstraße 5	21,473	6.4	452	2.1	1,994	7.7	7.90	2,063
St.-Martin-Straße (Kustermannpark)	81669 München, St.-Martin-Straße 53	19,987	6.0	-	0.0	1,913	7.4	7.98	1,913
Kloster Blankenburg	26135 Oldenburg, Klostermark 70-80	17,520	5.2	-	0.0	577	2.2	2.74	577
Tübinger Straße	80686 München, Tübinger Straße 1-5, Hansastraße 8	17,272	5.1	-	0.0	1,262	4.9	6.09	1,262
Bartholomäusstraße	90489 Nürnberg, Bartholomäusstraße 26	15,451	4.6	1,244	8.1	1,434	5.5	8.41	1,535
Oststraße	22844 Norderstedt, Oststraße 73 c	12,358	3.7	-	0.0	602	2.3	4.06	602
Werther Carré	42275 Wuppertal, Kleiner Werth 30, Kohlgarten 7	9,811	2.9	-	0.0	1,123	4.3	9.53	1,123
Planckstraße	22761 Hamburg, Planckstraße 13-15	6,254	1.9	1,372	21.9	650	2.5	11.09	830
Steckelhörn	20457 Hamburg, Steckelhörn 5-9	6,230	1.9	-	0.0	1,223	4.7	16.35	1,223
Osswaldstraße	82139 Starnberg, Osswaldstraße 1a, 1b	5,492	1.6	211	3.8	975	3.8	15.39	1,016
Titotstraße	74072 Heilbronn, Titotstraße 7-9	5,033	1.5	1,482	29.4	366	1.4	8.60	447
Rathausgalerie Markkleeberg	04416 Markkleeberg, Rathausstraße 33-35	4,965	1.5	381	7.7	559	2.2	10.16	585
Neue Eilerstraße	51145 Köln, Neue Eilerstraße 50-52	4,613	1.4	-	0.0	252	1.0	4.55	252
Innere Kanalstraße	50823 Köln, Innere Kanalstraße 69	4,565	1.4	1,658	36.3	363	1.4	10.40	493
FAZ Dachau	85221 Dachau, Hochstraße 27	3,625	1.1	315	8.7	502	1.9	12.63	551
Stahltwiete	22761 Hamburg, Stahltwiete 20	2,839	0.8	-	0.0	352	1.4	10.33	352
Boschstraße	82178 Puchheim, Boschstraße 1	2,716	0.8	748	27.6	272	1.0	11.51	365
Königstorgraben	90402 Nürnberg, Königstorgraben 7	2,595	0.8	51	2.0	282	1.1	9.23	284
Porschezentrum	86368 Gersthofen, Porschestraße 5	1,995	0.6	0	0.0	174	0.7	7.27	174
Steinweg	59821 Arnsberg, Steinweg 13	1,861	0.6	1,080	58.0	34	0.1	3.64	74
Schleinufer	Schleinufer 14 39104 Magdeburg	1,845	0.5	1,120	60.7	29	0.1	3.35	101
Harburger Straße	21429 Stelle, Harburger Straße 1	1,746	0.5	797	45.7	74	0.3	6.51	88
Bogenstraße	22926 Ahrensburg, Bogenstraße 47	1,676	0.5	201	12.0	75	0.3	4.23	78
Hauptstraße	56155 Bendorf, Hauptstraße 186	1,536	0.5	-	0.0	54	0.2	2.91	54
Vahrenwalder Straße	30165 Hannover, Vahrenwalder Straße 12-14	1,422	0.4	1,004	70.6	36	0.1	7.20	119
Koblenzer Straße	40593 Düsseldorf, Koblenzer Straße	821	0.2	509	62.0	32	0.1	8.61	83
Cafe Atlas	81667 München, Innere Wiener Straße 2	383	0.1	-	0.0	114	0.4	24.83	114
Portfolio Commercial		**335,686**	**100**	**12,625**	**3.8**	**25,976**	**100**	**6.70**	**27,011**

TAG - Shares as currency successful placement of capital increases and convertible bonds in 2010.

TAG share

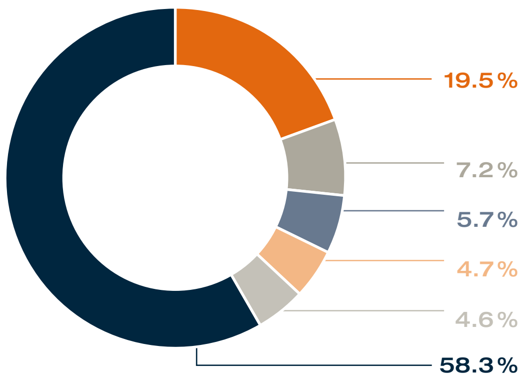
Share price and IR activities

Positive capital market developments in 2010 accordingly influenced the price of TAG Immobilien shares and the relevant benchmark indices: While the EPRA industry index rose a mere 11 percent in 2010, the DAX increased by around 16 percent and the SDAX surged by 46 percent. TAG's share performance improved by 41 percent over the year, putting it at a very high level. Contributors to this positive price trend, besides the favourable overall economy, clearly included the successfully implemented strategic and operational measures taken at the corporate level of TAG. Against this backdrop, TAG shares were listed at EUR 4.69 at the beginning of the year and trended steadily upward, closing at EUR 6.36 at year-end.
Over the past year, the subscribed capital and the number of shares have nearly doubled as the result of several capital increases. At the beginning of the year, the number of shares was 32,566,364, a figure that grew to 58,566,364 at year-end. This corresponds to subscribed capital of EUR 58,566,364.00. Free Float is at 95 percent. The company's market capitalisation also more than doubled, increasing from EUR 146 million at the beginning of the year to EUR 372 million at 31 Dec 2010 (+155 percent). The average daily trading volume in 2010 was EUR 361,100.

TAG's performance shows that investors felt their confidence in the company is amply justified. As before, the Group's shareholder structure is dominated by national and international investors with a mostly long-term investment strategy.

In fiscal 2010, discussions centred on the current business performance; at the same time, we noted great interest from market participants in TAG's new strategy and the organisational integration of the acquired companies. 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 roadshows and at conferences in Europe, as well as in regular conference calls.

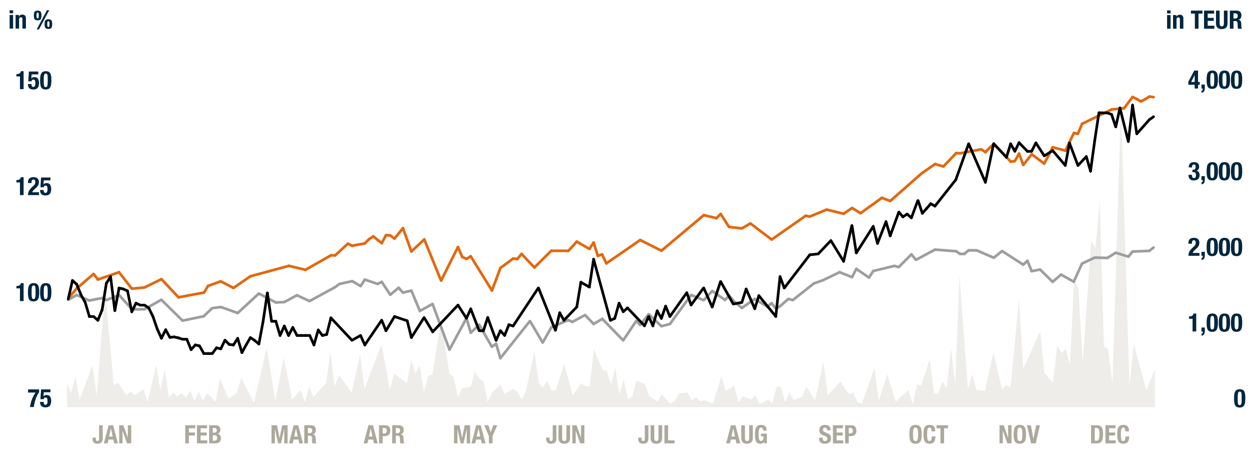
Shareholder structure on December 31, 2010



- Ruffer LLP, UK*
- Taube Hodson Stonex, UK*
- Asset Value Investors, UK*
- IP Concept/FvS Strategie SICAV, L*
- Group of investors Dr. Ristow, D
- Free Float

* Deutsche Börse definition including institutional investors

Share price



– TAG share
– EPRA Index
– SDAX
Trade volume

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	Close Brothers Seydler AG, Frankfurt/Main
Stock exchange	All German stock indexes including Xetra

Price on the first day of the year	01/04/2010	EUR 4.69
Price on the last day of the year	12/30/2010	EUR 6.36
High	12/22/2010	EUR 6.48
Low	02/16/2010	EUR 3.94
Current share price	03/31/2011	EUR 6.88
NAV per share	12/31/2010	EUR 6.09

Shareholders who subscribed for the most recent capital increase in December 2010 achieved a yield - based on the current share price on 3/31/2011 (EUR 6.88) - of around 20 percent.

Net-Asset-Value (NAV)

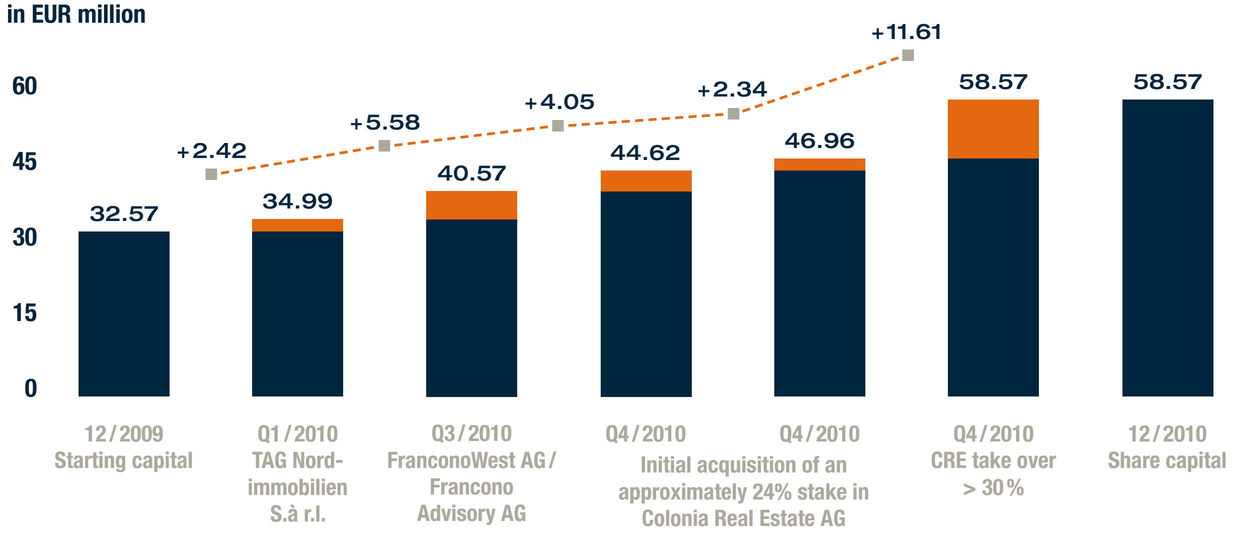
Last year, TAG commissioned an independent valuer to assess the fair and market values of its properties. This is done in accordance using international valuation methods that correspond to the principles set out in the International Valuation Standards. The market values arrived at by the valuers form 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 2010 the Net-Asset-Value per share was EUR 6.09 after EUR 6.03 at year-end 2009. This assumes a value of EUR 5.55 per share for the shares acquired in Colonia Real Estate AG (CRE). If the valuation communicated by CRE were taken into account, this would have a significantly positive effect on the NAV per TAG share.

Capital increases and acquisitions in 2010

Number of no-par value shares in EUR million



Corporate Governance

TAG corporate governance report for fiscal 2010

In accordance with section 3.10 of the "German Corporate Governance Code" (GCGC) in the version dated 26 May 2010, 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 2010 was the subject of the Supervisory Board session of 9 December 2010 and was published in December 2010.

   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 does not warrant the formation of committees. The Supervisory Board does reserve the right to use committees if this should become necessary for reasons of efficiency. In the year under review, however, the Supervisory Board and Management Board cooperated effectively and efficiently, especially on the important decision-making regarding the capital measures.

3. In accordance with Section 5.4.1 of the GCGC, the Supervisory Board is to specify goals for its own composition, taking into account the company's specific situation, its activity, potential conflicts of interest, an age limit (yet to be specified) for SB members and the diversity of the board. The Supervisory Board discussed these guidelines in its session on 9 December 2010 and formulated its goals as follows:

   - In addition to the expertise, skills and professional traits of the Supervisory Board members, which are considered a given, they should have special expertise and experience with the German real estate market so as to be able to critically evaluate the decisions of the Management Board;

   - Due to the great importance of capital market measures in financing larger transactions, special experience and skills in the German capital market are required and should be brought onto the Board; and

   - Because of the guidelines set out in Section 100 para 5 AktG (German Stock Corporation Act) if nothing else members should have special competencies in the areas of accounting and auditing, in particular in order to be able to critically evaluate the annual accounts drawn up by the Group.

   The TAG Supervisory Board acknowledges the other "aims" stipulated in the GCGC, but due to the company's current situation and current composition of the Supervisory, they tend to be of secondary importance. The Supervisory Board has also decided not to set an age limit.

4. The remuneration paid to members of the Supervisory Board was adjusted based on a resolution by the Annual General Meeting of 25 June 2010. Until that decision and the amendment to Article 15 of the Company's Articles of Association, members received a fixed compensation in the amount of EUR 7,500.00 for each full fiscal year of their membership on the Supervisory Board, plus the premiums for appropriate D & O insurance. The adjustment involves increasing this amount to EUR 15,000.00. The rules governing variable remuneration were not changed.

They stipulate that 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 30,000
Prof. Dr. Ronald Frohne (Deputy Chairman)	EUR 22,500
Mr Rolf Hauschildt	EUR 15,000
Mr Andrés Cramer	EUR 15,000
Mrs Andrea Mäckler (from 27 Apr 2010)	EUR 10,000
Mrs Wencke Röckendorf (from 27 Apr 2010)	EUR 10,000

In 2010, Dr. Lutz R. Ristow rendered services to the Group that fell outside his scope of duties as Chairman of TAG's Supervisory Board, and that were charged based on the time required. He received total fees of TEUR 98 in the year under review. Prof. Ronald Frohne is related to in the Nörr, Stiefenhofer, Lutz law firm, which provided legal advice on corporate law issues and other legal matters in 2010. A total fee of TEUR 607 was paid for these services.

Please refer to the remuneration report on page 43 and 115 of the Notes to the consolidated financial statements for further details on the basics of 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 2010, the following shares were held:

Shareholders	Number of shares
Dr. Lutz R. Ristow and Rita Ristow	1,400,000
Albert Asmussen GmbH (Prof. Dr. Ronald Frohne)	295,677
A&B Vermögensverwaltung GmbH, Dusseldorf (CEO: Mr Hauschildt)	300,000
WH Vermögensverwaltung GmbH, Dusseldorf (Waltraud Hauschildt)	400,000
RH Vermögensverwaltung GmbH, Dusseldorf (Rolf Hauschildt)	300,000
Rolf Elgeti (CEO)	75,000
Hans-Ulrich Sutter (CFO)	15,596

Hamburg, April 2011

Supervisory Board and Management Board of TAG Immobilien AG

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 (also referred to as Company in the following) declare that the Company has conformed and continues to conform to the recommendations on corporate management and governance drafted by the Government Commission on the German Corporate Governance Code in the version dated 26 May 2010 (GCGC in the following), issued by the German Federal Ministry of Justice and published in the official part of the electronic Bundesanzeiger (Federal Gazette) with the following exceptions:

1. The Company cannot support its shareholders in carrying out an absentee vote (Section 2.3.3 of the GCGC), as the Articles of Associations do not provide for the option of an absentee ballot.

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. Although the Supervisory Board of TAG has adopted specific goals for its composition in accordance with Section 5.4.1 GCGC, due to its current composition it has refrained from setting an age limit for Supervisory Board members. The diversity factor can only be taken into account with a long-term view and usually involves Supervisory Board elections.

4. 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 due to the amount of expense and work involved.

Hamburg, December 2010

Supervisory Board and Management Board of TAG Immobilien AG

Supervisory Board Report

Dear Shareholders, Ladies and gentlemen,

2010 was a year of growth for TAG Immobilien AG. It was a year of acquisitions and a significant increase in the Group's inventory of residential properties, as well as a considerable augmentation of the Company's subscribed capital. The capital measures successfully carried out during the period under review resulted in an increase in subscribed capital from approx. EUR 32 million at 31 Dec 2009 to approx. EUR 58 million at 31 Dec 2010 and are evidence of the confidence and trust placed in TAG by shareholders and investors. The Supervisory Board intensively attended the Management Board in these developments, fulfilling its advisory and monitoring duties according to the law and the company's Articles of Association.

Cooperation with the Management Board, Monitoring of the company's management

The Supervisory Board regularly advised the Management Board in the discharge of its duties and monitored the management of the company. In accordance with Section 90 para 1 and para 2 of the German Stock Corporations Act the Management Board furnished us with regular, up-to-date and comprehensive information on all relevant issues of corporate planning and strategy. The Supervisory Board was involved in all decisions of fundamental importance to TAG Immobilien AG and the Group.

The Management Board's reporting covered the economic condition and profitability of the Group's companies, their business progress, risk situation, and the implementation of risk management. The acquisitions carried out in 2010 and their financing were a major focus of the reporting.

The Management Board reported both in writing and orally. The Chairman & CEO was in constant contact with the Chairman of the Supervisory Board in order to coordinate major business transactions. Important matters were immediately brought to his attention.

Deliberations and resolutions of the Supervisory Board

In a total of five scheduled meetings, the Supervisory Board deliberated on and discussed various subjects and activities requiring its approval in conjunction with the Management Board. In urgent matters, resolutions were also adopted outside these sessions, by written ballot or in conference calls. No member of the Supervisory Board attended fewer than half of the meetings.

In the first half of the year, the focus was primarily on strategic matters as well as various acquisition projects, which were reviewed and in some cases successfully realised in fiscal 2010. The Management Board regularly brought the Supervisory Board up to date on the new construction project 'Stuttgart Südtor', which was completed in 2010 and parts of which have already been handed over to users. Any deviations from the forecast business performance and the goals set for 2010 were extensively explained and discussed.

The session on 23 February 2010 centred on the acquisition of FranconoWest AG and FranconoAdvisory AG (now: TAG Sachsenimmobilien GmbH), which was funded partly in cash and partly by means of a non-cash capital increase and issue of shares to the seller. The contract governing the takeover of shares in the target companies was signed on 6 May 2010, while the resolutions to carry out a capital increase against contributions in kind were adopted outside an ordinary meeting on 7 May 2010.

During the February session, the Supervisory Board also approved the takeover of a stake in Estavis AG, Berlin, where the Belziger Strasse property served as a contribution in kind. Finally, the Supervisory Board adopted a rule on the variable component of Management Board member remuneration, which had become necessary due to the law on compensation of Board members that came into force in 2009.

At the meeting of 9 April 2010, the Supervisory Board dealt intensively with the annual financial statements for 2009 and the audit of the Company's results of operations by the auditors, who reported orally on the results and discussed the financial statements in depth with the Supervisory Board.

The Supervisory Board also discussed in detail the issuance of a convertible bond of up to EUR 30 million. The resolution to issue it was adopted outside a meeting on 15 April 2010, and the bond was successfully placed in May 2010. The signing of an option contract regarding the sale of the Tegernsee properties including the shareholdings in Kraftverkehr Tegernsee Immobilien GmbH (KVT) and Tegernsee-Bahn Betriebsgesellschaft mbH (TBG) was also approved, along with the sale of the development site on Max-Brauer-Allee in Hamburg. Finally, the agenda for this session also included the Supervisory Board's regular review of its own effectiveness as stipulated by the German Corporate Governance Code.

In its session on 24 June 2010, the Supervisory Board approved the purchase of a portfolio comprising 207 units from Estavis AG, Berlin. The session also focused on the development of TAG Gewerbeimmobilien-Aktiengesellschaft's portfolio; in particular, prospects for the development site on Tübinger Strasse and the properties on St.-Martin-Strasse and Hofmannstrasse in Munich, which are still rented by Siemens, were discussed. The Supervisory Board agreed to the takeover of a foreign real estate holding with German residential real estate presented by the Management Board during this session. However, following a careful review, this acquisition could not be realised.

In the extraordinary session held as a conference call on 14 September 2010, the Supervisory Board agreed to the termination of cooperation with HSH Real Estate on LARUS Asset Management GmbH and the takeover of HSH Real Estate's shares in LARUS, which then became a subsidiary of TAG with effect from 1 October 2010.

