Interim report for the 3rd quarter 2009

TAG Group in figures

in TEUR	01/01/-09/30/2009	01/01/-09/30/2008
Revenues	106,882	71,944
a) Sale of properties	65,057	31,018
b) Rental income	40,488	38,173
c) Property management and others	1,337	2,753
EBITDA before revaluation and extraordinary items	17,514	15,348
EBIT before revaluation and extraordinary items	16,262	14,751
EBT before revaluation and extraordinary items	-2,501	-5,851
EBT	-25,412	4,783
Consolidated net profit/loss from continuing activities	-31,273	2,762
Consolidated net profit/loss before minorities	-31,392	3,057
Consolidated net profit/loss after minorities	-29,481	2,299
Earnings per share in EUR	-0.91	0.06

in TEUR	09/30/2009	12/31/2008
Total assets	796,728	839,297
Equity	219,470	254,180
Equity ratio in %	27.5	30.3
Bank borrowings	518,163	538,042
of which current	100,344	130,062
Real estate volume	770,631	804,232

Further figures	
NAV per share in EUR on 12/31/2008	7.37
Employees on 09/30/2009	103
Market capitalisation in TEUR on 09/30/2009	100,456
Subscribed capital in EUR	32,566,364.00
WKN/ISIN	830350/ DE 0008303504
Number of shares	32,566,364
Free Float	93%
Share exchange	SDAX

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Preface by the Management Board

Dear shareholders, ladies and gentlemen,

The economic environment as well as conditions in the capital and financial markets remain difficult. However, each crisis holds within it the seeds of new opportunities and we at TAG Immobilien AG (hereinafter referred to as TAG) are increasingly seeing ourselves as being able to actively utilise them.

Restructuring successful - future personnel costs substantially lower

After implementing a number of adjustments in the second quarter in connection with real estate assets, on the one hand, and discontinued business, on the other, with the aim of heightening our Company's transparency, we focused in the third quarter on improving our internal structures. As a result, we were able to lower a series of administrative costs (IT, consulting, external services). We implemented a leaner Group structure and closed a number of superfluous property companies. It was possible to simplify many information and decision-making processes. This not only renders us swifter and more agile but will also result in a reduction in personnel expenses to an annual amount of just under EUR 7 million, compared with around EUR 10 million in 2008 as a whole.

Zehlendorf, Berlin

Successful efforts to reduce vacancies; operating business reinforced

In addition, we are on course towards implementing our funding plans and have been able to implement the target funding structure across the Group. Thus, with a loan-to-value (LTV) ratio, i.e. the ratio of loan liabilities to the market value of the real estate portfolio, of 67.9 percent, TAG continues to boast a solid balance sheet.

Solid balance sheet ratios

- Loan to value (LTV) ratio of 67.9 percent
- No further impairment expense required for investment properties in the third quarter and not expected in the fourth quarter

However, the improvements to the portfolio achieved in the third quarter have a far greater bearing on operating business. In the space of only three months, we have been able to reduce vacancies in the residential real estate portfolio by more than one quarter, thus boosting our future annual rental cash flow by a net amount of more than EUR 1 million. At the same time, the reduction in vacancies enhances our portfolio, of course, simultaneously unlocking additional value for you as shareholders. The fact that we have been able to substantially lower maintenance costs even though a larger part of the vacant residences had to be readied for letting is obviously also a remarkable feat. Not least of all, these advances in our operating business improve our credit ratios and also allow us to release some of the equity which had previously been tied up.

Year-on-year improvement in financials for the first nine months

The Company's main financials were also favourable in the first nine months of the year. Thus, rental income rose from EUR 38.2 million in the first nine months of 2008 to EUR 40.5 million in the period under review. At the same time, net rental income climbed from EUR 24.1 million to EUR 25.7 million despite the sale of large parts of the portfolio in the first half of 2009. Revenues from property sales doubled, rising from EUR 31.0 million in the first nine months of 2008 to EUR 65.1 million due to the aforementioned selling activities in the first half of 2009, with total revenues surging by 50 percent to EUR 106.9 million (EUR 71.9 million in the first nine months of 2008). TAG achieved EBITDA before fair-value revaluations and exceptionals of EUR 17.5 million in the first nine months of 2009, up from EUR 15.3 million in the same period of 2008. At the EBT level, it recorded a loss before fair-value revaluations and exceptionals of EUR 2.5 million in the first nine months of 2009, down from a loss of EUR 5.9 million in the same period of the previous year.

TAG back in profit-making territory in the third quarter

Spurred by upbeat operating business, TAG earnings came to EUR 3.0 million before taxes in the third quarter of 2009, thus reversing the loss of EUR 0.8 million sustained at the EBT level in the third quarter of 2008. The strong operating business in the third quarter also bolstered the Company's cash flow. We assume that TAG will achieve a net cash inflow from operating activities in the first half of 2010 without any property sales but solely by cutting costs and through portfolio rentals.