In its session on 5 October 2010, the Management Board presented its intention to acquire a strategic holding of 20 to 30 percent in Colonia Real Estate AG, Cologne, which due to coinciding businesses and interests was thought to make sense as a strategic holding.

This acquisition was exhaustively discussed and closely monitored in the other extraordinary sessions of November 10 and 15, 2010. The original plan to initially limit the strategic holding in Colonia to less than 30 percent was revised at short notice in conjunction with the Management Board, given the favourable capital market conditions, positive share price trend and the prospects of being able to place another convertible bond as well as a capital increase against cash. On 15 November 2010 it was decided to extend a voluntary takeover bid to Colonia Real Estate AG's shareholders. This intention was announced that same day. The resolutions to utilise the authorised capital and carry out a capital increase against cash of up to EUR 11,607,249.00 and issue a convertible bond of up to EUR 70,000,000.00 were also passed on 15 November 2010. Prior to this, the Supervisory Board had already approved, by a resolution on 14 October 2010, the capital increase through contribution in kind and of Colonia shares resolved by the Management Board by partially utilising the authorised capital.

In its last session of the year 2010, on 9 December 2010, the Supervisory Board then dealt with the profit forecast for the business year and in detail with the Budget for 2011, which was approved in the version submitted by the Management Board. The preparations for the voluntary takeover bid to Colonia shareholders, and the by this time already successfully placed capital increase and convertible bond in the amount of approx. EUR 132 million formed another focus of this session.

The Supervisory Board approved the acquisition of Capee Leipzig 1 GmbH, which is comprised of a residential portfolio of approx. 338 residential units, located in Leipzig, with total rental space of approx. 18,164 sqm. The acquisition of the shares was completed in 2010.

Auditors of 2010 financial statements

In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board engaged the auditors Wirtschaftsprüfungsgesellschaft Nörenberg • Schröder GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, which had been elected by the shareholders at the Annual General Meeting on 25 June 2010 as the auditors of the annual financial statements of TAG Immobilien AG for 2010.

On 25 March 2010 the auditors submitted the declaration of independence stipulated by Article 7.2.1 of the German Corporate Governance Code, to which no objections were raised. 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 observed.

Approval of annual financial statements and consolidated financial statements

The auditors, Wirtschaftsprüfungsgesellschaft Nörenberg • Schröder GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, carried out the audit of the annual financial statements and the management report as well as the consolidated financial statements and the Group management report for 2010, which had been 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 of 6 April 2011. The auditors attended the meeting, during which they elaborated on their report and were available to answer any questions. The auditor additionally confirmed that the risk early detection system which had been installed by Management Board was suitable for detecting in good time any developments liable to jeopardise the Company's going-concern status.

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, did not raise any objections. Accordingly, the parent company and consolidated financial statements prepared by the Management Board were approved and accepted by the Supervisory Board. At its meeting held on 6 April 2011 the Supervisory Board additionally approved the resolutions which the shareholders were asked to pass at the annual general meeting.

Corporate Governance

As in previous years, the Supervisory Board paid particular attention to monitoring the management's compliance with the principles of good corporate governance. 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, but no such conflicting interests arose in 2010.

At its meeting in December, the Supervisory Board and the Management Board jointly issued the declaration of conformance prescribed by Section 161 of the German Stock Corporations Act regarding the recommendations set out in the German Corporate Governance Code. The recommendations are 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.

The Board also dealt with the German Corporate Governance Code's recommendation of specifying goals for the composition of the Supervisory Board. We refer to the remarks on the Supervisory Board's goal setting in the Corporate Governance report (page 23 of the Annual Report).

Personnel

At the beginning of 2010, based on a switch of employment contracts to TAG Immobilien AG on 1 January 2010, employee representatives were elected to the Supervisory Board. On 27 April 2010, the workforce elected Ms Andrea Mäckler and Ms Wencke Röckendorf as its representatives on the Supervisory Board.

The employees of TAG and its subsidiaries brought great dedication to contributing to TAG's performance during the year under review. The Supervisory Board commends the Management Board and all employees for their efforts and achievements.

Hamburg, April 2011

The Supervisory Board

Dr. Lutz R. Ristow
Chairman

Group Management Report 2010

I. Economic and General Conditions

Business activity and group structure

Summary

TAG serves as a holding for a diversified real-estate group whose activities span both the residential and commercial real-estate sectors and the service sector. The company's focus lies on the German real-estate market, especially on metropolitan regions such as Hamburg, Berlin, Munich, Leipzig and North Rhine-Westphalia. TAG is a proprietor and realises appreciation potential within its portfolio through active asset management and strategic acquisitions of attractive properties. At year-end 2010, the total real estate volume came to EUR 978 million. The TAG Group maintains offices in Hamburg, Berlin, Leipzig, Dusseldorf and Munich and has a total of 168 employees (on 31 Dec 2010). TAG Immobilien AG is a public company, listed on the SDAX since December 2006.

Commercial real estate

Most of the TAG Group's commercial real estate is held by TAG Gewerbeimmobilien Aktiengesellschaft (TAG Gewerbe), a wholly owned subsidiary of TAG. TAG Gewerbe's main field of business is the letting of commercial properties - buying and developing properties are not a priority given the current economy. Since June 2007, the company has held Pre-REIT status, which it renewed last year. The Group is waiting for an amendment to the law which would further extend the duration of its Pre-REIT status.

Residential real estate

The Group's activities in residential real estate are aimed at strengthening the inventory long-term by making targeted acquisitions, and to achieve potential increases in rents and optimise costs through active portfolio management, in particular by reducing vacancy. The following companies in the Group concentrate mainly on this sector: Bau-Verein zu Hamburg AG, TAG Nordimmobilien S.à r.l., FranconoWest AG, TAG Sachsenimmobilien GmbH, and Colonia Real Estate AG.

Services

LARUS Asset Management GmbH (LARUS) pools the Group's asset and property management for commercial real estate and also offers comprehensive real estate-related services. Its field of activity covers commercial real estate management for its own as well as third-party properties. TAG has owned nearly 100 percent of LARUS since 1 October 2010. The TAG Group also offers comprehensive residential real estate-related services via its stake in CRE and the Colonia Resolution GmbH service company.

Holdings

Over the course of 2010, new holdings in real-estate companies in the residential sector were created through acquisitions. TAG currently holds 100 percent of TAG Sachsenimmobilien GmbH, 100 percent of TAG Nordimmobilien S.à r.l., 97 percent of FranconoWest AG and 20 percent of Estavis AG.

During the second half of 2010 TAG acquired a voting stake of around 30 percent in Colonia Real Estate AG, Cologne, which is listed on the Prime Standard of the German stock exchange (Deutsche Börse). At the end of February 2011, TAG increased its stake in CRE to just over 50 percent through various measures including a takeover bid.

TAG Immobilien AG		**Residential and commercial real estate** ■ Founded in 1882 ■ Listed on the SDAX ■ Operative holding company of the group ■ EUR 978 m real estate volume
TAG Gewerbeimmobilien-AG	**100 %**	**Commercial real estate** ■ Pre-REIT status ■ EUR 381 m real estate volume
TAG Sachsenimmobilien GmbH	**100 %**	**Residential real estate** ■ 436 Units in Saxony ■ Commercial and technical services for real estate ■ Consolidated as of June 2010
TAG Nordimmobilien S.à r.l.	**100 %**	**Residential real estate** ■ 787 Units predominantly in Berlin ■ Consolidated as of January 2010
LARUS Asset Management GmbH	**100 %**	**Services** ■ Services for commercial real estate ■ EUR ~2.2 bn assets under management ■ Takeover the shareholding of HSH Real Estate of the existing Joint Venture
FranconoWest AG	**97 %**	**Residential real estate** ■ Residential property volume of around EUR 87 m ■ 94 % of the properties located in North Rhine-Westphalia ■ Consolidated as of August 2010
Bau-Verein zu Hamburg AG	**91 %**	**Residential and commercial real estate** ■ Founded 1892 ■ EUR 294 m real estate volume ■ Listed on the General Standard
Colonia Real Estate AG	**> 50 %**	**Residential real estate / services** ■ EUR 2.1 bn assets under management ■ 19,000 units (Residential: Berlin, Dusseldorf, Salzgitter) ■ Listed on the Prime Standard ■ Services for residential real estate
ESTAVIS AG	**20 %**	**Residential real estate** ■ EUR 78 m real estate volume (of which EUR 58 m are existing inventory and EUR 20 m are properties slated for development) ■ Listed on the Prime Standard

As of: March 2011

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 valuers with extensive market expertise, after which appraisal reports are produced following inspection of the real estate.

Strategy / Goals

TAG Immobilien AG aims to create the basis for continued growth through acquisitions and seizing opportunities in the German real estate market. TAG's strategic prospects lie in this increased focus and resultant much-improved profitability. The aim is to become a market-leading real-estate company in Germany through a high-quality portfolio, good yields and first-class corporate governance. At the same time, financial investors will perceive TAG shares as an attractive asset class. The expected attendant market movement will benefit the shareholders.

Active rental and asset management of its real estate inventory forms the strategic focus of TAG's business activities. Specifically, these centre on a further reduction of vacancy in the residential real estate sector, and the attendant reduction of vacancy costs, which leads directly to an increase in rental profits. 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 priority 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, in-depth knowledge of the market.

Above and beyond this, TAG used opportunities in the German property market last year to further its growth and effectively extended its portfolio by nearly fast 40 percent with acquisitions especially in Berlin, North Rhine-Westphalia and Leipzig, thereby expanding its inventory long-term. TAG will continue to pursue this strategy provided the acquired properties are at locations that are already in the portfolio and the whole transaction has a positive effect on earnings and the Net-Asset-Value.

Research and development

Due to the type of its business, the Group has no research or development operations. The Group's business does not depend on patents, licenses or brands.

Underlying economic conditions

The global economy

The global economy recovered palpably in 2010. While gross domestic product declined by approx. 2 percent worldwide in 2009, last year the World Bank estimates that it grew by 3.9 percent. The impetus provided by the expansive monetary and fiscal policy of many countries, as well as a surge in global trade had a faster, more enduring impact than expected. However, the rate of growth could not quite be maintained in the second half of the year. For 2011, the worldwide economic upswing is estimated to amount to around 3.3 percent and for 2012 approx. 3.6 percent.

Even if the pace of economic development has slowed and the mood on the international financial markets remains tense, the global economy has already returned to pre-crisis levels.

Economic developments in the Euro zone were very mixed in 2010. The debt crisis and falling real-estate prices caused the economy in some Euro countries to stagnate or decline, while other countries reported a distinct upturn. In all, growth in the Euro region remained muted at around 1.7 percent. The European Central Bank has projected economic growth of between 0.7 percent and 2.1 percent in the Euro zone for the current year (Source: Handelsblatt, 2 December 2010, 13 January 2011).

The economy in Germany - Key indices

At 3.6 percent, Germany's GDP growth was twice that of the Euro zone in 2010. This was down to strong exports and investments in equipment, but private consumption also provided positive impetus given pleasing developments in the employment market. The German government expects economic growth of 2.3 percent for the current year, while the ifo Institute forecasts 2.4 percent growth, driven by domestic demand, domestic investments and continued high exports. The job market is also expected to recover further, with the number of unemployed dropping to below three million, or an employment rate of 7.0 percent (Source: Handelsblatt, 14 December 2010, 24 January 2011, 15 February 2011).

The financial and capital markets also recovered noticeably last year. This development came on the heels of unprecedented financial aid by the central banks and an interest cut by the European Central Bank (EZB) to a record-low base rate of 1.0 percent in 2009, which continues to be in force. In 2010, the average inflation rate published by the Federal Statistics Office was a moderate 1.1 percent. However, the trend is upward, as inflation throughout Germany was 1.3 percent in September 2010. Even if the rate is still comparatively low, the costs of electricity, heating oil and petrol as well as for many foods increased significantly at the end of 2010.

A further increase in the average rate of inflation is expected for 2011. In February 2011, it had already climbed to 2.1 percent. Reasons for the increased inflation in 2011 are rising commodity prices, rising wages and a recovering economy, the Germany's high national debt in combination with guarantees for the European rescue fund and rising basic interest rates throughout Europe (Source: Inflation rate up in 2010, on: www.n24.de on 14 January 2011; German Federal Statistics Office - Consumer Prices in February 2011, www.destatis.de).

Performance of the German real estate market

Compared with other European countries, Germany is even more attractive for real-estate investments than it was the year before. This increasing interest in investments is due to the country's economic growth as well as its political and social stability. More than ever, Germany is regarded as a secure place for real estate investment.

Commercial real estate

Investors' confidence in the sustainability and appeal of Germany as a place of investment led to a commercial real estate transaction volume throughout Germany of EUR 19.1 billion in 2010, up 83 percent over the previous year's volume. In the fourth quarter of 2010 alone, a total of EUR 6.8 billion was invested - the largest volume in the past ten quarters. In all, the experts at CB Richard Ellis recorded 34 individual or portfolio transactions with an investment volume of EUR 100.0 million or more. The average transaction size doubled year on year, from EUR 16.0 million in 2009 to EUR 31.0 million in 2010. At 35 percent, the high share of foreign investors in the overall volume is worth noting - in 2009, the share was a mere 13 percent. According to CB Richard Ellis, investors focused primarily on office and retail properties, each of which accounted for 41 percent of the total transaction volume.

Germany's five major centres of investment (Berlin, Dusseldorf, Frankfurt, Hamburg and Munich) recorded a collective transaction volume of EUR 9.3 billion, up by roughly two thirds from the previous year. Accordingly, the five key locations accounted for nearly half of Germany's total recorded investment revenue. Berlin is in the lead with a transaction volume of around EUR 2.7 billion (+123 percent vs. previous year), followed by Hamburg with EUR 1.9 billion (+30 percent vs. previous year), Frankfurt am Main with EUR 1.8 billion (+143 percent vs. previous year), Munich with EUR 1.7 billion (+24 percent vs. previous year) and Dusseldorf with EUR 1.2 billion (+50 percent vs. previous year).

Due to the high demand for first-class office properties, peak return on assets at all top five locations softened by another 0.1 percent points vs. the previous quarter. Initial net yields were at 4.8 percent Munich, 4.9 percent in Hamburg, 5.1 percent in Frankfurt and Dusseldorf and 5.3 percent in Berlin.

Buyers in 2010 came from a wide spectrum of sectors. Financially strong investors like closed funds (20 percent of the total transaction volume) and banks, insurance companies and pension funds, which together accounted for around 14 percent. The latter will likely have to deal with the repercussions of the planned risk guideline for insurance companies (Solvency II) before the year is out. This will probably influence the investment behaviour of this group in the years ahead.

Chronically low interest rates and the lack of high-yield alternative investments caused private investors in particular to invest in real estate last year. The total capital invested by this demographic came to an impressive EUR 1.0 billion (Source: Jones Lang Lasalle, Strong surge in last quarter - Transaction volume in the German commercial real estate market nearly doubles year on year, www.immopr24.eu, 7 January 2011).

For 2011, the real estate people at CB Richard Ellis expect demand for core properties to continue unbroken, with the limited supply of minimal-risk products as the limiting factor. The bullish mood in the market will further fuel the investment markets, so various experts are expecting the transaction volume for 2011 to exceed EUR 20.0 billion.

Apart from this, yields in the core segment may continue to soften, while a continued increase in prime rents is predicted for 2011. Accordingly, we can expect a stronger refocusing of investments on promising investment opportunities, partly driven by the self-sustaining economic upturn here in Germany (Source: CB Richard Ellis, Market View - Germany Investment Quarterly Q4 2010, 2011, www.cbre.de; Immobilienzeitung, Office and Investment Market - The past year looks good, and so does the outlook, 13 January 2011; BNP Paribas Real Estate publishes market figures for 2010: nearly EUR 20.0 billion in investment, www.finanznachrichten.de, 6 January 2011).

Residential real estate

The transaction volume in residential real estate showed a positive development parallel to that in the office real estate market, rising 3 percent year on year to EUR 3.7 billion. At the same time the number of registered transactions increased by 26 percent to 149. During the second half of the year, there was a distinct increase in the number of transactions, most of them small- and medium-scale. The average investment volume dropped from EUR 31.0 million in 2009 to EUR 25.0 million in 2010. In all, 28 percent of the transaction volume, but 72 percent of the deals, involved sales of no more than EUR 25.0 million. Large transactions exceeding EUR 100.0 million accounted for 30 percent of the total transaction volume.

There was a strong demand for modern existing properties no older than ten years. These were a particular focus of the most active group of investors - the pension funds and Special funds. In all, they were responsible for three quarters of the transaction volume.

Meanwhile, traditional property inventories, which at 61 percent constituted the largest portion of investments, were mostly bought by Equity/Real Estate Funds (40 percent) and private real-estate companies (24 percent), who tend to invest with a stronger focus on cash flow. Older existing properties (mostly smaller inventories of apartment buildings) accounted for 22 percent of the total. Apart from this, an investment volume of EUR 111.0 million (or 3 percent) was registered for 'special-utilisation' properties such as student dormitories and holiday home complexes.

It is worth noting that interest from foreign investors is increasing significantly again, and has nearly doubled since 2009, from 20.0 percent to 38.0 percent. The criteria for the traded residential portfolios are high-standard, as interest is focused on fully-rented existing properties in good condition or new building projects in the metropolitan areas.

For the current year, we can expect interest in residential real estate investments to remain high. High-quality, core-oriented properties in attractive locations are in demand. Therefore, competition for these preferred investments is likely to intensify. In general, the German housing market is considered to be a balanced market and investors basically regard the properties as an attractive investment instrument, because as a material asset it brings stable returns and in appropriate locations there are hardly any vacancies. It is, however, uncertain whether the transaction volume in 2011 will reach the level seen in 2010 (Source: BNP Paribas Real Estate, Fourth quarter: Previous year's volume of housing investment slightly exceeded, 17 January 2011).

This outlook speaks for the stability and attractiveness of the German real estate market, both commercial and residential. Prices will remain stable in excellent and sought-after locations, particularly in urban centres, and definitely for residential properties. It may be expected that in the medium to long term, residential real estate in these locations will benefit from the combination of demographic developments and several years of insufficient construction. This should be reflected in a distinct rise in rentals and prices.

TAG's diversified portfolio puts it in a good position to deal with future challenges, as the company's residential and commercial properties are located in attractive areas in Hamburg, Berlin, Munich, Leipzig and North Rhine-Westphalia. Its existing properties are characterised by high quality, low vacancy attractive returns, and - particularly in the commercial sector - stable cash flows based on long-term leases.

II. Results of operations, financial position and net asset position

Pursuant to Regulation (EC) No. 1606/2002, the consolidated financial statements of the listed stock corporation TAG as at 31 December 2010 were 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 HGB. In accordance with Regulation (EC) No. 1606/2002, the consolidated subgroup financial statements of listed subsidiary Bau-Verein zu Hamburg Aktien-Gesellschaft as at 31 December 2010 were prepared and published in accordance with the International Financial Reporting Standards (IFRS), as supplemented by the provisions contained in Section 315a (1) of the HGB.

Results of operations

Operating performance

In the 2010 fiscal year, TAG generated earnings after taxes and minority interests in the amount of EUR 18.5 million (previous year: loss of EUR 29.2 million). This increase in earnings was due to improved operations and positive effects both from acquisitions and from real estate appraisals. Net actual rents were increased from EUR 46.2 million in 2009 to EUR 51.8 million in 2010.

Consolidated revenues totalled EUR 82.9 million (previous year: EUR 120.8 million). Net income from ongoing rental business rose by 12 percent to EUR 40.2 million (previous year: EUR 35.0 million). During the period under review, revenues from property sales declined as planned from EUR 72.8 million in 2009 to EUR 29.5 million in 2010, generating net income from sales of EUR -0.2 million (previous year: EUR 0.1 million). Due to the positive developments in rent and reduced vacancy as well as effects from the reclassification of real estate from inventory to investment properties, the value of the Group’s investment properties increased by EUR 12.8 million, after valuation losses of EUR -13.5 million in the previous year. Property companies newly acquired during the fiscal year also led to positive non-recurring items in the amount of EUR 4.0 million (previous year: EUR 0.0 million).

New acquisitions of subsidiaries generated other operating income of EUR 8.4 million (previous year: EUR 0.0 million), while the stocking-up of strategic holdings led to positive income of EUR 6.5 million from associated companies in 2010 (previous year: EUR 0.1 million).

TAG’s personnel costs declined to EUR 8.8 million in 2010 after EUR 10.4 million the previous year. Earnings before taxes (EBT) came to EUR 22.2 million after EUR -24.7 million in 2009.

With a Loan to Value (LTV) ratio of 53.0 percent and an equity ratio of 30 percent, TAG Group has a sound balance sheet structure by sector and continues to have sufficient funding. The LTV is the sum of the Group’s 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. Liabilities from convertible bonds are not included.

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. Sensible acquisitions expand the base of operations and lead to positive non-recurring items as well as further growth in current income.

Revenues and earnings

Revenues, other operating income and fair value revaluation
Revenues declined by 31 percent from EUR 120.8 million to EUR 82.9 million. The TAG Group was able to increase its rental profit by 15 percent from EUR 46.2 million to EUR 51.8 million in the year under review. Income from services declined slightly in 2010, to EUR 1.7 million vs. EUR 1.8 million in 2009.

Income from sales of properties were down from EUR 72.8 million in fiscal 2009 to EUR 29.5 million in fiscal 2010. This development can be attributed to reduced sales activity as planned.

Other operating income mainly derives from non-recurring items in connection with new acquisitions, and the liquidation of provisions. Other operating income increased to EUR 15.7 million (previous year: EUR 4.6 million).

The revaluation gains of the Group’s investment properties came to EUR 12.8 million, vs. EUR -13.5 million in the previous year. Also, the first-time consolidation of two real-estate property companies resulted in a further positive appraisal item of EUR 4.0 million (previous year: EUR 0.0 million).

The Group feels its strategy of strengthening the profitability of its investment properties long-term through active asset management is borne out by the increase the rental income and the positive appraisal results. The acquisitions in 2010 immediately led to significant contributions to profitability and provide encouragement for carrying out further acquisitions as growth drivers.

Gross profit
The TAG Group’s gross profit improved distinctly from EUR 27.6 million in 2009 to EUR 73.0 million in 2010. This improvement was achieved through an increase in rental income (+ EUR 5.2 million vs. previous year), positive fair value revaluation (+ EUR 26.3 million vs. previous year:) and through higher other operating income, in particular non-recurring items from first-time consolidations, (+ EUR 15.0 million vs. previous year), and was only marginally offset by a decline in income from sales of properties and services (- EUR 1.1 million vs. previous year).

Expenses
Consolidated personnel expenses dwindled from EUR 10.4 million to EUR 8.8 million as a result of non-recurring expenses incurred in connection with the previous year’s adjustments to the employee headcount.

Other operating expenses also declined from EUR 17.0 million in 2009 to EUR 16.0 million This item is mainly comprised of expenditure on legal and consulting services and the Group’s general administration and publicity costs. It also includes expenditure on events from previous years.

EBIT
EBIT (earnings before interest and taxes) improved from EUR -1.3 million to EUR 46.9 million.

Income from associated companies
After associated companies generated total positive income of EUR 1.9 million in 2009, including write-ups to receivables, they contributed EUR 6.5 million to profits during the year under review, thanks to the holdings in CRE and Estavis AG.

Net borrowing costs
Net borrowing costs increased to EUR 31.2 million (previous year: EUR 25.3 million), mainly due to the higher need for external capital triggered by the year's acquisitions.

Earnings before taxes (EBT)
Pre-tax earnings improved significantly to EUR 22.2 million (previous year: EUR -24.7 million).

Income taxes
The Group's consolidated income tax expense amounted to EUR 2.8 million in 2010, after EUR 6.1 million in 2009. The increased tax expense of the previous year is due to the extensive write-downs on deferred taxes in connection with tax loss carryforwards in 2009.

Consolidated net income after minority interests
Consolidated net income after minority interests improved significantly to EUR 18.5 million (previous year: net loss of EUR 29.2 million).

TAG's business segments

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

Residential real estate
Revenues from the Group's residential real estate portfolio declined by 40 percent to EUR 54.3 million in fiscal 2010, after EUR 91.0 million in 2009.

The Berlin region, including properties in the Leipzig region, accounted for the largest revenue share: EUR 31.7 million in 2010 after EUR 27.2 million the previous year. Revenues in the Hamburg region, which also includes the other properties in northern Germany, were down to EUR 12.5 million after EUR 48.8 million in fiscal 2009, due to lower income from sales of properties, as planned.

The best segment earnings was achieved in the Berlin region, with a positive segment earnings of EUR 19.1 million (previous year: TEUR -2.8 million). This was the highest contribution to profits in the housing segment. This exceedingly positive segment earnings was attained partly due to the revaluation results achieved in the Berlin region.

Income from the housing segment came to EUR 29.1 million in 2010, vs. EUR 4.6 million the previous year. The increase was achieved through improved rental income as well as through revaluation gains, mostly in the Berlin region.

Commercial real estate
Revenues from the commercial real estate portfolio remained virtually unchanged in 2010, at EUR 26.3 million after EUR 26.2 million in 2009. Segment earnings increased by 76 percent to EUR 25.1 million in 2010, (previous year: EUR 14.3 million), thanks in part to revaluation gains.

Services
The services segment generated revenues of EUR 2.1 (previous year: EUR 4.2 million) during the year under review, including internal Group revenues of EUR 0.4 million (previous year: EUR 2.4 million). In line with the decline in revenues, the segment earnings fell from EUR 3.8 million in the previous year to EUR 0.9 million in 2010.

Financial condition and net assets

Total assets

Total assets increased to EUR 1,190.5 million at the end of 2010, up from EUR 801.4 million at the end of 2009. The equity ratio before minorities increased to nearly 30 percent in fiscal 2010, compared with the previous year's 24.5 percent. Equity before minorities increased from EUR 196.4 million at the end of 2009 to EUR 356.5 million at year-end 2010. This was the result of the capital increases carried out during the business year, the year's net profit and the market-driven increase in the fair values of interest hedges, which including deferred taxes and before minorities contributed EUR 2.4 million to equity.

Three capital increases for contributions in kind and two cash capital increases were carried out in fiscal 2010, which together led to a EUR 136.0 million increase in equity. The cash capital increases resulted in a liquidity inflow of EUR 87.4 million.

The Net-Asset-Value (NAV), the international indicator for assessing real estate companies, improved from EUR 6.03 per share to EUR 6.09 per share in fiscal 2010. The NAV is calculated by dividing the equity before minorities on the balance sheet by the number of shares at the reporting date.

The value of the Group's investment properties increased from EUR 596.7 million at year-end 2009 to EUR 837.2 million at the end of fiscal 2010, mainly due to acquisitions and fair value adjustments. The increase in shares in associated companies from EUR 0.4 million in the 2009 to EUR 59.4 at 31 December 2010 is based on the new holdings of around 30 percent in CRE and 20 percent in Estavis AG. The value of available-for-sale properties dropped from EUR 146.6 million at the end of the previous year to EUR 114.0 million at 31 December 2010, due on the one hand to sales of properties and on the other to a reclassification of properties which are no longer slated for sale, as investment properties.
At 31 December 2010, EUR 16.2 million or 100 percent of the non-current assets available for sale (previous year: EUR 17.9 million) are investment properties to be sold the following business year.

At 31 December 2010, there was a net overhang of deferred tax liabilities of EUR 8.9 million, after a net overhang of deferred tax assets of EUR 2.0 million the previous year.

Capital spending

Total capital spending increased from EUR 71.5 million in 2009 to EUR 145.2 million in 2010. The main focus of capital spending, at EUR 52.5 million in all, were the holdings in CRE and Estavis AG on the one hand. On the other, TAG invested EUR 48.8 million in the acquisition of real estate companies and another EUR 16.9 million in the acquisition of residential properties. These acquisitions augment the Group's housing portfolio and strengthen its core business long-term. EUR 23.1 million was spent on the Stuttgart Südtor new construction project, which was completed in November 2010.

Finance

Total consolidated liabilities climbed to EUR 825.2 million in 2010, up from EUR 596.9 million in 2009. The overall increase is primarily the result of an increase in bank borrowings by EUR 116.8 million and an increase in other non-current liabilities by EUR 97.6 million.

As of the end of 2010, the TAG Group had the following funding structure:

in TEUR	12/31/2010	12/31/2009
Equity capital (including minority interests)	365,310	204,481
Bank borrowings	634,002	517,243
Other borrowings	177,542	71,084
Liabilities in connection with non-current available-for-sale assets	13,653	8,613
Total equity and liabilities	**1,190,507**	**801,421**

Bank borrowings due for repayment in more than a year came to EUR 523.5 million, compared to EUR 400.9 million in 2009. The average interest rate for these non-current liabilities was about 4.7 percent. Current bank borrowings were EUR 110.5 million at year-end 2010, after EUR 116.3 million on 31 December 2009. The average interest rate for these liabilities was around 2.3 percent.

Other non-current liabilities increased from EUR 22.5 million to EUR 120.1 million, primarily due to the issue of two convertible bonds. One convertible bond, issued in May 2010, has a total nominal value of EUR 30.0 million and is divided into units of EUR 100.00 each. It has a maturity of five years, and a coupon of 6.375 percent p. a. The issue price was 100 percent of the nominal amount. The initial conversion price was fixed at EUR 5.47. The bond can be converted into TAG shares using the contingent capital approved by the shareholders on 27 August 2009. A second convertible bond, issued in December 2010, has a total nominal value of EUR 66.6 million and is divided into 9 million units of EUR 7.40 each. It matures on 10 December 2015 and has a coupon of 6.50 percent p. a. The issue price and the conversion price correspond to the nominal value, or EUR 7.40.

TAG expects that all loans expiring in 2011 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	12/31/2010	12/31/2009
Bank borrowings in TEUR	**647,655**	**525,856**
of which non-current	523,512	400,939
of which current	124,143	124,917
Net borrowing costs	-31,185	-25,329
Average interest rate in %		
non-current	4.7	4.9
current	2.3	3.9
Swaps/Caps to minimize risk of changing interest rates		
Nominal volume in TEUR	313,343	299,399
Interest rate in %	4.5	4.5
Average term in years	4.0	4.1

Breakdown by remaining period	EUR m 2010	EUR m 2009
2010	0	116
2011	114	52
2012	117	110
2013	54	22
2014	62	64
2015	57	0
2016	44	27
2017	146	112
2018	15	14
2019	0	0
2020	38	0
Total	**647**	**517**

General statement on the state of the business

TAG's total assets increased significantly by 49 percent as a result of the acquisitions in 2010; the carrying amount of its investment properties also increased considerably by 40 percent. The Group operated at a profit thanks in part to the acquisitions, and conditions for further future improvement in the results of operations have been created by expanding the core business.

At nearly 30 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 TAG's business success. Accordingly, the company attaches key importance to retaining and training staff, especially as changes in underlying conditions constantly give rise to new tasks which can only be resolved by committed and qualified employees.

Last year's acquisitions increased the number of employees in the Group. At the end of fiscal 2010 had 168 employees - excluding trainees, janitors and cleaning staff - up from 119 employees at the end of 2009.

Staff training, which is pursued at all levels of the Group, ensures that employees have the necessary professional competence. This ensures strong employee retention and a consistently high number of qualified staff. TAG also cooperates with external training institutes to offer its employees language and IT courses, and especially seminars on real-estate-related matters. The training program also includes in-house measures to advance employees' career skills.

In view of demographic trends and the increasing competition for qualified staff, the availability of vocational training in-house is becoming an increasingly important competitive advantage. As a company that takes on apprentices and trainees, TAG is a recognised partner in the real estate industry. In 2010, the Group had a total of 11 apprentices.

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

In addition to their basic remuneration, the members of the Management Board receive a variable component determined by the Supervisory Board in its session on 23 February 2010, based on the Management Board Remuneration Act that went into effect on 5 August 2009. The Supervisory Board took its cue from the statutory guidelines; the variable components of Management Board remuneration are determined and paid out for one business year at a time according to the following criteria, which are given equal consideration:

- Share price performance during the fiscal year,
- Development in the share's Net-Asset-Value during the fiscal year, and
- Development of EBT (earnings before tax) as recorded in the IFRS consolidated financial statements for the year net of any fair value revaluation 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 TEUR 250 or, in the case of the Chairman of the Management Board (CEO), at TEUR 500.

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 that he would have earned in the remaining term of the service contract.

A further condition precedent for payment of such a 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 constitute a pension entitlement. In the event of premature termination of the service contract for any other reason there is no entitlement to claim compensation. Members of the Management Board receive further benefits as other remuneration, some of which are classified as non-cash benefits and are taxed accordingly. In particular these include a Bahn-Card (for discounted rail travel), accident and liability insurance, and refunds of expenses related to business travel.

Any management and supervisory board mandates for companies in the Group are taken on free of charge. Ancillary activities are always subject to authorisation.

Please refer to the Notes to the consolidated financial statements for further details of the remuneration paid to the members of the Management Board.

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

Share capital
The Company's share capital as of 31 December 2010 is EUR 58,566,364.00, after EUR 32,566,364.00 at 31 December 2009. The share capital is divided 58,566,364 no-par-value ordinary shares, with the same rights attached to all shares. There is one vote per share; dividend entitlement is determined by the number of shares held.

By resolution of the Annual General Meeting on 25 June 2010, the Management Board was authorised, subject to the Supervisory Board's approval, to increase the Company's share capital by a total amount of no more than EUR 18,000,000.00 by issuing up to 18,000,000 no-par-value ordinary shares on a cash and/or non-cash basis all at once or in several measures on or before 24 June 2015. The Management Board made use of this authorisation through resolutions on 14 October 2010 and 15 November 2010. There is no longer any authorised capital as of 31 December 2010.

In addition, by resolution of the Annual General Meeting 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 64.0 million with a term of no more than 10 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 specified terms and conditions. The Management Board with the Supervisory Board's approval made use of this authorisation as well, through resolutions of 17 December 2009 and 15 April 2010, so that this authorisation, too, has been fully exercised. This also applies for the further authorisation resolved by the Annual General Meeting on 25 June 2010 (contingent capital 2010/I), which authorised the Management Board to issue convertible bonds and/or warrant bonds with a total nominal value of up to EUR 72.0 million and to grant the holders or creditors of these bonds conversion/options rights to new TAG shares with a proportionate share of up to EUR 9.0 million of the share capital in accordance with the specified terms and conditions. These authorisation, too, has been fully utilised.

Rules on amendments to the bylaws and on the appointment and dismissal of the Management Board
The scope of the activities which the Company may perform is defined in its bylaws. In accordance with Section 133 of the German Stock Corporations Act, these bylaws may only be modified by resolution by the Annual General Meeting. In the absence of any mandatory statutory provisions, the Annual General Meeting passes resolutions in accordance with the bylaws with a simple majority of the votes cast and, where applicable, a simple majority of the capital represented. In accordance with Section 179 (2) of the German Stock Corporation Act, a majority of at least 75 percent of the share capital represented is required for any amendment to the Company's purpose.

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 in each case is permissible.

The Supervisory Board names one of the members of the Management Board as Chairman (CEO). 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 vote of no confidence by the Annual General Meeting.

Authorisation to purchase own shares
The Annual General Meeting of 25 June 2010 authorised the Company to repurchase own shares of up to 10 percent of the share capital, which is EUR 34.984.546.00, i.e. to purchase up to 3.498.454 own shares, on or before 24 June 2015. The company may not use this authorisation for purposes of trading its own shares. This authorisation has not been utilised to date.

Change of control following a takeover offer
As part of the corporate acquisitions undertaken in fiscal 2010, TAG has taken over loans that may require the bank's approval for any change in the shareholder structure or may result in the loans becoming payable immediately. In particular, this refers to a loan agreement by FranconoWest AG in the amount of about EUR 11.6 million, and another loan contract by TAG Sachsenimmobilien GmbH of about EUR 11.6 million, as well as a loan contract by TAG Leipzig-Immobilien GmbH of about EUR 9.6 million. While a change in the shareholder structure is material to the TAG Sachsenimmobilien GmbH and TAG Leipzig-Immobilien GmbH loans, the FranconoWest AG loan agreement stipulates a change of over 50 percent in the borrower's voting rights.

TAG issued two convertible bonds in 2010, a EUR 30.0 million bond in May 2010 maturing in May 2015, and a EUR 66.6 million bond in December 2010 maturing in December 2015. Both stipulate an early right of cancellation in the event of a change of control, which in both cases is defined as a takeover of more than 30 percent of the voting rights in TAG.

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

Capital holdings that exceed 10 percent of the voting rights
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 Ruffer LLP, London, United Kingdom. As of the balance sheet date, this entity held a share of 19.5 percent.

V. 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 Commercial Code can be found on the TAG website at www.tag-ag.com/investor-relations.

VI. Material events after the balance sheet date

On 20 December 2010, TAG made a voluntary offer to CRE shareholders to acquire CRE shares under the provisions of the Takeover Act. The voluntary takeover process was completed on 18 January 2011, and initially gave TAG 38.3 percent of the voting rights in CRE including the CRE shares it had already acquired in 2010. This share was then gradually further increased so that on 15 February 2011 TAG had taken over 50.02 percent of the voting rights in CRE. In connection with the acquisition of this majority stake in CRE, the Supervisory Board decided to appoint Rolf Elgeti and Hans-Ulrich Sutter as additional members to the CRE Management Board. On 21 March 2011, the District Court of Cologne appointed Lutz R. Ristow as a member of the CRE Supervisory Board with effect from 1 April 2011.

On 23 February 2011 TAG and CRE signed an agreement governing a credit line of up to EUR 75 million. In particular, it will serve to refinance the convertible bonds issued by CRE. In 2010 CRE had issued a convertible bond of around EUR 10 million, and in 2006 a convertible bond of approximately EUR 55 million. The terms and conditions of these bonds include a special right of cancellation for bondholders (creditors) in the event of major changes to CRE's shareholder structure or a change of control. The extent to which the holders of the convertible bonds will utilise this right is not currently foreseeable.

On 18 February 2011 TAG's Management and Supervisory Boards decided to convene an extraordinary general meeting on 7 April 2011, in order to approve a capital share increase against cash contributions by issuing up to 5,856,636 new bearer shares (nearly 10 percent of the existing share capital) at a subscription price of at least EUR 7.00. The shareholders will be offered the new shares by way of indirect subscription rights through a bank on a 10 to 1 ratio, which means that each shareholder can subscribe for one new share for every ten they already hold. The new shares will qualify for dividends from 1 January 2011. Any shares not subscribed for will be offered for sale in a private placement in Germany and certain other countries.

TAG's IFRS consolidated financial statements as at 31 December 2009 were examined as part of a random spot check by Germany's Financial Reporting Enforcement Panel, and subsequently routinely reviewed by the Federal Financial Supervisory Authority (BaFin). On 21 March 2011, BaFin notified TAG that according to their review, the balance sheet provisions for compensation claims were too low by EUR 1.6 million. It also noted that the Notes to the Consolidated Financial Statements did not state the key assumptions for appraising the investment properties. The extent to which TAG will take legal action against this statement of errors is not yet clear at the date of this financial statement. TAG is still of the opinion that the balancing of accounts in the consolidated financial statements as at 31 December 2009 was correct. The Group Management Report for fiscal 2009 had mentioned the existing risks from claims for damages, which were expensed with the conclusion of a settlement in fiscal 2010. If the balance sheet were to be adjusted to reflect the BaFin error report, Group net income for 2009 would be reduced from EUR -31.2 million to EUR -32.8 million and by the same token, Group net income for 2010 would rise from EUR 19.2 million to EUR 20.8 million. This would have no effect on the balance sheets of future consolidated financial statements. Additional information concerning key assumptions in appraising the investment properties has already been included in the present Notes to the Consolidated Financial Statements.

Finally, on 2 March 2011 TAG's Supervisory Board appointed Harboe Vaagt, of Halstenbek, as an additional member of TAG's Management Board with effect from 1 April 2011.

VII. Risk and opportunity report

Risk and opportunity management

Risk and opportunity management centres on safeguarding the TAG Group and ensuring 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 regularly, and countermeasures taken earlier are 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, and
- construction risks and the risk of construction budgets being exceeded, e.g. when modernising and renovating

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 can result in pressure on prices, margin losses, and vacancies. TAG minimises this risk by intensively reviewing a given 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 from sales. On the demand side of the rental market, cyclical effects and long-term structural shifts may give rise to certain risks. Now that the financial and economic crises of the past few years have been largely overcome, the experts are predicting continued growth for the current year 2011. However, negative developments and risks are still possible in connection with the continuing problems in the US residential real estate market, the uncertain Euro exchange rate and the threat of further increases in the price of energy and oil.

The dynamic metropolitan regions and selected other locations which are at the heart of TAG's strategy - in contrast to more remote locations - will not be materially affected by demographic change, so that TAG's exposure to demographic risk is limited.

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 in the price of real estate. TAG sees little risk of any impairment of the fundamental appeal of real estates as an asset class. Various studies indicate that the particular risk/reward profile of real estate compared with other asset classes, its combination of security (inherent value of a tangible asset) and regular rental income, will cause real estate to play a greater role in the asset portfolios of institutional investors going forward.

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 2011.