Vacancies successfully reduced - further cut in costs

- Net rental income increased from EUR 24.1 million to EUR 25.7 in Q1-Q3 2009
- Personnel expenses trimmed to a future annual rate of just under EUR 7 million compared with around EUR 10 million for 2008
- EBT of EUR 3.0 million recorded in the third quarter after four quarters of losses

Eichholz, Hamburg

No further impairment expense on investment properties in the third and fourth quarters

No impairment expense was recorded on investment properties in the third quarter. At this stage, we assume that there will be no material impairment expense between now and the end of 2009. In our report on the first half of 2009, we had noted that fair-value revaluation of the investment properties had necessitated the recognition of impairment expense of EUR 15.3 million. This amount was derived from consultations with external surveyors on the basis of a conservative measurement of the value of the assets ahead of the next balance sheet date, i.e. 31 December 2009. The impairments were primarily related to commercial real estate in South Germany. We had decided to make these adjustments to heighten our Company's transparency. As in the third quarter, we do not expect to set aside any further provisions for past business transactions in the fourth quarter.

TAG well positioned for further growth

We particularly want to stress the following: TAG is now positioned such that looking forward it can afford to live solely off its rental income. In other words, the rental income is now sufficient to cover all costs and loan obligations without the need to sell even only a single apartment. This is decisive as it allows us to steer our portfolio safely and unscathed through the crisis.

Yet, it is, of course, merely the first step. Now that we have improved our structures and processes and enhanced our Company's efficiency, we are well positioned to actively make use of the opportunities presenting themselves. In this connection, we will be focusing on innovative and creative acquisitions, although these must of course harmonise with our structures and exhibit the necessary quality and favourable locations. We expressly want to achieve these goals without asking you for any fresh capital.

We trust that the figures and activities presented here as well as the following details will show you that we are headed in the right direction in our efforts to harness further value for you and wish to thank you for your confidence in these unusual times.

Yours sincerely,

Rolf Elgeti
CEO

Hans-Ulrich Sutter
CFO

The
TAG share

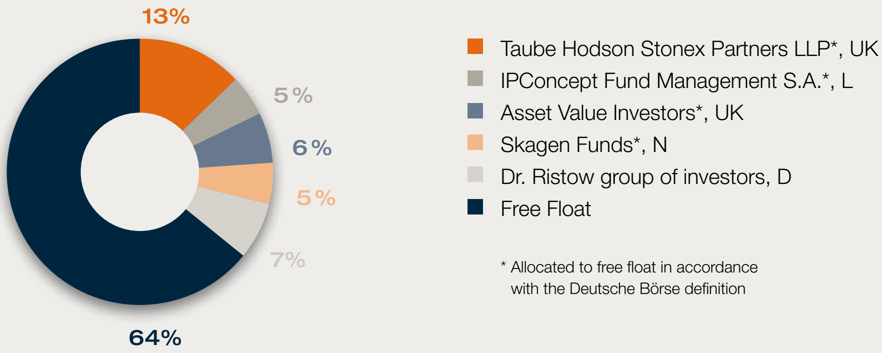
Since the change of management in June of this year, the SDAX-listed TAG shares have made sizeable gains. Thus, at the end of the third quarter of 2009 they were trading at EUR 3.10, up from EUR 1.99 at the end of 2008, an increase of 56 percent. As a result, they have outperformed the benchmark SDAX and EPRA indices in the course of the year. TAG shares have continued to advance in the fourth quarter, closing at EUR 4.10 on the last day of trading in October.

The number of shares is unchanged at 32,566,364. Similarly, the free float continues to equal 93 percent. Market capitalisation came to EUR 101 million as of 30 September 2009.

The change of CEO at TAG in June attracted considerable interest and also requests for further information from within the financial community. The Company responded to this by intensifying investor relations in the form of numerous conferences and road shows both inside and outside Germany. Held at the end of August, this year's annual general meeting, at which over 45 percent of the Company's capital was represented, was the most important investor relations event for private investors in particular.