Rental risks

TAG guards against the risk of defaults on 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 signing the rental contract. TAG attempts to avoid risk clustering, i.e. a small number of tenants accounting for a large proportion of rental income. TAG considers its largest tenant, Siemens AG, to be a credit-worthy 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, especially for commercial properties. At the same time, measures are taken early on 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 TAG Gewerbe's leases with Siemens AG as its largest tenant have varying contract periods. Some leases have a term of five years and expire in 2012. 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 the corporate strategy

TAG sees transaction risks as the main risks arising in connection with its corporate strategy. The transaction market came to a near-complete standstill in 2008 and 2009 due to the financial crisis and tighter lending practices, but revived again in 2010. If any acquisition opportunities arise for TAG in 2011, in the case of large-volume portfolios there is a risk of the earnings and synergistic potential being overestimated and the rental and cost risks being underestimated.

TAG guards against these risks prior to an acquisition by performing thorough due diligence and using risk-oriented forecasts, which are updated and adjusted with minimum delay on an ongoing basis.

Payment risks

Overpayments or mistaken payments, among other things, may lead to capital losses. We consider capital losses to be the main payment risk and guard against it by means of an internal control system, which includes incoming invoice reviews and payment approval processes. This system is documented in work instructions and signature rules and is constantly monitored.

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

Financial risks

TAG's business activities expose it to various risks of a financial nature. These risks include interest, liquidity and loan renewals. Based on the guidelines issued by the Company's managing bodies, risk management is handled by the central finance department. Counterparty credit risks for derivative financial instruments and financial transactions are minimised by selecting investment-grade financial institutions.

Credit risks
TAG is dependent upon bank loans for financing further acquisitions. Similarly, it must renew these loans when they expire or find alternate sources of funding. 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 in the wake of the financial crisis. However, TAG has already addressed this risk through a long-term restructuring of major loans.

During the year under review, the Group kept all its financial covenants. Only in one case (the EUR 10 million bank loan) there was a slight arithmetic exceeding of the contractually agreed debt-equity ratio at the balance sheet date, as the calculation of the ratio did not provide for including the liquid assets (cash & cash equivalents) available on 31 December 2010. Even if the covenant stipulates a right to cancellation by the lender and hence a liquidity risk exists, no legal repercussions are expected from this process based on talks held with the bank.

Similarly, credit terms were agreed for the EUR 12.5 million convertible bond issued in December 2009 and EUR 30.0 million and EUR 66.6 million convertible bonds issued in the May and December 2010 respectively, noncompliance with which can result in a liquidity risk.

In the event that these credit terms are infringed on, e.g. if there is a change of control, these convertible bonds, like the loans already mentioned in the section „Disclosures in accordance with Section 315 (4) of the German Commercial Code - change of control following a takeover offer" may be terminated for early repayment.

In addition, TAG Gewerbe and Bau-Verein AG took out loans of EUR 231 million (previous year: EUR 245 million) and EUR 27 million (previous year: EUR 31 million) respectively, 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
Extensive short- and medium-term liquidity planning instruments are used, at the level of the individual operating subsidiary and the Group as a whole, to ensure that business transactions reflect the forecast data. Extensive liquidity reports are regularly submitted to the Management Board.

The credit facility of up to EUR 75 million agreed with CRE on 23 February 2011 may result in unscheduled liquidity requirements of an as yet unknown magnitude. The use of the credit facility is dependent on to what extent CRE bondholders make use of their existing special rights due to a change of control. The liquidity needs of CRE were not fully verifiable when TAG acquired a majority stake in CRE.

Interest risks
The Group's activities are primarily exposed to risks arising from changes in interest rates. It uses derivative financial instruments to the extent necessary for managing existing interest risks. These mainly involve 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 2010, the subsidiaries Bau-Verein and TAG Gewerbe had conservative interest derivatives (mainly payer swaps) in a volume of EUR 313.3 million (previous year EUR 299.4 million). Payer swaps are synthetic fixed-rate agreements in connection with a variable underlying transaction. This allows the Group to reduce its exposure to changes in the money market and also heightens the plannability of debt servicing with respect to the hedged repayments.

The Group's interest management works actively with credit management and Group planning. This makes it 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 have an adverse impact on the hedge accounting reserve in equity or on consolidated net earnings.

Currency risks
There are no currency risks, as all business transactions are processed in Euros at this time.

Personnel risks

The TAG Group requires qualified specialists and executives to reach its strategic and operating goals. Dynamic and committed staff are crucial for TAG's business success, especially as changes in underlying conditions constantly 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, which is pursued at all levels of the Group, ensures that employees have the necessary professional competence. In addition, employees can be assigned tasks that best match their particular skills, because the subgroups concentrate on different 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 used by TAG could result in disruptions to its business operations. To guard against IT risks, the Company has established its own network, and secured its IT systems against external attacks. All relevant data is backed up on a daily basis. We therefore consider this risk to be small.

Legal risks

TAG has set aside appropriate provisions to cover risks in connection with legal disputes, claims for damages or guarantee claims. TAG supports its subsidiaries' efforts to raise the funds they require by issuing guarantees and letters of comfort. In some cases, this makes financing possible in the first place or at more favourable terms and conditions. These guarantees give rise to risks for TAG in the event that recourse is taken if projects don't develop as planned.

A 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 incurred. As far as can be ascertained, the risks are covered by the provisions.

Risks relating to the acquisition of a majority stake in CRE

Before and during the acquisition of a majority stake in CRE, TAG had no opportunity to view and review CRE's non-public records, e.g. as part of in-depth due diligence. Therefore, TAG may be exposed to unknown risks as a result of the acquisition, which could significantly affect TAG's assets, liabilities, financial position and results. In particular, these consist of:

- Considerable uncertainty regarding the realisation of synergy effects, as the integration of the two real estate companies TAG and CRE is a major challenge with geographically widespread activities, different corporate cultures and business models. In reviewing the benefits of the proposed transaction and estimating the potential synergy effects, TAG had to rely on publicly available information from CRE and received no assurances from CRE that this available information was complete and correct. There would therefore be no contractual compensation claims or other damages against CRE should this information prove to be incomplete or incorrect. An integration of TAG and CRE's business processes is a major challenge, not only because of actual reasons but also for legal reasons. There is no guarantee that CRE will generate the earnings and synergies TAG forecast in its assessment of the transaction;

- Risks from tying up management capacity. CRE's integration into TAG will require a lot of time and attention from both TAG and CRE's management teams. This managerial capacity will therefore not be available to implement other strategic measures, including the further expansion of the residential real estate portfolio, boosting cash flow from operations by taking advantage of rental increases and cost optimisation, realising value appreciation potential through targeted development measures and active portfolio management. Insofar as integration issues distract management from other tasks, this could affect TAG's business;

- Risks from the possible loss of key personnel: TAG and CRE are dependent on the management of TAG and CRE for a successful integration of CRE into TAG and the implementation of a joint strategy. If TAG and/or CRE lose key employees, the rapid integration and implementation of the respective strengths of each company could be impeded.

In addition, CRE is of course exposed to its own corporate and general business-related risks. CRE's operations must be quickly integrated into TAG's risk system. If this fails, individual risks arising from the CRE takeover can materialise.

Other risks

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

Material characteristics of the accounting-related internal control and risk management system

The structure of TAG's accounting-related internal control system is derived from the largely centralised 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 the rental accounting performed by the external and internal facility management company, final responsibility rests with the accounting department.

All the figures in the financial statements of the individual companies, as well as those of the sub-groups, 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. As part of the statutory audit, the Group's accounting-related internal control system, 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 2010, these were "RElion" and "Wowi/CS". External service providers assist in preparing the internal and annual financial statements. For instance, independent valuers prepare reports on the fair value of our real estate, and 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 interest swaps relative to the hedged loans is determined on a quarterly basis.

Overall assessment

In 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.

VIII. Report on expected developments

Future economic conditions / Economic expectations

Global economic development is likely to show large regional variations in the next few years. Developed countries should continue the recovery process from the crisis during 2011, while it can be assumed that developing and emerging economies will continue dynamic, above-average growth. For the current year, the World Bank forecasts a 3.3 percent rise in global economic output after 3.9 percent in 2010. The main impetus for growth is likely to come from strong domestic demand in developing and emerging countries whose growth rate is expected to average about 6.0 percent.

Economic development in Europe will continue to be extremely heterogeneous. Economies with a strong focus on exports will benefit more from the global recovery. In European countries that were harder hit by the financial crisis, markets are expected to underperform.

The economy in Germany will continue to prove robust compared to other European economies and will continue to develop positively in 2011. While the upswing in 2010 was based largely on exports, in 2011 increasing support from domestic demand is expected. The German government is expecting the economy to grow by 2.3 percent this year.

The situation in international financial and capital markets in 2010 was mainly dominated by the debt crisis. As a consequence, some countries had difficulties refinancing their maturing debt in the international capital markets. In 2011, the development of the finance markets is likely to depend significantly on the implementation of appropriate measures to address the debt crisis. At the same time, strong increases in commodity and energy prices and inflationary trends represent further risk factors. These global economic risks may of course also have an unforeseeable impact on the Euro-zone in general, and the German economy in particular.

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 residential and commercial real-estate, and real-estate related services, TAG is in a position to actively exploit the opportunities of the whole real estate market while minimising risk. TAG's properties are situated in attractive locations in German metropolitan regions such as Hamburg, Berlin, Munich, Leipzig and North Rhine-Westphalia. 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 success of vacancy reduction, aggressively pursued in 2010, led to excellent net rental income at year-end.

In the current year the focus will be on further reducing vacancy in the residential property segment, and further optimising costs. 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 difficult economic situation of the past few years, one must continue to expect possible negative repercussions due to possible insolvencies, with the attendant increase in vacancy and losses of rental income.

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.

The companies and portfolios acquired during the first half of the year 2010 were integrated and consolidated in the Group are within the year. As part of this integration and restructuring process, lean, efficient structures were successfully implemented are throughout the TAG Group. When making acquisitions, TAG focuses on locations where it already owns properties, so that profitability and cash flow will automatically following a transaction.

Overall statement

With the now-concluded acquisitions and associated expansion of its portfolio, as well as the integration of the acquired properties and intensive vacancy reduction, TAG successfully put its growth-oriented strategy into practice in 2010.

One important step on this growth path is the takeover of CRE with effect from 15 February, which will have a lasting impact on TAG's business. The attendant consolidation of CRE's Group figures has resulted in a near doubling of the potential rental income for 2011, and TAG Group's balance sheet total will also grow to almost EUR 2.0 billion. At the same time, the value of our investment properties and our liabilities to banks will also change in proportion to this.

The resulting effects on the TAG Group's profit situation and equity position cannot be reliably foreseen at this point and will be calculated over the next few months, as part of a first-time consolidation stocktaking and income statement. The Management Board of TAG is confident that the potential synergy from the integration of CRE can be realised and that the CRE takeover will therefore have an enduring positive effect on the results of fiscal 2011.

In light of this development and the continued positive overall economy we expect to see a considerable increase in profits for the current business year. Based on our corporate strategy we expect earnings before tax (EBT) of at least between EUR 50.0 million and EUR 60.0 million and Net-Asset-Value (NAV) per share to be EUR 8.00 by year-end 2011. For fiscal 2012, TAG will strive for another increase in pre-tax profits (EBT), with more specifics to follow over the course of this year.

Hamburg, 25 March 2011

Rolf Elgeti
CEO

Hans-Ulrich Sutter
CFO

Consolidated balance sheet

Assets in TEUR	Notes	12/31/2010	12/31/2009
Non-current assets			
Investment properties	(1)	837,204	596,720
Intangible assets	(2)	4,911	400
Property, plant and equipment	(3)	11,990	10,216
Investments in associates	(4)	59,379	440
Other financial assets	(5)	335	396
Deferred taxes	(6)	3,996	6,659
		917,815	**614,831**
Current assets			
Land with unfinished and finished buildings	(7)	113,973	146,618
Other inventories	(7)	1,102	1,619
Trade receivables	(8)	6,654	5,646
Income tax refund claims	(8)	1,324	1,074
Other current assets	(8)	4,022	6,858
Cash and cash equivalents	(9)	129,417	6,840
		256,492	**168,655**
Non-current available-for-sale assets	(10)	**16,200**	**17,935**
		1,190,507	801,421

Equity and liabilities in TEUR	Notes	12/31/2010	12/31/2009
Equity			
Subscribed capital	(11)	58,566	32,566
Share premium	(12)	248,568	170,307
Other reserves	(13)	-9,507	-11,866
Unappropriated surplus	(14)	58,834	5,391
Attributable to the equity-holders of the parent company		356,461	196,398
Non-controlling interests	(15)	8,849	8,083
		365,310	**204,481**
Non-current liabilities			
Bank borrowings	(16)	523,512	400,939
Retirement benefit provisions	(17)	1,801	1,881
Other non-current liabilities	(18)	120,086	22,521
Deferred taxes	(6)	12,894	4,618
		658,293	429,959
Current liabilities			
Other provisions	(19)	15,537	17,908
Income tax liabilities	(20)	1,664	1,854
Bank borrowings	(16)	110,490	116,304
Trade payables	(21)	7,762	6,105
Other current liabilities	(22)	17,798	16,197
		153,251	**158,368**
Liabilities in connection with the non-current available-for-sale assets	(23)	**13,653**	**8,613**
		1,190,507	801,421

Consolidated income statement

in TEUR	Notes	2010	(adjusted) 2009
Total revenues	(24)	**82,941**	**120,848**
Rental revenues	(24)	51,802	46,218
Rental expenses	(27)	-11,633	-11,200
Net rental income		40,169	35,018
Revenues from the sale of inventory real estate	(24)	20,665	37,081
Expenses on the sale of inventory real estate	(27)	-20,884	-35,437
Net revenues from sale of inventory real estate		-219	1,644
Revenues from the sale of investment properties	(24)	8,799	35,749
Expenses on the sale of investment properties	(27)	-8,740	-37,293
Net revenues from sale of investment properties		59	-1,544
Revenues/net revenues from property management	(24)	1,675	1,800
Expenses for the provision of property management	(27)	-1,233	-441
Net income from the provisions of property management		442	1,359
Other operating income	(25)	15,696	4,599
Fair-value remeasurement of investment properties		12,797	-13,495
Net gains from the first-time consolidation of property companies		4,049	0
Total net gains from the remeasurement of investment properties	(26)	16,846	-13,495
Gross profit		**72,993**	**27,581**
Personnel expenses	(28)	-8,779	-10,385
Depreciation/amortisation	(29)	-770	-651
Impairment losses on receivables and inventories	(30)	-624	-875
Other operating expenses	(31)	-15,955	-16,963
EBIT		**46,865**	**-1,293**
Share of profit of associates	(32)	6,528	93
Impairment losses on receivables from associates	(33)	0	1,797
Interest income	(34)	3,228	6,308
Borrowing costs	(34)	-34,413	-31,637
EBT		**22,208**	**-24,732**
Income taxes	(35)	-2,834	-6,096
Other taxes	(36)	-183	-416
Consolidated net profit/loss		**19,191**	**-31,244**
of which attributable non-controlling interests	(15)	690	-2,078
of which attributable to the Parent Company‘s equityholders		18,501	-29,166
Earnings per share (EUR), basic			
Basic loss per share	(37)	0.48	-0.90
Diluted loss per share	(37)	0.45	-0.83

Consolidated statement of comprehensive income

in TEUR	Notes	2010	2009
Net loss as shown in the income statement		**19,191**	**-31,244**
Unrealised gains and losses from hedge accounting	(13)	3,523	-2,503
Deferred taxes on unrealised gains and losses	(6)	-1,043	801
Other comprehensive income after taxes		2,480	-1,702
Total comprehensive income		**21,671**	**-32,946**
of which attributable non-controlling interests	(15)	811	-2,263
of which attributable to the Parent Company's equityholders		20,860	-30,683

Consolidated cash flow statement

in TEUR	Notes	2010	2009
Consolidated net profit/loss (attributable to the Parent Company's equityholders)		**18.501**	**-29,166**
Depreciation/amortisation	(29)	770	651
Share of profits/losses of associates	(32)	-6,528	-93
Comprehensive income from investment properties	(26)	-16,846	13,495
Gains from business combinations	(25)	-8,407	0
Gains from/to joint ventures	(31)	747	0
Gains from the disposal of other financial assets	(25)	-345	0
Gains/losses from the disposal of investment properties	(1)	-59	1,544
Gain on buy-back of convertible bond	(25)	-1,102	0
Reversal of impairments on receivables from associates	(33)	0	-1,797
Impairments on receivables and inventories	(30)	624	875
Changes in deferred income taxes	(6)	4,605	5,033
Changes in provisions	(17,19)	-884	6,230
Changes in receivables and other assets	(7, 8, 9, 10)	1,977	15,247
Changes in payables and other liabilities	(18, 20, 22, 23)	-10,039	1,066
Cash flow from operating activities		**-16,986**	**13,085**
Payments made for investments in investment properties	(1)	-37,942	-18,677
Payments received from the disposal of investment properties	(1)	8,799	35,749
Payments made for investments in intangible assets and property, plant and equipment	(2, 3)	-593	-9,438
Payments made for acquisition of consolidated companies net of cash disposed of		-5,357	0
Payments received from the disposal of joint ventures net of cash disposed of		-2,283	0
Payments made for investments in other financial assets	(5)	-40,110	-21
Payments received on the disposal of other financial assets	(5)	1,723	0
Cash flow from investing activities		**-75,763**	**7,613**
Payments received from cash equity issues	(11,12)	87,422	0
Cost of issuing equity (after income taxes)	(18)	-1,951	0
Payments received from the issue of convertible bonds	(18)	109,100	12,500
Payments made for the buy-back of the convertible bonds	(18)	-11,400	0
Payments received from bank borrowings	(16)	84,324	56,129
Payments made for repaying bank borrowings	(16)	-51,478	-76,556
Payments made for business combinations without change of status	(12, 15)	-897	-17,137
Cash flow from financing activities		**215,120**	**-25,064**
Net change in cash and cash equivalents		122,371	-4,366
Cash and cash equivalents at the beginning of the period	(9)	-595	3,771
Cash and cash equivalents at the end of the period	(9)	**121,776**	**-595**

Statement of changes in consolidated equity

		Equity holders of the parent company								
				Other reserves						
in TEUR	Notes	Subscribed capital	Share premium	Retained earnings	Hedge accounting reserve	Unappropriated surplus /accumulated loss	Total	Minority interests	Total equity
01/01/2009		**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 non-controlling interests	(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 net profit		0	0	0	2,359	18,501	20,860	811	21,671
Business combination FranconoWest AG		0	0	0	0	0	0	889	889
Business combination without change of status	(12, 15)	0	30	0	0	0	30	-925	-895
Buy-back convertible bond	(12)	0	-334	0	0	0	-334	0	-334
Issue of convertible bond	(12, 18)	0	3,525	0	0	0	3,525	0	3,525
Capital increase against contribution in kind	(11, 12)	10,343	40,168	0	0	0	50,511	0	50,511
Cash equity issue	(11, 12)	15,657	71,765	0	0	0	87,422	0	87,422
Cost of issuing equity (after income taxes)	(12)	0	-1,951	0	0	0	-1,951	0	-1,951
Amounts withdrawn from share premium	(12, 14)	0	-34,942	0	0	34,942	0	0	0
Other changes in non-controlling interests	(15)	0	0	0	0	0	0	-9	-9
12/31/2010		**58,566**	**248,568**	**527**	**-10,034**	**58,834**	**356,461**	**8,849**	**365,310**

Consolidated segment report

in TEUR	Residential real estate Hamburg	Residential real estate Berlin	Residential real estate Munich	Residential real estate NRW	Residential real estate Others	Total Residential	Commercial real estate	Services	Other acitivites	Consolidation	Group
Total revenues	**12,451**	**31,655**	**2,215**	**4,633**	**3,324**	**54,278**	**26,312**	**2,120**	**1,401**	**-1,170**	**82,941**
Previous year	48,842	27,155	4,289	2,055	8,636	90,977	26,211	4,216	1,267	-1,823	120,848
■ Of which external revenues	12,451	31,556	2,041	4,633	3,324	54,005	25,805	1,675	1,401	55	82,941
Previous year	48,842	27,155	4,289	2,055	8,636	90,977	26,133	1,800	1,267	671	120,848
■ Of which internal revenues	0	99	174	0	0	273	507	445	0	-1,225	0
Previous year	0	0	0	0	0	0	78	2,416	0	-2,494	0
Segment profit/ loss	**4,771**	**19,133**	**800**	**3,826**	**605**	**29,135**	**25,084**	**887**	**1,271**	**920**	**57,297**
Previous year	4,049	-2,847	1,157	835	1,417	4,611	14,322	3,754	1,055	-759	22,983
■ Of which remeasurement of investment properties	874	7,902	-502	1,290	29	9,593	3,165	0	39	0	12,797
Previous year	121	-5,495	-80	-110	29	-5,535	-7,928	0	-32	0	-13,495
■ Of which net gains/losses from the first-time consolidation of property companies	-763	5,035	0	0	0	4,272	-223	0	0	0	4,049
Previous year	0	0	0	0	0	0	0	0	0	0	0
■ Non-allocated other operating income											15,696
Previous year											4,599
Gross profit											**72,993**
Previous year											27,582
■ Miscellaneous non-allocated income and expenses											-50,785
Previous year											-52,313
EBT											**22,208**
Previous year											24,731
Segment assets	**108,876**	**213,043**	**32,608**	**120,175**	**15,761**	**490,463**	**483,364**	**0**	**4,180**	**0**	**978,007**
Previous year	83,638	152,740	33,681	27,950	16,485	314,494	451,422	0	4,180	0	770,096
■ Non-allocated assets											212,500
Previous year											31,325
Total assets											**1,190,507**
Previous year											801,421

This consolidated segment report forms an integral part of the consolidated financial statements.

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") as of 31 December 2010 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 satisfied 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:

IFRS 1	First-time adoption of internattional financial reporting standards (revised)
IFRS 2	Share-based payment (revised)
IFRS 3	Business combinations (revised)
IFRS 5	Non-current assets held for sale and discontinued operations (revised)
IAS 27	Consolidated and separate financial statements (revised)
IAS 28	Investments in associates (revised)
IAS 39	Financial instruments: recognition and measurement (revised)
IFRIC 17	Distributions of non-cash assets to owners (new)
IFRIC 18	Transfers of assets from customers (new)
Various	IFRS 2009 improvement project

As a result of the amendments to IFRS 3, the transaction costs in connection with business combinations of a total of TEUR 878 (previous year TEUR 0) were reported through profit and loss within other operating expenses.

Other than this, the first-time application of these new accounting rules did not have any material 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 1	First-time adoption of international financial reporting standards (revised, to be applied in accounting periods commencing on or after 1 July 2010)
IFRS 7	Financial instruments: disclosures (revised, to be applied in accounting periods commencing on or after 1 July 2010)
IFRS 9	Financial instruments (new, to be applied in accounting periods commencing on or after 1 January 2013)
IAS 24	Related party disclosures (revised, to be applied in accounting periods commencing on or after 1 January 2011)
IAS 32	Financial instruments: presentation (revised, to be applied in accounting periods commencing on or after 1 February 2010)
IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction (revised, to be applied in accounting periods commencing on or after 1 January 2011)
IFRIC 19	Extinguishing financial liabilities with equity instruments (new, to be applied in accounting periods commencing on or after 1 July 2010)
Diverse	IFRS 2010 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.

The financial year of the parent company and of the consolidated subsidiaries, joint ventures and associates, all of which - with the exception of a subsidiary in Luxembourg - are domiciled in Germany, is the calendar year with the exception of one associate whose financial year ends on 30 June of each year and which is consolidated on the basis of interim financial statements as of 31 December. 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 the Group's business is performed at the offices located at Steckelhörn 5, 20457 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 the management of residential and commercial real estate in Germany 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 approved for publication on 25 March 2011 subject to approval by the Supervisory Board.

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 available-for-sale financial assets.

The purchase method of accounting as defined in IFRS 3 is used to account for business combinations. 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. The cost of business combinations is recorded in profit and loss. 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. The purchase and sale of property companies which do not engage in any business as defined in IFRS 3 are treated as a direct real estate purchase or sale (asset deal). In the case of step business combinations, e.g. the full consolidation of a previous associate as a subsidiary, the previously recognised carrying amount of this entity is remeasured at its fair value as part of the cost of the business combination and the resultant gain or loss taken to profit and loss.

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 "Non-controlling interests" 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 minorities.

The following companies are consolidated in full as of the balance sheet date:

- TAG Immobilien AG, Hamburg (parent company)
- TAG Gewerbeimmobilien-Aktiengesellschaft, Hamburg (99.98 percent)
- TAG Leipzig-Immobilien GmbH, Hamburg (99.98 percent)
- TAG Logistik Immobilien GmbH & Co. KG, Hamburg (99.98 percent)
- TAG Logistik Immobilien Verwaltungs GmbH, Hamburg (99.98 percent)
- TAG Asset Management GmbH, Hamburg (99.97 percent)
- TAG Dresdner Straße GmbH & Co. KG, Hamburg (99.97 percent)
- TAG Stuttgart Südtor Projektleitungs GmbH & Co. KG, Hamburg (99.97 percent)
- TAG Stuttgart Südtor Verwaltungs GmbH, Hamburg (99.97 percent)
- Ingenieur-Kontraktbau Gesellschaft für Ingenieurfertigbau mit beschränkter Haftung, i.L., Leipzig (99.97 percent)
- Patrona Saxoniae GmbH & Co. KG, Hamburg (99.97 percent)
- Patrona Saxoniae Grundbesitz GmbH, Hamburg (99.97 percent)
- Wenzelsplatz GmbH & Co. Nr. 1 KG, Hamburg (99.97 percent)
- Wenzelsplatz Grundstücks GmbH, Hamburg (99.97 percent)
- TAG Nordimmobilien S.à r.l., Luxembourg, (99.97 percent)

- TAG Sachsenimmobilien GmbH, Hamburg (99.97 percent)
- LARUS Asset Management GmbH, Hamburg (99.57 percent)
- Pateon 1. Verwaltungs GmbH, Hamburg (99.57 percent)
- TAG Beteiligungs GmbH & Co. KG, Hamburg (99.50 percent)
- Wasserkraftanlage Gückelsberg OHG, Leipzig (99.47 percent)
- Tegernsee-Bahn Betriebsgesellschaft mit beschränkter Haftung, Tegernsee (98.38 percent)
- Kraftverkehr Tegernsee-Immobilien GmbH, Tegernsee (98.28 percent)
- FranconoWest AG, Düsseldorf (97.06 percent)
- 1. FranconoInWest GmbH, Düsseldorf (97.06 percent)
- 2. FranconoInWest GmbH, Düsseldorf (97.06 percent)
- RheinAcquisition GmbH, Düsseldorf (97.06 percent)
- AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Hamburg (93.99 percent)
- Fürstenberg´sche Häuser GmbH, Hamburg (93.97 percent)
- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg (91.55 percent)
- Bau-Verein zu Hamburg Altbau-Immobilien GmbH, Hamburg (91.55 percent)
- Bau-Verein zu Hamburg Bauregie GmbH, Hamburg (91.55 percent)
- Bau-Verein zu Hamburg Eigenheim-Immobilien GmbH, Hamburg (91.55 percent)
- Bau-Verein zu Hamburg Hausverwaltungsgesellschaft mbH, Hamburg (91.55 percent)
- Bau-Verein zu Hamburg "Junges Wohnen" GmbH, Hamburg (91.55 percent)
- Bau-Verein zu Hamburg Wohnungsgesellschaft mbH, Hamburg (91.55 percent)
- BV Hamburger Wohnimmobilien GmbH, Hamburg (91.55 percent)
- BV Steckelhörn GmbH & Co. KG, Hamburg (91.55 percent)
- BV Steckelhörn Verwaltungs GmbH, Hamburg (91.55 percent)
- G+R City Immobilien GmbH, Berlin (91.55 percent)
- URANIA Grundstücksgesellschaft mbH, Hamburg (91.55 percent)
- VFHG Verwaltungs GmbH, Berlin (91.55 percent)
- VFHG Haus- und Grundstücks GmbH & Co. Wohnanlage Friedrichstadt KG, Berlin (91.55 percent)
- Vierte Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG, Hamburg (91.55 percent)
- Wohnanlage Ottobrunn GmbH, Hamburg (91.55 percent)
- Zweite Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG, Hamburg (89.99 percent)
- ARCHPLAN Projekt Dianastraße GmbH, Munich (60.97 percent)

In the year under review, shares were acquired in Zweite Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG and Vierte Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG by the subsidiary URANIA Grundstücksgesellschaft mbH effective 1 August 2010 and in TAG Leipzig-Immobilien GmbH (still doing business as "Capee Leipzig I GmbH" Leipzig as of the balance sheet date) effective 31 December 2010, resulting in the consolidation of these entities for the first time. The acquisition of these property companies does not constitute a business combination as defined in IFRS 3.

In addition, the companies consolidated were changed as a result of an internal Group merger. Effective 1 January 2010, Hamburg-Bremer Vermögensverwaltungs GmbH was amal-gamated into URANIA Grundstücksgesellschaft mbH.

Reference should also be made to the following section entitled "Business combinations" for details of the business com-binations coming within the scope of IFRS 3 executed in the year under review.

The following companies were consolidated on a proportionate basis in the year under review:

- Neue Ufer GmbH & Co. KG, Leipzig (49.99 percent)
- DESIGN Bau BV Hamburg Verwaltungs GmbH, Hamburg (45.27 percent) until 31 May 2010
- DESIGN Bau BV Hamburg GmbH & Co. KG, Hamburg (45.27 percent) until 31 May 2010
- An den Obstgärten Bauträger GmbH & Co. KG, Ingelheim (45.78 percent)
- An den Obstgärten Verwaltungs GmbH, Ingelheim (45.78 percent)

The shares in DESIGN Bau BV Hamburg GmbH & Co. KG and DESIGN Bau BV Hamburg Verwaltungs GmbH were sold effective 31 May 2010. A loss of TEUR 747 was sustained on this sale and reported within other operating expenses.

With respect to the joint ventures, only the 50 percent share in Neue Ufer GmbH & Co. KG, Leipzig, An den Obstgärten Bauträger GmbH & Co. KG and DESIGN Bau BV Hamburg GmbH & Co. KG, Hamburg are considered significant. The following financial data is available for these companies as of 31 December 2010:

Joint venture	Assets TEUR	Liabilities TEUR	Revenue TEUR	Profit/loss TEUR
Neue Ufer GmbH & Co. KG, Leipzig	225 (Previous year 178)	6,371 (Previous year 5,964)	59 (Previous year 283)	-410 (Previous year -419)
An den Obstgärten Bauträger GmbH & Co. KG	7,741 (Previous year 8,130)	8,285 (Previous year 8,416)	4,806 (Previous year 2,806)	-258 (Previous year -209)
DESIGN Bau BV Hamburg GmbH & Co. KG (until 05/31/2010)	8,148 (Previous year 8,513)	4,213 (Previous year 4,473)	3 (Previous year 87)	-64 (Previous year -212)

The assets and liabilities stated are current in nature.

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

- Colonia Real Estate AG, Cologne (29.8 percent), since 1 November 2010
- Estavis AG, Berlin (20.0 percent), from 1 April 2010
- GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH & Co. KG, Hamburg (45.78 percent)
- Verwaltung GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH, Hamburg (45.78 percent)
- LARUS Asset Management GmbH, Hamburg (49.79 percent), until 30 September 2010

The following combined financial information on these associates is available as of 31 December 2010:

Associates	Assets TEUR	Liabilities TEUR	Revenue TEUR	Profit/loss TEUR
GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH & Co. KG	5,680 (Previous year 5,605)	5,636 (Previous year 5,605)	412 (Previous year 411)	68 (Previous year 6)
Verwaltung GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH	32 (Previous year 31)	3 (Previous year 2)	1 (Previous year 2)	0 (Previous year 0)
LARUS Asset Management GmbH (Until 09/30/2010)	7,395 (Previous year 6,205)	6,265 (Previous year 5,349)	2,917 (Previous year 4,519)	274 (Previous year 726)
Estavis AG	150,397 (Previous year 155,401)	97,719 (Previous year 103,131)	60,891 (Previous year 65,402)	103 (Previous year -38,672)
Colonia Real Estate AG	880,893 (Previous year 927,969)	634,511 (Previous year 702,677)	122,569 (Previous year 109,908)	9,071 (Previous year 82,924)

The disclosures for Estavis AG, whose financial year ends on 30 June of each year, are based on the interim financial statements as of 31 December 2010 and the 2010 calendar year. The figures for Colonia Real Estate AG are taken from the last published IFRS consolidated financial statements as of 31 December 2009.

The following companies are of subordinate importance for the consolidated financial statements and are therefore not consolidated on account of their immateriality (Also disclosures on shareholdings in accordance with Sections 315a (1), 313 (2) of the German Commercial Code):

Non-consolidated entities	Share %	Profit (HGB) 2010 TEUR	Equity (HGB) 12/31/2010 TEUR
BVV Bau-Verein zu Hamburg Fonds Verwaltungsgesellschaft mbH, Hamburg	91.55	16	462
„Zweite BVV Bau-Verein zu Hamburg Fonds Verwaltungsgesellschaft mbH, Hamburg“	91.55	5	52
TAG Beteiligungsverwaltungs GmbH, Hamburg	49.60	3	25
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.

Business combinations

TAG Nordimmobilien S.à r.l., Luxembourg

In a contract dated 18 December 2009, TAG acquired approx. 100 percent of the capital of TAG Nordimmobilien S.à r.l. (doing business at that time as “Ostara Alpha S.à r.l.”). In accordance with the contractual agreements, TAG gained control on 1 January 2010 (date of acquisition). TAG Nordimmobilien S.à r.l. leases an extensive residential real estate portfolio which is mostly located in Berlin. This company was acquired to additionally extend the portfolio of residential real estate within the TAG Group.

The total costs of the business combination (fair value of the consideration provided) came to TEUR 14,898 and comprised a cash component of TEUR 4,016 (cash purchase price of TEUR 4,500, recognised at its present value due to interest-optimised respite agreements allowing for deferred income tax effects) and an equity component of TEUR 10,882 (issue of 2,418,182 TAG shares measured at TAG’s stock price of EUR 4.50 as of the balance sheet date).

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

	Fair value on acquisition TEUR	IFRS carrying amount on acquisition TEUR
Investment properties	47,500	47,500
Cash and cash equivalents	64	64
Non-current bank borrowings	-26,056	-25,496
Deferred income tax liabilities	-2,387	-2,567
Current liabilities	-243	-243
Net assets at fair value or IFRS equity capital	18,878	**19,258**
Costs of the business combination	-14,898	
Gain from first-time consolidation	**3,980**	

The gain from first-time consolidation chiefly arose from the favourable outcome of negotiations with respect to the individual purchase price. Since the date of acquisition, the acquiree has generated revenues of TEUR 2,739 and a net loss for the period of TEUR 162.

TAG Sachsenimmobilien GmbH, Hamburg

In a contract dated 6 May 2010, TAG acquired approx. 100 percent of the capital of TAG Sachsenimmobilien GmbH (doing business at that time as "Francono Advisory AG" with registered offices in Frankfurt am Main). In accordance with the contractual agreements, TAG gained control on 31 May 2010 (date of acquisition). TAG Sachsenimmobilien GmbH is a real estate advisory company which specialises in providing advice on the purchase and sale of real estate as well as asset management. In performing its activities, it concentrates on highquality residential apartments in selected growth regions in Germany. This company was acquired to additionally extend asset management activities for residential real estate within the TAG Group.

The total costs of the business composition (fair value of the consideration provided) came to TEUR 4,463. The cash price of TEUR 4,496 was recognised at its present value allowing for the effects of deferred income taxes due to an interest-optimised respite agreement for a partial amount of TEUR 300. The business combination produced a first-time consolidation gain (negative goodwill) which was reported within other operating income in the consolidated income statement and breaks down as follows:

	Fair value on acquisition TEUR	IFRS carrying amount on acquisition TEUR
Investment properties	17,970	17,970
Deferred income tax assets	444	444
Other non-current assets	4	4
Current receivables	102	102
Cash and cash equivalents	464	464
Other current assets	127	127
Non-current bank borrowings	-10,977	-12,012
Deferred income tax liabilities	-1,216	-885
Other non-current liabilities	-1,392	-1,392
Current liabilities	-215	-215
Net assets at fair value or IFRS equity capital	5,311	**4,607**
Costs of the business combination	-4,463	
Gain from first-time consolidation	**848**	

The gain from first-time consolidation chiefly arose from the favourable outcome of negotiations with respect to the individual purchase price. Since the date of acquisition, the acquiree has generated revenues of TEUR 747 and a net loss for the period of TEUR 179. If the business composition had been executed as of 1 January 2010, the company would have generated estimated revenues of TEUR 1,287 and net profit for the period of TEUR -214.

FranconoWest AG, Düsseldorf

In a contract dated 6 May 2010, TAG initially acquired approx. 97 percent of the capital of FranconoWest AG and its 100 percent subsidiaries 1. FranconoInWest GmbH, 2. FranconoInWest GmbH und RheinAcquisition GmbH. TAG gained control on 2 August 2010. FranconoWest AG is a regionally active real estate company with residential and commercial real estate holdings in North Rhine-Westphalia. It invests in selected rental apartment buildings with the aim of building up and steadily optimising a structured high-return portfolio of residential real estate. This group was acquired to additionally extend the portfolio of residential real estate within the TAG Group.

The total costs of the business combination (fair value of the consideration provided) came to TEUR 27,746 and comprised a cash component of TEUR 1,846 and an equity component of TEUR 25,900 (issue of 5,581,818 shares measured at TAG's stock price of EUR 4.64 as of the balance sheet date). The business combination produced a first-time consolidation gain (negative goodwill) which was reported within other operating income in the consolidated income statement and breaks down as follows:

	Fair value on acquisition TEUR	IFRS carrying amount on acquisition TEUR
Investment properties	90,935	90,935
Other non-current assets	77	77
Current receivables	481	481
Cash and cash equivalents	5,208	5,208
Other current assets	2,129	2,129
Non-current bank borrowings	-56,009	-57,416
Deferred income tax liabilities	-3,506	-3,956
Other non-current liabilities	-5,884	-5,884
Current liabilities	-1,217	-1,217
Net assets at fair value or IFRS equity capital	32,214	**30,357**
Minority interests	-889	
Costs of the business combination	-27,746	
Gain from first-time consolidation	**3,579**	

The gain from first-time consolidation chiefly arose from the favourable outcome of negotiations with respect to the individual purchase price and the utilisation of the low prices of the stock of listed real estate companies. Since the date of acquisition, the acquiree has generated revenues of TEUR 2,549 and a net profit for the period of TEUR 13. If the business combination had been executed as of 1 January 2010, the company would have generated estimated revenues of TEUR 6,125 and net profit for the period of TEUR 177.

LARUS Asset Management GmbH, Hamburg

As of the beginning of 2010, TAG held a 49.8 percent interest in LARUS Asset Management GmbH and its 100 percent subsidiary Pateon 1. Verwaltungs GmbH, Hamburg. As of the date of acquisition, the equity of this company had a carrying amount of TEUR 422. Pursuant to a contract dated 29 September 2010, TAG acquired a further share of 49.8 percent. The total costs of the business combination came to TEUR 100 after measurement of the previous shares at their fair value of TEUR 50. In accordance with the contractual agreements, TAG gained control on 1 October 2010 (date of acquisition). The loss resulting from the change in recognition from an associate to full consolidation came to TEUR 372 and is reported within the share of profit/loss of associates. LARUS Asset Management GmbH offers the full range of commercial and technical real estate management and project management services. This company was acquired to additionally extend the range of services within the TAG Group.

The business combination produced goodwill which breaks down as follows:

	Fair value on acquisition TEUR	IFRS carrying amount on acquisition TEUR
Portfolio of real estate management contracts	1,614	0
Deferred income tax assets	284	284
Other non-current assets	389	389
Current receivables	176	176
Cash and cash equivalents	365	365
Other current assets	1,173	1,173
Current liabilities	-6,265	-6,265
Net assets at fair value or IFRS equity capital	-2,264	**-3,878**
Costs of the business combination	100	
Goodwill	**2,364**	

The goodwill is recognised for the service business attributable to LARUS Asset Management GmbH. It was chiefly calculated on the basis of the forecast net surplus from real estate management contracts and ongoing asset management activities for 2011, which were assumed to continue in the future.

Since the date of acquisition, the acquiree has generated revenues of TEUR 939 and a net loss for the period of TEUR 78. If the business combination had been executed as of 1 January 2010, the company would have generated estimated revenues of TEUR 3,856 and net profit for the period of TEUR 59.

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 derivatives and 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 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.

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, the capitalised income value method stipulated by the Real Estate Value Calculation Ordinance. 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 to eight 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, e.g. goodwill arising from a business combination, 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 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, which are generally prepared on the basis of capitalised income value method stipulated by the Real Estate Value Calculation Ordinance. Impairments on property, plant and equipment are 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.

If the net assets measured at fair value exceed the cost of the business combination as of the date of acquisition, the difference is reported in profit and loss.

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.

Impairments are recognised if the recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use, is less than the carrying amount.

Financial assets

Financial assets 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 which are classified as held for trading are intended to be sold in the near future. Changes in hedges are netted directly against equity to the extent permitted under hedge accounting. Profit and loss from such financial assets or liabilities held for trading are recognised in the income statement. Derivative financial instruments are also assigned to this category unless they are designated as derivatives and are effective as such.