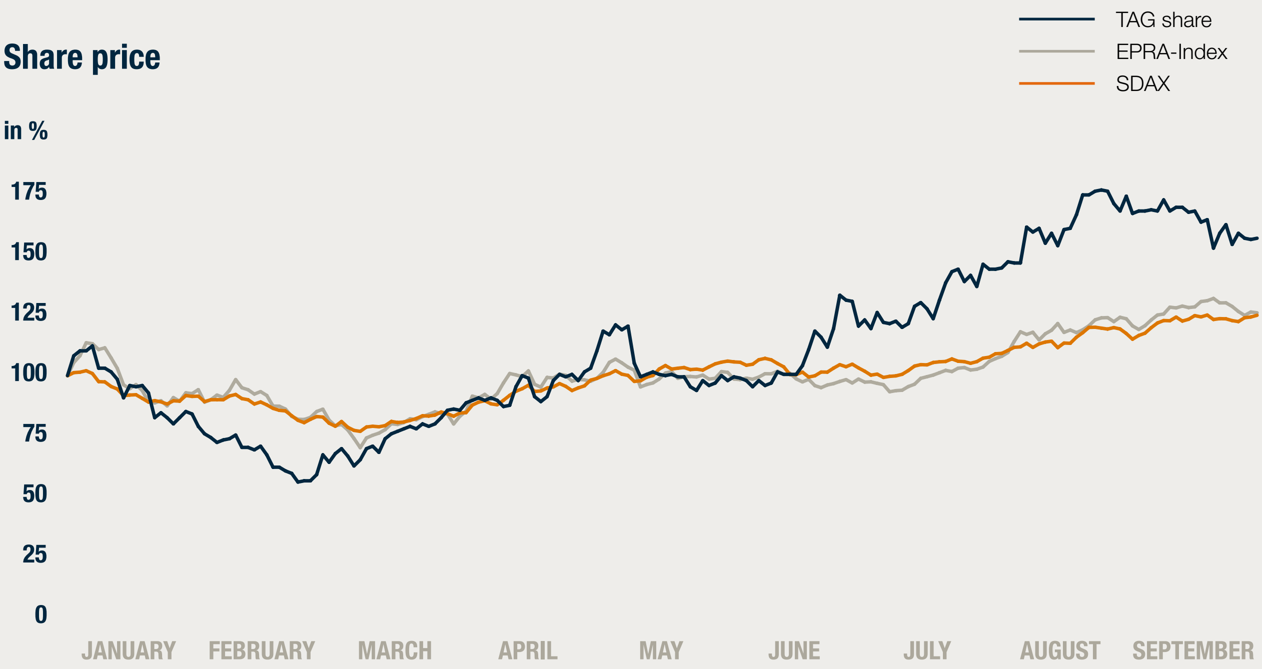
The current shareholder structure is virtually unchanged and remains characterised by the ongoing participation of institutional investors, who with their predominantly long-term investment horizon demonstrate their confidence in the Company and its stock.

Shareholder structure as of 09/30/2009 (as per statutory disclosures)



* Allocated to free float in accordance with the Deutsche Börse definition

Share price



Interim consolidated financial statements for the first nine months of 2009

Economic environment in Germany

Economic conditions remained largely unchanged in Germany in the third quarter and continued to be dominated by the fallout from the crisis. According to the Barclays indicator, gross domestic product is likely to have contracted by almost 5 percent year on year in the third quarter of 2009. (Source: Handelsblatt, October 2009) Similarly, the Centre for European Economic Research (ZEW) considers the current situation to be muted. Contrary to forecasts, the ZEW barometer for the economic outlook slid by a further 1.5 points over the previous month to 56.0 belying expectations of an increase to 58.3 points. (Source: Handelsblatt, October 2009) At the same time, there is a real risk of an appreciable increase in unemployment, which in turn may leave traces on consumer spending. The German Institute of Economic Research (DIW) does not expect the economy to start growing until the middle of next year and not reach the level achieved at the beginning of 2006 until the end of 2010 at the earliest. (Source: Handelsblatt, October 2009)

The German real estate market

Commercial real estate

The German real estate market is still taking a “wait-and-see” stance. Broker Savills registered a more than 30 percent decline in business in terms of floor area in the first nine months of 2009 in the five main German office markets (Munich, Berlin, Hamburg, Düsseldorf and Frankfurt). This means that almost one out of ten square metres of floor space is vacant in the major German cities at the moment. The greatest decline was registered in Düsseldorf (down 51 percent), followed by Munich (down 36 percent) and Hamburg (down 31 percent). Berlin was the only city not to report any increase in vacancies. All told, office building vacancies stand at 9.4 percent. Peak rentals in the commercial real estate market were less volatile than floor space, declining only marginally and in fact remaining stable in Düsseldorf and Hamburg. However, this does not mean that a recovery is now likely to emerge in the fourth quarter as the economic stimulus packages and reduced working-hour arrangements will lose their effect towards the end of the year. (Source: Immobilien Zeitung, October 2009)

On the other hand, CB Richard Ellis has noted an upward trend in transaction volumes in the German office building market. Munich was the top performer in the third quarter, followed by Berlin and Hamburg. Volumes in the third quarter of 2009 increased by 67 percent over the second quarter, rising to EUR 2.7 billion. Although this is still lower than in the third quarter of the previous year (EUR 3.8 billion), the fourth quarter may exceed this figure again. CB Richard Ellis projects a total transaction volume of EUR 10 billion for 2009 as a whole, up from EUR 6 billion in the year to the end of September 2009. This recovery in the investment market is primarily being fuelled by equity-heavy German investors as well as open-end and special-purpose funds and private investors. They are specifically interested in core properties, i.e. buildings which are fully leased, situated in central locations and occupied by investment-grade tenants on long leases. (Source: Immobilien Zeitung, October 2009)
The transaction market is expected to grow in the fourth quarter as there is strong investment interest and financing conditions are gradually improving. (Source: Property Magazine, October 2009)