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 the provision of facility management services 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 income 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 settlement period of less than three months.

Non-current assets held for sale and related liabilities

A non-current asset or group of assets held for sale 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 their previous 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 paid-in 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. The prospective or retrospective effectiveness is measured using the dollar-offset method or by means of a sensitivity analysis.

(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.

Financial 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, liabilities are measured at amortised cost using the effective interest rate method.

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. The calculations are performed on the basis of discounted future surplus income, which is generally determined using 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 837,204 (previous year TEUR 596,720).

- 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 113,973 (previous year TEUR 146,618).

- There are ranges in the estimates applied to impairment testing of goodwill and investments in associates particularly with respect to future earnings. Although the Management Board assumes that the assumptions applied in the calculation of future earnings are reasonable, unforeseen changes in these assumptions could result in impairment expense with a correspondingly detrimental effect on the Group's net assets, financial condition and results of operations. As of the balance sheet date, the goodwill had a carrying amount of TEUR 2,364 (previous year TEUR 0) and the investments in associates a carrying amount of TEUR 59,379 (previous year TEUR 440).

- In connection with the recognition of deferred income tax assets, 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 they are available in full within a forecast period of five years. Deferred income tax assets are valued at TEUR 3,996 as of the balance sheet date (previous year TEUR 6,659).

- With respect to other provisions, various assumptions have been made, e.g. with respect to the probability and amount of utilisation of provisions for repairs, damages 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 15,537 as of the balance sheet date (previous year TEUR 17,908).

Changes in presentation compared with the previous year

In comparison to the consolidated financial statements as of 31 December 2009, the following changes have been made to the presentation of items in the consolidation income statement as the Company considers these to provide an enhanced insight into the Group's results of operations. These changes do not have any effect on consolidated net profit:

- Reimbursements by tenants for operating and ancillary costs are no longer reported within rental revenues but are netted with rental expenses. The adjustments to the previous year's figure resulted in a drop of TEUR 13,527 in the rental revenues for 2009 from TEUR 59,745 to TEUR 46,218 and a drop in rental expenses of TEUR 13,527 from TEUR 24,727 to TEUR 11,200.

- In addition, expenses arising from the provision of services were reported separately. These expenses comprise solely personnel costs. The adjustments to the previous year's figure resulted in a drop of TEUR 441 in staff costs for 2009 from TEUR 10,826 to TEUR 10,385. An amount of TEUR 441 was included in the cost of providing services for 2009.

- Finally, net fair value gains and losses on investment properties were broken down for the first time into net gains/losses from the first-time consolidation of property companies and the remeasurement of other investment properties. As no property companies were consolidated for the first time in 2009, it was not necessary to restate the previous year's figures.

Notes on the balance sheet

1. Investment properties

In 2010, fair value remeasurement losses of TEUR 11,571 (previous year TEUR 19,500) and fair value remeasurement gains of TEUR 24,368 (previous year TEUR 6,005) were recorded. These gains and losses resulted in a net fair value gain of TEUR 12,797 (previous year net fair value loss of TEUR 13,495).

The table below sets out the movements in the portfolio of investment properties:

Investment properties	TEUR
Amount on 01/01/2009	**620,942**
Additions as a result of acquisition	12,288
Additions through subsequent cost of acquisition or construction	6,389
Reclassified as non-current assets held for sale	-12,315
Disposals as a result of sales	-37,293
Transfer from properties held for sale	20,204
Net gains/losses in fair value as of 12/31/2009	-13,495
Amount on 12/31/2009	**596,720**
Additions as a result of business combinations	156,405
Additions as a result of acquisition	37,942
Additions through subsequent cost of acquisition or construction	3,183
Reclassified as non-current assets held for sale	-6,900
Transfer from properties held for sale	43,995
Reclassified as property, plant and equipment	-1,980
Net gains/losses in fair value as of 12/31/2010	12,797
Disposals as a result of sales	-4,958
Amount on 12/31/2010	**837,204**

In the year under review, investment properties valued at TEUR 837,204 (previous year TEUR 596,720) 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	2010 TEUR	2009 TEUR
Rental income	45,915	40,843
Operating expenses (maintenance, facility management, land taxes etc.)	-10,391	-9,098
Total	**35,524**	**31,745**

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

The following table sets out the material assumptions used by the independent experts to calculate the fair value of the investment properties:

	12/31/2010		12/31/2009	
	Average	Range	Average	Range
Return on property in %	5.35	3.75 – 7.0	5.74	4.30 – 7.50
Useful lives in years	44	16 – 85	43	18 – 80
Maintenance costs EUR/m²	7.6	3.0 – 11.5	6.6	3.0 – 12.0
Management costs as a % of gross annual income	3.40	0.50 – 8.0	2.50	0.50 – 5.0

2. Intangible assets

The table below analyses the movements in intangible assets. Currently, there are no intangible assets with an indefinite useful life other than goodwill. As in the previous year, no impairment was recognised on intangible assets.

Intangible assets Historical cost	Goodwill TEUR	Order books TEUR	Miscel-laneous TEUR	Total TEUR
Amount on 01/01/2009	0	0	258	258
Added in 2009	0	0	384	384
Disposals in 2009	0	0	-90	-90
Amount on 12/31/2009	0	0	552	552
Additions from business combinations 2010	2,364	1,614	225	4,203
Added in 2010	0	0	535	535
Disposals in 2010	0	0	-49	-49
Amount on 12/31/2010	2,364	1,614	1,263	5,241

Cumulative depreciation	Goodwill TEUR	Order books TEUR	Miscel-laneous TEUR	Total TEUR
Amount on 01/01/2009	0	0	209	209
Added in 2009	0	0	33	33
Disposals in 2009	0	0	-90	-90
Amount on 12/31/2009	0	0	152	152
Added in 2010	0	0	227	227
Disposals in 2010	0	0	-49	-49
Amount on 12/31/2010	0	0	330	330
Carrying amount on 12/31/2009	0	0	400	400
Carrying amount on 12/31/2010	2,364	1,614	933	4,911

In connection with impairment testing of goodwill, one cash-generating unit was identified within the Group. It corresponds to LARUS Asset Management GmbH's service business, which was acquired by the Group. The carrying amount of the attributable goodwill stands at TEUR 2,364 (previous year TEUR 0). The value in use of the cash-generating unit was chiefly calculated on the basis of the forecast net surplus from management contracts and ongoing asset management activities for 2011, which were assumed to continue in the future. For this purpose, a forecast based on management's estimates of the market and the company's future performance was drawn up as a basis for determining future revenues as well as staff costs and other expenses.

The value in use was determined solely by discounting the payment flows at a rate which was calculated using the CAPM model on the basis of current market data and management's estimates. The discount rate used for impairment testing stood at 8.3 percent and includes a growth factor of 0.5 percentage points for the perpetual annuity. Impairment testing did not identify any evidence of impaired goodwill.

3. Property, plant and equipment

The table below sets out the movements in property, plant and equipment.

Property, plant and equipment Historical cost	Real estate TEUR	Technical equipment TEUR	Operating and office equip-ment TEUR	Total TEUR
Amount on 01/01/2009	2,495	3,425	2,886	8,806
Added in 2009	8,104	18	933	9,055
Disposals in 2009	0	-11	-888	-899
Amount on 12/31/2009	10,599	3,432	2,931	16,962
Additions from business combinations 2010	0	0	245	245
Added in 2010	2,020	8	50	2,078
Disposals in 2010	-165	-2,151	-794	-3,110
Amount on 12/31/2010	12,454	1,289	2,432	16,175

Property, plant and equipment Cumulative depreciation	Real estate TEUR	Technical equipment TEUR	Operating and office equip-ment TEUR	Total TEUR
Amount on 01/01/2009	1,471	2,951	2,349	6,771
Added in 2009	82	42	271	395
Reversal of impairments in 2009	223	0	0	223
Disposals in 2009	0	-11	-632	-643
Amount on 12/31/2009	1,776	2,982	1,988	6,746
Added in 2010	213	47	283	543
Disposals in 2010	-165	-2,145	-794	-3,104
Amount on 12/31/2010	1,824	884	1,477	4,185
Carrying amount on 12/31/2009	8,823	450	943	10,216
Carrying amount on 12/31/2010	10,630	405	955	11,990

Within property, plant and equipment, land with a carrying amount of TEUR 10,630 (previous year TEUR 8,823) is secured with real estate liens and the assignment of rental income.

4. Investments in associates

Movements in investments in associates were as follows:

Investments in associates	TEUR
Amount on 01/01/2009	347
Share of profit/losses of associates	93
Amount on 12/31/2009	440
Additions as a result of acquisition	52,411
Share of profit/losses of associates	6,528
Amount on 12/31/2010	59,379

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, a share of profit of associates of TEUR 12 (previous year TEUR 3) was not recorded in the year under review. As of the balance sheet date, the non-recorded share of losses of associates had dropped to TEUR 0 (previous year TEUR 70).

As of the balance sheet date, the investments in associates included an amount of TEUR 48,935, which is the carrying amount at equity of the 29.8 percent share in Colonia Real Estate AG acquired at the end of the year under review. The value of this share as of the balance sheet date was calculated on the basis of the value in use, which was lower than the proportionate net assets valued at their fair value. Value in use was determined on the basis of the price per share of EUR 5.55 of Colonia Real Estate AG on 31 December 2010 specified in the still current takeover bid submitted to the shareholders of that company; accordingly, the recognition of the share in net assets valued at their fair value was limited as of the date of acquisition.

The precise effect of the recognition of value in use cannot be determined precisely as of the date of these financial statements as detailed information on the share in the net assets valued at their fair value of Colonia Real Estate AG was not yet available. On the basis of approximate analyses, however, the share in the net assets valued at their fair value would have been roughly EUR 10 million higher but would have been reported immediately as an impairment. Colonia Real Estate AG stock traded at a price of EUR 5.57 per share as of the balance sheet date.

The 20.0 percent interest in Estavis AG acquired in 2010 is also included in associates. The shares in Estavis AG had a price of EUR 1.84 each as of the balance sheet date.

5. Other financial assets

Other financial assets comprise investments in affiliated companies and associates not consolidated for materiality reasons. These are analysed in the following table:

Historical cost	TEUR
Amount on 01/01/2009	3,010
Added in 2009	21
Disposals in 2009	0
Amount on 12/31/2009	3,031
Added in 2010	1,378
Disposals in 2010	-4,043
Amount on 12/31/2010	366

Cumulative depreciation	TEUR
Amount on 01/01/2009	2,635
Added in 2009	0
Disposals in 2009	0
Amount on 12/31/2009	2,635
Added in 2010	0
Disposals in 2010	-2,604
Amount on 12/31/2010	31
Carrying amount on 12/31/2009	396
Carrying amount on 12/31/2010	335

6. Deferred income tax assets

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

Deferred income taxes	12/31/2010 TEUR	12/31/2009 TEUR
Unused tax losses (incl. interest brought forward)	32,005	22,707
Gains/losses from remeasurement of investment properties	-45,900	-27,020
Gains/losses from remeasurement of hedge accounting (negative market values)	8,332	6,415
Gains/losses from remeasurement of hedge accounting (positive market values)	-5	0
Gains/losses from remeasurement of properties held as inventory	44	-135
Gains/losses from remeasurement of liabilities (deferred income tax assets)	381	129
Gains/losses from remeasurement of liabilities (deferred income tax liabilities)	-1,578	-953
Gains/losses from remeasurement of convertible bonds	-2,384	-175
Miscellaneous	207	1,073
Total deferred income tax assets	40,969	30,324
Total deferred income tax liabilities	-49,867	-28,283
Offset	36,973	23,665
	-36,973	-23,665
Deferred income taxes recorded on the face of the balance sheet	3,996	6,659
	-12,894	-4,618

A net amount of TEUR 5,403 (previous year TEUR 1,986) is expected to be settled within one year and a net amount of TEUR -14,301 (previous year TEUR 55) in more than one year.

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 year under review:

Land with unfinished and finished buildings	2010 TEUR	2009 TEUR
Amount on 01/01/2010	146,618	176,667
Additions	31,885	25,592
Disposals as a result of sales	-20,535	-35,437
Reclassification as investment properties	-43,995	-20,204
Amount on 12/31/2010	113,973	146,618
Of which secured with real-property liens and assignment of rental income	113,973	146,618

Borrowing costs were capitalised where the corresponding conditions for doing so were satisfied. The average borrowing cost rate stood at around 2.2 percent (previous year 2.8 percent). Capitalised borrowing costs came to TEUR 1,040 in the year under review (previous year TEUR 1,084).

Unfinished and finished buildings reported within current assets also include real estate which will probably only be sold after more than twelve months as of the balance sheet date. This concerns an amount of around EUR 40.0 million (previous year EUR 126.0 million).

Other inventories break down as follows:

Other inventories	2010 TEUR	2009 TEUR
Heating and operating costs not yet billed	1,044	240
Prepayment towards construction costs	0	1,338
Miscellaneous	58	41
Total	1,102	1,619

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

Trade receivables break down as follows:

Trade receivables	2010 TEUR	2009 TEUR
Rental receivables	3,592	2,807
Receivables from the sale of properties	2,820	2,247
Miscellaneous	242	592
Total	6,654	5,646

In the year under review, impairments (individual adjustments and bad debts) of TEUR 624 (previous year TEUR 875) were recognised on trade receivables 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 impaired receivables stood at TEUR 1,369 as of 31 December 2010 (previous year TEUR 1,710).

Adjustments to trade receivables are analysed in the following table:

Individual adjustments	TEUR
Amount on 01/01/2009	1,501
Consumed in 2009	-620
Reversed in 2009	-217
Added in 2009	739
Amount on 12/31/2009	1,403
Consumed in 2010	-157
Reversed in 2010	-370
Added in 2010	597
Amount on 12/31/2010	1,473

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	2010 TEUR	2009 TEUR
Current loans	1,250	0
Receivables from associates	806	3,186
Prepaid expenses	46	27
Receivables from affiliated companies	4	168
Receivables from joint ventures	0	571
Miscellaneous	1,916	2,906
Total	4,022	6,858

Current loans were acquired in connection with the acquisition of TAG Leipzig-Immobilien GmbH and repaid after the balance sheet date.

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 current bank borrowings. 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.

Cash and cash equivalents on the balance sheet date include bank balances of TEUR 122,192 (previous year TEUR 3,660), which have been pledged at short notice as collateral for bank borrowings of TEUR 2,068 (previous year TEUR 3,585), a cash deposit of TEUR 120,000 (previous year TEUR 0) for the purchase of shares under the takeover bid submitted to the shareholders of Colonia Real Estate Colonia Real Estate and an amount of TEUR 124 (previous year TEUR 75) on account of a cover ratio not reached for lending purposes. Accordingly, these amounts are not freely available for drawing upon. These amounts are subject to normal interest during the pledge period.

10. Non-current assets held for sale

As in the previous year, this item comprises investment properties held for sale.

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

Of the investment properties held for sale reported in the previous year, properties with a carrying amount of TEUR 5,260 (previous year TEUR 0) were reclassified as investment properties as they were no longer intended to be sold due to the lack of reasonable offers. The other 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 assets held for sale. Losses from the measurement of these assets came to TEUR 0 as of the balance sheet date (previous year TEUR 3,374) and were reported within profit and loss under fair-value remeasurement of investment properties. Investment properties of TEUR 0 (previous year TEUR 8,935) are allocated to the residential real estate segment (Berlin region) and investment properties of TEUR 16,200 (previous year TEUR 9,000) to the commercial real estate segment.

11. Subscribed capital

TAG's fully paid up share capital amounted to EUR 58,566,364.00 as of 31 December 2010 (previous year EUR 32,566,364.00) and was divided into 58,566,364 (previous year: 32,566,364) no-par-value shares with equal voting rights. They are bearer shares.

In the year under review, the Company's subscribed capital was increased on a cash and non-cash basis several times. A total of 26,000,000 shares (previous year 0 shares) were issued from the Company's authorised capital.

In resolutions passed on 27 August 2009 and 25 June 2010, 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 repeatedly on or before 26 August 2014 (Authorised Capital 2009/I) and by an amount of up to EUR 18,000,000.00 by issuing up to 18,000,000 shares on or before 24 June 2015 (Authorised Capital 2010/I). As of 31 December 2010, the authorised capital had been utilised in full.

On 27 August 2009 and 25 June 2010, the shareholders passed resolutions to increase the Company's share capital by EUR 8,000,000.00 and EUR 9,000,000.00, respectively, through the issue of up to 8,000,000 and 9,000,000, respectively, new bearer shares on a contingent basis (Contingent Capital 2009/I and Contingent Capital 2010/I)). The contingent capital was to be used to grant shares to the holders of convertible and/or option bonds which had been issued by the Company. This authorisation had been utilised in full as of 31 December 2010.

12. Share premium

The share premium primarily contains the premium on the equity issues executed in the year under review and in earlier years net of withdrawals to equalise the net losses for the year recorded in accordance with German commercial law. In addition, this item includes effects from business combinations with no change of status relating to the acquisition of shares in the subsidiaries Bau-Verein zu Hamburg Aktien-Gesellschaft und FranconoWest AG in the year under review. Reference should be made to the consolidated statement of changes in equity for an analysis of this item in the year under review.

In the year under review, equity issue costs of TEUR 2,881 (previous year TEUR 0) net of the related income tax benefits of TEUR 930 (previous year TEUR 0) were reported within the share premium.

13. Other reserves

Other reserves break down as follows:

Other reserves	2010 TEUR	2009 TEUR
Legal reserve	46	46
Miscellaneous retained earnings	481	481
Hedge accounting reserve	-10,034	-12,393
Total	**-9,507**	**-11,866**

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

The hedge accounting reserve includes gains and losses from interest hedges (cash flow hedges) net of deferred taxes and breaks down as follows:

Hedge accounting reserve	2010 TEUR	2009 TEUR
Amount on 01/01/	-12,393	-10,876
Unrealised gains and losses	2,377	-2,567
Recorded in profit and loss	1,025	200
Net amount	3,402	-2,367
Deferred tax effect	-1,043	850
Other comprehensive income after tax	2,359	-1,517
Amount on 12/31/	-10,034	-12,393

The amounts reported within net borrowing costs in profit and loss concern overhedges as well as amounts recycled from the hedge accounting reserve to profit and loss due to the execution of the expected transaction.

14. Unappropriated surplus

The consolidated statement of changes in equity analyses the movements in this item in the year under review.

15. Non-controlling 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 minorities and the minority interests reported in the income statement.

16. Bank borrowings

Bank borrowings chiefly consist 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. As in the previous year, repayments are generally between 1 percent and 2 percent p.a. The bank borrowings are secured in an amount of TEUR 639,518 (previous year TEUR 506,190). For the most part, collateral takes the form of real property liens, the assignment of rental income and pledges on investments 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	in TEUR
Opening amount on 01/01/2009	1,920
Utilised	-207
Reversed	-37
Added (interest costs, included in personnel costs)	205
Amount on 12/31/2009	1,881
Utilised	-215
Reversed	-29
Added (interest costs, included in personnel costs)	164
Amount on 12/31/2010	1,801

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

	12/31/2010 %	12/31/2009 %
Interest rate	5.00	5.00
Rate of salary increase	1.50	1.50
Retirement age	As per Sozialgesetzbuch 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 costs. Of the retirement benefit provisions, an amount of TEUR 222 (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:

	2010 TEUR	2009 TEUR
Recognised on the face of the balance sheet as of 01/01/	1,881	1,920
Personnel costs	135	168
Pension payments	-215	-207
Recognised on the face of the balance sheet as of 12/31/	1,801	1,881

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 1,920 as of 31 December 2008, 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

Other non-current liabilities break down as follows:

Other non-current liabilities	12/31/2010 TEUR	12/31/2009 TEUR
Convertible bond	101,712	11,958
Negative fair value of interest swaps (non-current part)	15,752	10,557
Purchase price liabilities for business combinations	2,618	0
Miscellaneous	4	6
Total	**120,086**	**22,521**

The Company issued a total of 125,000 convertible bonds in a nominal amount of EUR 100.00 each on 21 December 2009. The bearer bonds were issued in a nominal amount of TEUR 12,500 in December 2010. The convertible bond has a coupon of 4.5 percent p.a. and expires on 31 December 2012. The initial conversion price for the Company's bearer shares is EUR 5.15. This convertible bond was bought back on 28 May 2010, resulting in a gain of TEUR 1,121. The bond was issued again on 17 August 2010.

On 13 May 2010, the Company issued a further 300,000 convertible bonds with a nominal amount of EUR 100.00 each. The nominal amount of the bearer bonds stands at TEUR 30,000. The convertible bond has a coupon of 6.375 percent p.a. and expires on 13 May 2015. The initial conversion price for the Company's bearer shares is EUR 5.47.

A further 9,000,000 convertible bonds with a nominal amount of EUR 7.40 were issued on 10 December 2010. The nominal amount of the bearer bonds stands at TEUR 66,600. The convertible bond has a coupon of 6.5 percent p.a. and matures on 10 December 2015. The initial conversion price for the Company's bearer shares is EUR 7.40.

19. Other provisions

Other provisions break down as follows:

Other provisions in TEUR	Amount 01/01/2010	Reversed	Utilised	Added	Amount 12/31/2010
Subsequent purchase price payments	0	0	0	3,000	3,000
Outstanding services in connection with sold land	5,180	2,639	686	1,032	2,887
Outstanding construction costs	4,888	383	4,293	1,949	2,161
Repairs	3,211	181	1,430	320	1,920
Outstanding invoices	528	67	446	1,380	1,395
Legal, consulting and auditing costs	1,138	232	860	845	891
Miscellaneous	2,963	786	1,590	2,696	3,283
Total	**17,908**	**4,288**	**9,305**	**11,222**	**15,537**

The provisions for additional purchase price payments contain possible obligations in connection with real estate purchases in earlier years.

The provisions for outstanding services in connection with sold land primarily concern construction activities still to be performed in connection with sold properties and claims for damages in connection with real estate already sold.

The provisions for outstanding construction costs relate to expected obligations with respect to construction services 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 in the short term for the most part, 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	12/31/2010 TEUR	12/31/2009 TEUR
Negative market values of interest swaps (current part)	9,537	9,283
Interest liabilities from convertible bonds	1,786	0
Value added tax	889	2,114
Prepayments received	801	756
Deferred income	20	8
Liabilities to associates	11	14
Loans from related parties	0	1,484
Liabilities to joint ventures	0	443
Miscellaneous	4,754	2,095
Total	17,798	16,197

23. Liabilities in connection with assets held for sale

The liabilities comprise bank borrowings in connection with investment properties held for sale as of the balance sheet date.

Notes on the income statement

24. Revenues

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

Rental income	2010 TEUR	2009 TEUR
Rental income on investment properties	45,915	40,843
Rental income on properties held for sale	5,887	5,375
Total	51,802	46,218

25. Other operating income

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

Other operating income	2010 TEUR	2009 TEUR
Gains from business combinations	8,407	0
Income from the reversal of provisions	4,288	469
Other off-period income	1,127	1,464
Gain on repurchased convertible bond	1,123	0
Income from sale of non-current financial assets	345	0
Income from settlement proceedings	0	1,579
Miscellaneous	406	1,087
Total	15,696	4,599

26. Total net fair value gains and losses on investment properties

This item comprises gains and losses from the fair-value measurement of investment properties as of the balance sheet date, broken down by net fair value gains and losses from the first-time consolidation of property companies and from the remeasurement of the other investment properties. Reference should be made to Note 1 for further details of the Group's investment properties.

27. Expenses from the rental and sale of real estate and the cost of providing services

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). Reimbursements by tenants for operating and ancillary costs are netted with rental expenses.

Expenditure on the sale of 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.

The cost of providing services includes the personnel costs directly attributable to the revenues generated from the provision of services.

28. Personnel costs

Personnel costs breaks down as follows:

Personnel costs	2010 TEUR	2009 TEUR
Wages, salaries and bonuses	7,578	8,904
Social security	896	1,131
Post-retirement benefit costs	305	350
Total	8,779	10,385

Including the personnel costs directly attributable to the revenues generated from the provision of services, total personnel costs came to TEUR 10,012 in the year under review (previous year TEUR 10,826). Roughly half of the social security expense includes payments to the statutory pension fund.

29. Depreciation/amortisation

Depreciation/amortisation breaks down as follows:

Depreciation/amortisation	2010 TEUR	2009 TEUR
Amortisation of intangible assets	227	33
Depreciation of property, plant and equipment	543	618
Total	770	651

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

30. Impairments on receivables and inventories

This item breaks down as follows:

Impairments	2010 TEUR	2009 TEUR
Impairments on receivables	624	875
Impairments on inventories	0	0
Total	624	875

31. Other operating expenses

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

Other operating expenses	2010 TEUR	2009 TEUR
Cost of repairs to sold real estate	3,595	7,289
Legal, consulting and auditing costs	3,467	2,745
IT costs	1,102	936
Cost of obtaining loans	1,044	941
Other off-period expenses	1,003	819
Losses on the disposal of joint ventures	803	1,085
Cost of premises	747	0
Supervisory Board costs	227	137
Rental guarantees	35	234
Miscellaneous	3,932	2,777
Total	15,955	16,963

In the year under review, other operating expenses included payments under operating leases of TEUR 1,467 (previous year TEUR 1,563).

32. Share of profit of associates

The share of profit of associates breaks down as follows:

Share of profits/losses of associates	2010 TEUR	2009 TEUR
Recognition of proportionate net assets valued at their fair value from business combination	6,724	0
Share of profit	176	93
Loss from change to full consolidation	-372	0
Share of profit/losses of associates	6,528	93

33. Reversals of impairments recognised on receivables from associates

In the previous year, this item included reversals of the impairments which had been recognised on receivables from associates due to payments received.

34. Net borrowing costs

Net borrowing costs consist of the following items:

Net borrowing costs	2010 TEUR	2009 TEUR
Interest income	3,228	6,308
Borrowing costs	-34,413	-31,637
Total	**-31,185**	**-25,329**

Interest income comprises interest on financial assets of TEUR 875 (previous year TEUR 1,153) and interest derivatives used for hedging purposes of TEUR 2,352 (previous year 5,155).

Interest and similar expenses comprise interest on financial liabilities of TEUR 20,301 (previous year TEUR 17,200) and interest derivatives used for hedging purposes of TEUR 14,112 (previous year TEUR 14,437).

35. Income taxes

Income taxes recorded in the income statement break down as follows:

Income taxes	2010 TEUR	2009 TEUR
Actual income tax expense	-253	-386
Deferred income taxes	-2,581	-5,710
Total	**-2,834**	**-6,096**

Deferred income taxes break down as follows:

Deferred income taxes charged/credited to the income statement	2010 TEUR	2009 TEUR
Gains/losses from remeasurement of investment properties	-9,816	3,795
Unused tax losses	6,998	-7,265
Gains/losses from remeasurement of convertible bonds	-688	0
Gains/losses from remeasurement of receivables	0	-1,566
Gains/losses from remeasurement of properties held as inventory	299	-1,190
Measurement of provisions and liabilities	532	1,126
Miscellaneous	94	-610
Total	**-2,581**	**-5,710**

Expected and actual net tax expense is reconciled as follows:

Actual net tax expense	2010 TEUR	2009 TEUR
Earnings before income taxes (EBT after other taxes)	22,025	-25,148
Expected net tax expense	-7,109	8,118
Reconciled with tax effects from:		
Income and expenses from earlier years	1,763	285
Adjustments to deferred income taxes	-2,506	-13,648
Tax-free returns and non-deductible expenses	-1,843	-1,070
Net gains/losses from first-time consolidation	4,028	0
Share of profits/losses of associates	2,107	0
Miscellaneous	726	219
Actual net tax expense	**-2,834**	**-6,096**

The theoretical tax rate is calculated as follows:

Theoretical tax rate	12/31/2010 %	12/31/2009 %
Corporate tax	15.000	15.000
Solidarity surcharge	0.825	0.825
Trade tax	16.450	16.450
Total	**32.275**	**32.275**

The notional Group tax rate for the year under review stands at 12.9 percent (previous year -24.2 percent). Deferred income tax liabilities of TEUR 1,186 (previous year deferred income tax assets of TEUR 801) were recognised within equity in the year under review.

Deferred income tax assets do not include corporate tax losses of around EUR 75 million (previous year approx. EUR 80 million) and trade tax losses of around EUR 83 million (previous year approx. EUR 73 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. Deferred income tax assets 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 0.6 million (previous year around EUR 0.5 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.

36. Other taxes

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

37. 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:

	2010	2009
Consolidated net profit after non-controlling interests in TEUR	18,501	-29,166
Number of shares outstanding	38,596,176	32,566,364
Earnings per share (basic) in EUR	0.48	0.90
Dilution effect in TEUR	1,605	12
Diluted consolidated net profit in TEUR	20,106	-29,154
Number of shares outstanding (diluted)	44,455,513	34,993,549
Earnings per share (diluted) in EUR	**0.45**	**0.83**

The aforementioned dilution effect results from the coupon on the convertible bonds plus the related income tax effects.

The number of shares outstanding, which was unchanged over the previous year at 32,566,364, breaks down as follows for the year under review:

Period	Days	shares Additions	Number of shares Actual	Weighted Number of shares (restated)
01/01/- 03/10/2010	69	32,566,364	32,566,364	6,156,381
03/11/- 08/01/2010	144	2,418,182	34,984,546	13,802,122
08/02/- 10/25/2010	85	5,581,818	40,566,364	9,446,961
10/26/- 11/25/2010	31	4,050,000	44,616,364	3,789,335
11/26/- 12/07/2010	12	2,342,751	46,959,115	1,543,861
12/08/- 12/31/2010	24	11,607,249	58,566,364	3,850,939
	365	58,566,364		38,589,600
Consolidated net profit after non-controlling interests 2010:				**TEUR 18,501**
Earnings per share in 2010 (basic)				**EUR 0.48**

The following table analyses the shares issued in the year under review with respect to the calculation of diluted earnings per share:

Period	Days	Number of shares Actual	Weighted Number of shares (restated)
01/01/- 03/10/2010	69	32,566,364	6,156,381
03/11/- 08/01/2010	144	34,984,546	13,802,122
08/02/- 10/25/2010	85	40,566,364	9,446,961
10/26/- 11/25/2010	31	44,616,364	3,789,335
11/26/- 12/07/2010	12	46,959,115	1,543,861
12/08/- 12/31/2010	24	58,566,364	3,850,939
01/01/- 05/28/2010	148	2,427,184	984,173
08/17/- 12/31/2010	137	2,427,184	911,025
05/14/- 12/31/2010	231	5,484,461	3,470,988
12/12/- 12/31/2010	20	9,000,000	493,151
	365		44,448,937
Consolidated net profit after non-controlling interests 2010:			**TEUR 20,106**
Earnings per share 2010 (diluted)			**EUR 0.45**

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 as well as a small volume of cash in hand and break down as follows:

Cash and cash equivalents as reported in the cash flow statement	12/31/2010 TEUR	12/31/2009 TEUR
Cash and cash equivalents as reported in the balance sheet	129,417	6,840
Overdraft facilities with banks	-7,641	-7,435
Total	121,776	-595

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

Cash flows	2010 TEUR	2009 TEUR
Interest paid	-32,626	-31,637
Interest received	3,228	6,308
Taxes paid	-601	-421
Taxes received	348	353

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.

Following the business combinations executed in the year under review, segment reporting within the TAG Group has been restructured to some extent. As a result, the regional break-down within the Residential segment has been modified with the addition of further regions. In addition, the modifications described in “Changes in presentation compared with the previous year” were also implemented in segment reporting. This segment report includes these modifications. The previous year’s figures have been restated accordingly.

The figures disclosed in the segment report are based solely on the IFRS accounting rules. 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.

Within the Residential portfolio, a regional distinction is drawn between Hamburg (including other Northern German regions), Berlin (including the Leipzig region), North Rhine-Westphalia (NRW) 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 Residential Real Estate segment. The Services segment entails the management of the Company’s own as well as third-party real estate.

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 total net fair value gains and losses on investment properties are added. In the commercial real estate segment, the largest customer accounted for revenues of around EUR 13.7 million in 2010 (previous year approx. EUR 13.7 million). Net profit/loss in the Service segment matches the income generated in this segment net of the personnel costs directly attributable to this segment.

The Other Activities column primarily comprises income from the lease of the railway infrastructure in Tegernseer Tal. The Consolidation column chiefly entails the elimination of internal Group rental income for the head office and internal Group income from the management of the Group’s own properties. Segment assets comprise the carrying amounts of the real estate allocated to the individual segments and recorded in the balance sheet.

As in the previous year, the Group did not have any non-domestic real estate holdings and all income was generated within Germany.

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 non-controlling 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:

	12/31/2010 TEUR	12/31/2009 TEUR
Equity (before non-controlling interests)	356,461	196,398
Total equity and liabilities	1,190,507	801,421
Equity ratio in %	**30**	**25**

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 2010	Carrying amount TEUR	Of which coming with the scope of IFRS 7	Category[1] TEUR	Fair value TEUR
Other financial assets	335	335	AfS	N/A
Trade receivables	6,654	6,654	LaR	6,654
Other current assets	4,022	3,976	LaR	3,976
Cash and cash equivalents	129,417	129,417	LaR	129,417
Non-current bank borrowings	523,512	523,512	AmC	486,042
Other non-current liabilities	120,086	120,086		119,412
of which hedges	15,752	15,752	N/A	15,752
of which other derivatives	0	0	FLHfT	0
Miscellaneous	104,334	104,334	AmC	103,660
Current bank borrowings	110,490	110,490	AmC	110,490
Trade payables	7,762	7,762	AmC	7,762
Other current liabilities	17,798	16,088		16,088
of which hedges	9,537	9,537	N/A	9,537
of which other derivatives	0	0	FLHfT	0
Miscellaneous	8,261	6,551	AmC	6,551
Liabilities in connection with non-current assets held for sale	13,653	13,653	AmC	13,653

31 December 2009	Carrying amount TEUR	Of which coming with the scope of IFRS 7	Category[1] TEUR	Fair value TEUR
Other financial assets	396	396	AfS	N/A
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 bank borrowings	400,939	400,939	AmC	349,914
Other non-current liabilities	22,521	22,521		22,521
of which hedges	9,914	9,914	N/A	9,914
of which other derivatives	643	643	FLHfT	643
Miscellaneous	11,964	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	15,738	15,738		15,738
of which hedges	8,651	8,651	N/A	8,651
of which other derivatives	632	632	FLHfT	632
Miscellaneous	7,769	7,769	AmC	7,769
Liabilities in connection with non-current assets held for sale	8,613	8,613	AmC	8,613

[1] AfS: available-for-sale financial assets; LaR: loans and receivables; AmC: amortised cost; FLHfT: financial liabilities held for trading

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: Prices quoted in active markets for identical assets or liabilities (such as share prices).

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques for which any significant input is not based on observable market data (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 and cash and cash equivalents have short settlement periods. 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 (see Note 8; part of loans and receivables) and receivables from associates (see Note 33, 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 0 (previous year TEUR 155) was recognised from the measurement of derivative financial instruments and reported within other operating income.
- The sale of available-for-sale financial assets and the derecognition of financial liabilities at amortised costs resulted in a total gain of TEUR 1,468 (previous year EUR 0) referred to in Note 25, which is recorded within other operating income.
- 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 288 (previous year TEUR 347).

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 measured at amortised cost in accordance with the effective interest method, is included within net borrowing costs (Note 34).

Purposes of financial risk management

The main risks monitored and managed by means of the Group's financial risk management comprise interest, credit, finance and liquidity risks.

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 Group does not enter into or trade in any financial instruments including derivative financial instruments for speculative purposes.

The TAG Group uses derivatives based on hedged assets to actively manage and reduce interest risks. As of 31 December 2010, the subsidiaries Bau-Verein zu Hamburg Aktien-Gesellschaft, TAG Gewerbeimmobilien-Aktiengesellschaft, FranconoWest AG, TAG Sachsenimmobilien GmbH and TAG Leipzig-Immobilien GmbH had entered into conservative interest derivatives (primarily payer swaps) with a nominal volume of EUR 313.3 million (previous year EUR 299.4 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	12/31/2010 TEUR	12/31/2009 TEUR
Net borrowing costs in the year under review	-31,185	-25,329
Average interest rate on non-current loans in %	4.7	4.9
Average interest rate on current loans in %	2.3	3.9
Change in net interest expense in the event of a 0.5% increase in interest levels	-2,411	-1,168
Change in net interest expense in the event of a 0.5% decrease in interest levels	2.411	1,168

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.

Interest hedge	Hedged asset	Nominal volume		Interest rate %	Duration in Years	Market value	
		2010 EUR	2009 EUR			2010 EUR	2009 EUR
Payer-Swap	Siemens portfolio	20,000,000	20,000,000	4.410	6.4	-2,002,059	-1,556,467
Payer-Swap	Siemens portfolio	20,000,000	20,000,000	4.800	6.4	-2,474,242	-2,086,687
Payer-Swap	Siemens portfolio	20,000,000	20,000,000	4.805	3.7	-1,981,512	-1,881,902
Payer-Swap	Siemens portfolio	30,000,000	30,000,000	4.545	6.4	-3,046,432	-2,503,546
Payer-Swap	Maximilian portfolio	9,276,249	9,490,316	4.450	4.7	-827,412	-741,228
Payer-Swap	Maximilian portfolio	10,624,101	10,908,358	4.818	6.0	-1,215,946	-1,083,033
Payer-Swap	Commercial RE package	23,247,838	23,882,680	4.000	1.5	-891,130	-1,180,484
Payer-Swap	Commercial RE package	2,432,092	2,686,028	4.000	1.5	-88,508	-122,781
Payer-Swap	Hamburg-Ottensen	7,988,300	8,134,500	4.745	1.4	-382,171	-543,649
Payer-Swap	Südportfolio	0	20,000,000	4.740	0.0	0	-395,729
Payer-Swap	Südportfolio	20,000,000	20,000,000	5.210	1.5	-1,143,205	-1,610,650
Payer-Swap	Südportfolio	16,625,337	17,884,256	5.100	3.5	-1,559,871	-1,669,744
Payer-Swap	Maximilian portfolio	9,000,000	9,000,000	2.830	2.9	-259,141	-104,763
Payer-Swap	Residential package	28,407,500	28,897,500	4.430	1.7	-1,456,271	-1,800,409
Cap	Residential package	1,000,000	1,000,000	4.430	1.7	0	579
Payer-Swap	Moers	10,322,200	10,515,800	4.235	6.1	-881,847	-685,323
Payer-Swap	VBL package	0	30,000,000	3.570	0.0	0	-598,648
Payer-Swap	Bärenpark	17,000,000	17,000,000	4.780	2.0	-1,100,994	-1,274,861
Cap	Moers	3,820,000	0	1.000	1.2	15,847	0
Payer-Swap	Tranche 1	7,093,240		4.540	6.5	-754,836,39	
Payer-Swap	Tranche 2	884,940		4.870	6.5	-111,456,51	
Payer-Swap	Package 4, 5, 6	6,754,240		4.045	6.8	-517,000,42	
Payer-Swap	Package 12	3,915,857		4.830	4.5	-418,560,20	
Payer-Swap	Package 11	6,753,880		4.395	3.5	-563,828,80	
Payer-Swap	Package 11	3,915,857		4.890	8.0	-523,595,64	
Payer-Swap	Package 9, 15, 16	6,526,429		4.790	3.0	-560,169,08	
Payer-Swap	Package 7, 14	6,526,429		4.830	5.0	-716,199,56	
Payer-Swap	Tranche 1	3,795,202		4.470	6.7	-389,858	
Payer-Swap	Tranche 2	2,020,200		4.580	6.7	-220,956	
Payer-Swap	Tranche 3	2,281,005		4.220	4.1	-182,200	
Payer-Swap	Tranche 5	1,709,503		4.170	2.5	-104,077	
Payer-Swap	Tranche 6	1,779,096		4.350	2.5	-116,095	
Payer-Swap	Tranche 1 (until 2011)	7,862,500		4.230	1.2	-280,463	
Payer-Swap	Tranche 1 (from 2012)	-		4.650	5.0	-534,995	
Payer-Swap	Tranche 2	1,782,000		2.520	6.3	16,016	
Summe		**313,343,995**	**299,399,438**	**4.49**	**4.0**	**-25,273,172**	**-19,839,322**

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.

Commencing with the "Tranche 1" payer swap (nominal volume of TEUR 7,093 in 2010), all interest hedges were acquired in connection with the acquisition of subsidiaries in 2010.

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.

	12/31/2010 TEUR	12/31/2009 TEUR
Change in market value in the event of a 0.5 pp increase in interest levels	6,204	5,942
Change in market value in the event of a 0.5 pp decrease in interest levels	-6,204	-5,942

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.

Credit risk

The credit 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 credit-worthy 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, loans and receivables (trade receivables) overdue by more than three months but not impaired stand at TEUR 1,058 (previous year TEUR 791). Financial assets overdue by more than one year but not impaired are valued at TEUR 3,395 (previous year TEUR 3,145).

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 including prepaid operating and ancillary expenses from a single tenant currently stands at around EUR 13.7 million (previous year around EUR 13.7 million) p.a. Given the tenant's credit rating, no payment defaults are expected.

With the exception of a guarantee of TEUR 505 (previous year TEUR 505), the carrying amount of the financial assets recognised in the consolidated financial statements less any value adjustments constitutes the Group's maximum credit risk. This does not include any collateral received.

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	12/31/2010 TEUR	12/31/2009 TEUR
Due for settlement in less than 1 year	138,456	135,058
1 to 5 years	401,551	227,878
more than 5 years	226,295	185,025
Total	**766,302**	**547,961**

In addition, there are estimated future payment outflows from interest on financial liabilities due for settlement in less than one year of around EUR 17 million (previous year around EUR 16 million), in more than one but less than five years of around EUR 42 million (previous year around EUR 31 million) and in more than five years of around EUR 20 million (previous year around EUR 8 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	12/31/2010 TEUR	12/31/2009 TEUR
Due for settlement in less than 1 year	140,047	19,316
more than 5 years	335	396
Total	**140,382**	**19,712**

The Group is able to utilise overdraft facilities. The total amount not utilised as of the balance sheet date stands at TEUR 2,612 (previous year TEUR 7,426). 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.

Finance 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.

In the year under review, the financial covenants stipulated in loan contracts were complied with. Only in one case (bank loan for EUR 10 million) was the gearing covenant notionally slightly exceeded as of the balance sheet date as the cash and cash equivalents as of 31 December 2010 were excluded from the calculation of the gearing. Although the creditor has a right of termination in the event of non-observance of a financial covenant, this particular situation is not likely to have any legal consequences following the negotiations held with the bank.

Similarly, the convertible bond of EUR 12.5 million issued in December 2009 and the convertible bonds issued in May and December 2010 of EUR 30.0 million and EUR 66.6 million, respectively, are subject to certain terms and conditions which, if breached, may constitute a liquidity risk. In the event of any breach of the terms of issue, e.g. a change of control, these convertible bonds may be subject to a right of premature termination. Moreover, in connection with the entities acquired in 2010, TAG assumed loan contracts which require the bank's approval on account of the change of shareholder or which may lead to the loans being terminated. This concerns a loan granted to FranconoWest AG of around EUR 11.6 million, a loan granted to TAG Sachsenimmobilien GmbH of around EUR 11.6 million and a loan granted to TAG Leipzig-Immobilien GmbH for around EUR 9.6 million. Whereas the loans granted to TAG Sachsenimmobilien GmbH und TAG Leipzig-Immobilien GmbH are based on the change of shareholder, the loan to FranconoWest AG requires a change of more than 50 percent in the voting rights of the borrower.

In addition, loans have been raised at the level of TAG Gewerbeimmobilien-Aktiengesellschaft in an amount of EUR 231 million (previous year EUR 245 million) and on the level of Bau-Verein zu Hamburg Aktien-Gesellschaft in an amount of EUR 27 million (previous year EUR 31 million) for which financial covenants specifying certain capital service ratios and equity/debt ratios have been stipulated by the banks. If any of these covenants are breached, premature loan repayments may be necessary. Only in one case was it necessary to lodge additional collateral of TEUR 124 (previous year 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 million as of the balance sheet date (previous year EUR 26 million). All other loan covenants were observed.

Collateral

As in the previous year, the Group holds collateral in the form of financial assets (on-demand accounts and savings accounts) from tenants with a fair value of around EUR 5.7 million (previous year EUR 3.8 million). The relevant contracts provide for collateral equalling three monthly rental instalments to be provided. The Group grants creditors collateral in the form of cash of around EUR 0.8 million (previous year around EUR 2.1 million) to secure outstanding construction activities.

Other disclosures

Contingent liabilities and other financial obligations

In addition to the aforementioned guarantees, there are contingent liabilities of TEUR 0 (previous year 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	12/31/2010 TEUR	12/31/2009 TEUR
Rentals for business premises	956	994
Others (e.g. manager contracts, leases, rental guarantees)	2,131	1,137
Total	**3,087**	**2,131**

One part of the other financial obligations of TEUR 1,454 (previous year TEUR 529) is due for settlement in less than one year, a further part of TEUR 1,495 (previous year TEUR 972) in more than one and less than five years and a further part of TEUR 138 (previous year TEUR 630) 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 125 million (previous year around EUR 149 million), of which around EUR 26 million (previous year around EUR 10 million) is due for settlement in less than one year, around EUR 63 million (previous year around EUR 49 million) in more than one year but in less than five years and around EUR 36 million (around EUR 90 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 up until 31 May 2010. This resulted in income of TEUR 4 in the year under review (previous year TEUR 31).

Business relations with associates

- Bau-Verein zu Hamburg GmbH & Co. KG acquired real estate from Estavis AG for a price of TEUR 10,250 in the year under review.

- Bau-Verein zu Hamburg Aktien-Gesellschaft issued a guarantee towards a bank for TEUR 505 (previous year TEUR 505) in favour of GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH & Co. KG in 2004. No remuneration has so far been agreed.

- LARUS Asset Management GmbH was an associate of TAG up until 30 September 2010. Until this date, there were business relations with this entity in the form of con-struction management and administrative activities. This resulted in income of TEUR 51 (previous year TEUR 93) and expense of TEUR 963 (previous year TEUR 1,480) in the year under review. On 1 October 2010, TAG Immobilien AG acquired almost 100 percent of the shares in LARUS Asset Management GmbH, as a result of which this entity is now consolidated in full.

Business relations with other related parties

- Dr. Lutz R. Ristow, Chairman of TAG's Supervisory Board, received fees of TEUR 98 in the year under review (previous year: TEUR 120) 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 607 in the year under review (previous year TEUR 72) in consideration of the provision of legal advice.

- The previous year's loan liabilities of TEUR 1,443 towards Immobilienkontor Leipzig GmbH, Leipzig, in which members of TAG's Supervisory Board hold shares, were repaid in the year under review. The liabilities were subject to interest of 7.5 percent up until extinguishment.

- 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 20,379 (previous year TEUR 15,688) as of the balance sheet date. TAG primarily provided collateral of its own to secure the loan.

- There are receivables from loans and ongoing business of TEUR 5,766 (previous year TEUR 3,793) from TAG Beteiligungs GmbH & Co. KG, in which members of the Management Board of TAG indirectly hold shares via the general partner. These receivables are subject to interest of 6 percent p.a.

Fees payable to statutory auditors

The fee payable to the statutory auditors for the entire Group of TEUR 871 (previous year TEUR 450) includes fees (plus value added tax) for the audit of the financial statements of TEUR 418 (previous year TEUR 375), fees for other auditing activities of TEUR 268 (previous year TEUR 58), fees for other activities of TEUR 138 (previous year TEUR 11) and an amount of TEUR 47 (previous year TEUR 6) for tax consulting activities. The other auditing activities chiefly comprise fees arising in connection with the equity issues and review of the interim financial statements. In addition, insurance premiums of TEUR 74 were recharged in this connection.

Headcount

The Group had a total headcount of 168 as at 31 December 2010 (previous year 119). The annual average stood at 128 (previous year 123). In addition, an average of 22 (previous year 14) people were employed as janitors.

Supervisory board

The members of the Supervisory Board and the offices held by them in other supervisory boards or comparable domestic and international corporate governance bodies in 2010 are listed below:

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

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, bank clerk, Düsseldorf
- 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

Andrés Cramer, businessman, Hamburg
- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg (since 1 April 2010)

Andrea Mäckler, Hamburg, staff representative (since 27 April 2010)

Wencke Röckendorf, Hamburg, staff representative (since 27 April 2010)

The remuneration paid to the Supervisory Board in the year under review came to TEUR 114 (previous year TEUR 39).

Management Board

The members of the Management Board and the offices which they held in other supervisory boards or comparable domestic and non-domestic supervisory bodies in 2010 are set out below:

Rolf Elgeti, Chairman of the Management Board, Potsdam
- treveria plc, Isle of Man, United Kingdom
- GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg (Chairman, until 6 April 2010)
- AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Hamburg (Chairman)
- FranconoWest AG, Düsseldorf (Chairman, since 8 October 2010)

Hans-Ulrich Sutter, Chief Financial Officer, Berlin
- TAG Gewerbeimmobilien-Aktiengesellschaft, Hamburg
- AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Hamburg

Total remuneration to the Management Board came to TEUR 1,332 in the year under review (previous year TEUR 2,473) and breaks down as follows:

	Fixed remuneration*	Variable remuneration	Settlement payment
Rolf Elgeti	TEUR 308 (previous year TEUR 167)	TEUR 500 (previous year TEUR 370)	TEUR 0 (previous year TEUR 0)
Hans-Ulrich Sutter	TEUR 274 (previous year TEUR 271)	TEUR 250 (previous year TEUR 250)	TEUR 0 (previous year TEUR 0)
Andreas Ibel	TEUR 0 (previous year TEUR 148)	TEUR 0 (previous year TEUR 0)	TEUR 0 (previous year TEUR 645)
Erhard Flint	TEUR 0 (previous year TEUR 284)	TEUR 0 (previous year TEUR 0)	TEUR 0 (previous year TEUR 338)

* including taxable benefits

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:

- TAG was informed by AMUNDI, Paris, France, in accordance with Section 21 of the German Securities Trading Act that the threshold of 3 percent had been exceeded on 4 January 2010 and that this company held a share of 3.15 percent in TAG as of that date. There were voting right allocations of 0.51 percent. On 2 August 2010, AMUNDI updated its notification and reported that it now held 2.93 percent. Of this, 1.18 percent of the voting rights are attributable to it.

- Asset Value Investors Limited, London, United Kingdom stated that its share in the voting rights of TAG had dropped below the threshold of 5 percent and stood at 4.99 percent on 26 February 2010. The voting rights are attributed in full to Asset Value Investors Limited by The European Asset Value Fund, Luxembourg, amongst others. In March 2010, TAG received updated notification from The European Asset Value Fund stating that The European Asset Value Fund held a share of 2.93 percent as of 30 March 2010 and that the voting rights were attributable to it in full. In August, Asset Value Investors Limited reported that the threshold of 5 percent had been exceed on 30 July 2010 and that it held a directly attributable share of 5.03 percent in TAG as of that date. This notification was updated in August 2010, with the company stating that its share had dropped below the threshold on 2 August 2010 and that it now held 4.33 percent of TAG's capital via third parties. In December, Asset Value Investors Limited stated that as of 9 December 2010 it again held 5.68 percent of the voting rights in TAG.

- FvS Strategie SICAV, Luxembourg, stated on 30 March 2010 that the share which it held had exceeded the threshold of 5 percent and stood at 5.01 percent. On 26 October 2010 the share of the voting rights which it held dropped below the threshold and stood at 4.95 percent. At the same time, TAG was informed by IP Concept Fund Management S.A., Luxembourg, on 8 December 2010 that it had acquired 4.71 percent of TAG's shares and that 3.72 percent had been attributed to it by FvS Strategie SICAV.

- TAG was additionally notified that the shares held by Mr. Jonathan Chevenix-Trench, London, United Kingdom, exceeded the thresholds of 5 percent and 10 percent and stood at 10.29 percent on 11 March 2010. Voting rights of 6.91 percent were attributed to him by Ashdown Funding Limited, London, United Kingdom, and Ostara Holdings S.à r.l., Luxembourg At the same time, Ashdown Funding Limited and Ostara Holdings S.à r.l. reported that they held 6.91 percent of TAG's shares on 11 March 2010. In this connection, the voting rights held by Ostara Holdings S.à r.l. were attributed to Ashdown Funding Limited. Mr. Jonathan Chevenix-Trench reported that his shares dropped below the threshold of 10 percent on 24 June 2010 and stood at 8.58 percent as of that date. 6.91 percent of the voting rights continued to be attributed to him by Ashdown Funding Limited and Ostara Holdings S.à r.l. Effective 8 December 2010, Mr. Jonathan Chevenix-Trench disclosed that he held a share of 2.68 percent in TAG's capital, of which 1.81 percent were attributed to him. Ashdown Funding Limited and Ostara Holdings S.à r.l. also reported an indirectly held share of 1.81 percent in TAG's capital effective 8 December 2010.

- SVM (Scottisch Value Management) Asset Management Ltd., Edinburgh, United Kingdom, reported that it held attributable voting rights of 3.02 percent as of 8 June 2010. This share was diluted to 2.94 percent effective 24 August 2010 following the execution of TAG's equity issue and this change duly reported. As of 7 December 2010, SVM Asset Management Ltd. held a share of 3.17 percent in TAG's capital via third parties, equivalent to a share of 2.54 percent following the registration of a further equity issue on 8 December 2010.

- Franconofurt AG, Frankfurt a.M., informed TAG in August 2010 that it held a share of 13.76 percent in the Company as of 2 August 2010. Following the execution and registration of an equity issue by TAG, this was equivalent to 9.53 percent of the voting rights as of 8 October 2010. The entire shares was sold on 10 December 2010, upon which Franconofurt AG held 0 percent in TAG's capital.

- Skagen AS, Stavanger, Norway, notified TAG that it held 4.9 percent of the voting rights as of 2 August 2010. This share was achieved in full through attributable voting rights. 3.24 percent of the voting rights were attributable to Skagen Global Verdipapirfond, Stavanger, Norway. Skagen Global Verdipapirfond reported that it had dropped below the threshold of 3 percent and held 2.96 percent as of 21 October 2010.

- Taube Hodson Stonex Partners LLP, London, United Kingdom, reported that it held a share of 9.49 percent in TAG as of 26 October 2010. All voting rights were attributable to it. Its share dropped below the threshold of 10 percent due to the dilution caused by the execution of an equity issue.

- Ruffer LLP, London, United Kingdom, acquired 10.94 percent of TAG's voting rights on 26 October 2010. The voting rights were attributable to Ruffer LLP in full. At the same time, TAG received notification from Capital Financial Managers Limited, London, United Kingdom, which also reported that it indirectly held 10.85 percent of TAG's capital as of 26 October 2010. On 10 December 2010, Ruffer LLP reported that its share exceeded the threshold of 15 percent and that 19.52 percent of the voting rights were attributable to it.

- Finally, Close Securities Holdings Limited London, United Kingdom reported that it has exceeded the threshold on 8 December 2010 and held 19.82 percent of TAG's capital. The voting rights were attributed to it in full by Close Securities (Germany) Limited via Close Brothers Seydler Bank AG, Frankfurt a.M. Thereupon, Close Brothers Seydler Bank AG and Close Brothers Group plc, London, United Kingdom, to whom the voting rights held by Close Brothers Holdings Limited, Close Securities Holdings Limited, Close Securities (Germany) Limited and Close Brothers Seydler Bank AG were attributable, reported that they held a share of 0 percent in TAG's capital as of 10 December 2010.

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

Acquisition of Colonia Real Estate AG

On 20 December 2010, TAG submitted to the shareholders of Colonia Real Estate AG (hereinafter referred to as "CRE") TAG a voluntary offer to acquire the shares in CRE in accordance with the German Securities Acquisition Act. The voluntary takeover procedure was completed on 18 January 2011, upon which TAG initially acquired a total of 38.28 percent of the capital of CRE including the shares previously acquired in 2010 and then additionally increased this share step by step with the result that it held more than 50.02 percent of the voting rights of CRE on 15 February 2011. In connection with the acquisition of the majority of the shares in CRE, Messrs. Rolf Elgeti and Hans-Urich Sutter were appointed further members of the management board of CRE. Dr. Lutz R. Ristow was appointed to the supervisory board of CRE on 21 March 2011 by the Local Court of Cologne effective 1 April 2011.

CRE together with its subsidiaries and associates will be fully consolidated within the TAG Group as of 15 February 2011. Initial consolidation will be based on interim consolidated financial statements for CRE as of 31 January 2011.

CRE predominantly engages in residential real estate business. In addition, it offers real estate services. The purpose of the acquisition of CRE was to additionally extend these two areas of business within the TAG Group.

As of the date of these financial statements, it is not yet possible to make any statements on the effects of the business combination on TAG's balance sheet particularly as CRE's IFRS consolidated financial statements as of 31 December 2010 are not yet available. On the basis of the most recently published IFRS consolidated interim financial statements as of 30 September 2010, CRE has non-current assets (predominantly investment properties) of around EUR 821 million, current assets (including non-current assets held for sale) of around EUR 66 million, non-current liabilities (predominantly bank borrowings and convertible bonds) of around EUR 571 million and current liabilities (including liabilities in connection with the non-current assets held for sale) of around EUR 75 million.

Preliminary estimates indicate that the business combination will give rise to a net consolidation gain (negative goodwill). The total cost of the business combination of around EUR 88 million (around EUR 52 million from the fair-value measurement of the shares already held as of 31 December 2010 and roughly EUR 36 million from the shares acquired in 2011) will be offset by estimated proportionate net assets with a fair value of around EUR 95 - 100 million. This will result in a gain of around EUR 7 - 12 million.

The gain, which is only approximate and provisional, chiefly arises from the favourable outcome of negotiations with respect to the individual purchase price and the utilisation of the low prices of the stock of listed real estate companies.

Extraordinary shareholders' meeting

On 18 February 2011, the Management Board and the Supervisory Board of TAG passed a resolution providing for an extraordinary shareholder meeting to be called at which the shareholders will be asked to pass a resolution approving the non-cash issue of up to 5,856,636 new shares (just under 10 percent of the existing issued capital) with shareholders' pre-emptive subscription rights at a subscription price of at least EUR 7.00. Shareholders will be invited to subscribe to the new shares on a one-for-ten basis, i.e. each shareholder may subscribe to one new share for every ten shares currently held. The new shares are to be dividend-entitled as of 1 January 2011. Shares which are not subscribed to will be placed in the form of a public or private offering in Germany as in certain other countries.

Loan facility contract with Colonia Real Estate AG

On 23 February 2011, TAG entered into a loan facility contract with CRE concerning an amount of up to EUR 75 million, which is particularly to be used to fund the convertible bonds issued by CRE. CRE issued a convertible bond of around EUR 10 million in 2010 and a convertible bond of around EUR 55 million in 2006. The terms of these convertible bonds provide for a special right of termination of the part of the bond holders (creditors) in the event of any material change in the shareholder structure of CRE or any change of control. At this stage, it is not possible to determine the extent to which holders of the convertible bonds will be making use of this right of termination.

Examination of the IFRS consolidated financial statements as of 31 December 2009 by the German Federal Financial Supervisory Authority (BaFin)

TAG's IFRS consolidated financial statements as of 31 December 2009 were examined by Deutsche Prüfstelle für Rechnungslegung e.V. and then by BaFin. In a notice dated 21 March 2011, BaFin notified TAG that on the basis of the findings of the examination the provisions recognised for claims for damages were too low by an amount of EUR 1.6 million. In addition, there were no disclosures in the notes to the consolidated financial statements concerning the material assumptions underlying the measurement of the investment properties.

As of the dates of these financial statements, TAG has not yet made a decision as to whether to lodge an appeal against these findings. TAG continues to hold the view that the consolidated financial statements as of 31 December 2009 are correct. The Group management report for 2009 had disclosed the risks arising from claims to damages, which were recorded within profit and loss in 2010 upon the agreement of a settlement. Assuming that BaFin is correct, net consolidated loss for 2009 would have increased from EUR 31.2 million to EUR 32.8 million and net consolidated income for 2010 from EUR 19.2 million to EUR 20.8 million. This will not have any effect on future consolidated financial statements. Additional disclosures concerning the material assumptions underlying the measurement of the investment properties have been included in the notes to these consolidated financial statements.

Appointment of a new member of the Management Board

In a resolution passed on 2 March 2011, the Supervisory Board of TAG additionally appointed Dr. Harboe Vaagt, Halstenbek, to the Company's Management Board effective 1 April 2011.

Hamburg, 25 March 2011

Rolf Elgeti
CEO

Hans-Ulrich Sutter
CFO

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's assets, financial position and earnings situation, and the Group management report includes a fair review of the development and performance of the business and the Group's situation, as well as a description of the principal opportunities and risks associated with the expected development of the Group.

Hamburg, 25 March 2011

Rolf Elgeti
CEO

Hans-Ulrich Sutter
CFO

Independent auditor's report

We have audited the consolidated financial statements prepared by TAG Immobilien AG, Hamburg, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows, and the notes to the financial statements, together with the Group management report for the financial year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent 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 § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer - IDW). 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 financial reporting framework 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 expectations as to possible misstatements are taken into account in the determination of audit procedures. The effective-ness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the consolidated 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 our findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 28 March 2011

Nörenberg • Schröder
GmbH Wirtschaftsprüfungsgesellschaft

B. Michels
Wirtschaftsprüfer (German Public Auditor)

M. Thiel
Wirtschaftsprüfer (German Public Auditor)

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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.

TAG´s Financial calender

23. May	Interim Report - 1st quarter of 2011
18. August	Interim Report - 2nd quarter of 2011
26. August	Shareholder´s meeting 2011, Hamburg
09. November	Interim Report - 3rd quarter of 2011

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