Residential real estate

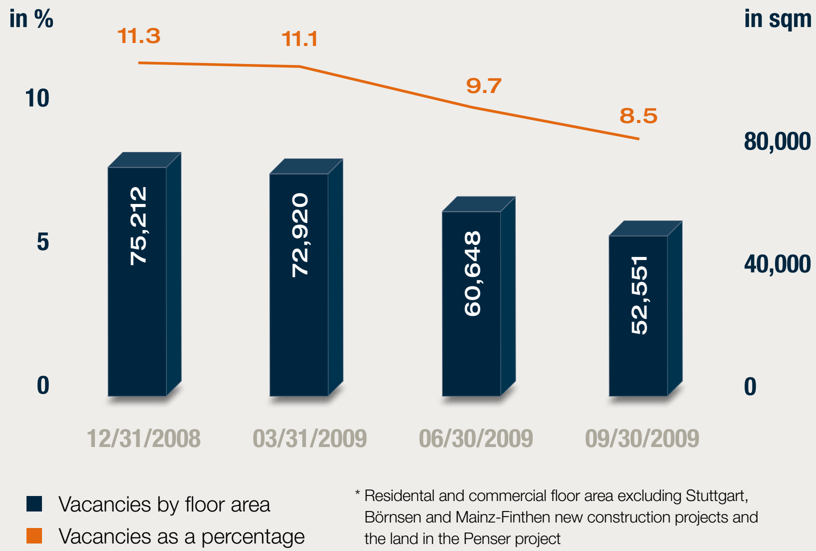
Transactions in the residential real estate market increased by 5 percent over the previous quarter in the third quarter of 2009, with a total of 17,000 residential units traded in 23 transactions during this period. In the year to date, 40,900 residential units accounting for an estimated transaction volume of EUR 1.9 billion have been sold. This means that the figure for all of the previous year (EUR 2.7 billion, not including the sale of the LEG apartments in North Rhine-Westphalia for EUR 3.5 billion) has already almost been reached. Conspicuously, it is mostly premium-level apartments which have changed owners. At the same time, there is a clear preference for portfolios located in prosperous metropolitan regions, while the market for low-quality items in structurally weak regions is currently muted. On the buyer side, residential construction companies and real estate funds are the main movers, while sellers include a number of distressed companies and particularly also the public sector and private investors. (Source: Haufe Immobilien, 19 October 2009).


Bärenparksiedlung, Berlin

TAG's business performance shrugging off the difficult market conditions

General economic conditions remain difficult, with the effects of the crisis still visible. In the real estate market, this is reflected in contracting transaction volumes and declining or, at most, flat sell-side prices and rentals. In the wake of the economic downswing, rising vacancies are particularly evident in the commercial real estate market as a result of muted demand. TAG's operating business asserted itself well in the face of these hostile conditions. Efforts to achieve the aim stated in the report on the first half of 2009 of generating liquidity through further improvements to operating business met with preliminary substantial success in the third quarter of 2009. Here, the focus was specifically on reducing vacancies rather than selling real estate, as had been the case in the first half of the year.

Changes in vacancies*
December 2008 until September 2009



* Residental and commercial floor area excluding Stuttgart, Börnsen and Mainz-Finthen new construction projects and the land in the Penser project

Letting Business

Number of vacant residential units reduced by 162 in the third quarter of 2009 thanks to successful asset management

In the third quarter, TAG concentrated on active asset management, with top priority assigned to reducing vacancies in the residential real estate segment. To this end, the Company channelled its resources into letting activities. These efforts were supported by the Company's tenant-proximate structure with branches in Berlin and Hamburg, where much of the portfolio is located. In the third quarter alone, TAG was able to let 162 residential units mostly in these two cities thanks to intensified marketing activities, thus reducing vacancies in its residential real estate portfolio by 28 percent. This success is all the more remarkable against the backdrop of the current difficult economic conditions. The current rental business not only generates additional long-term rental income for TAG but also results in a cut of almost one third in the vacancy costs, particularly in Berlin. On an annualised basis, this translates into an increase of EUR 1 million in future rental cash flows.

The swift and effective performance of activities for achieving the goal, which had only been formulated in the second quarter, of stepping up efforts to reduce vacancies accompanied by portfolio enhancements demonstrates once more the importance of TAG's professional and active asset management for generating long-term rental income, attractive returns and stable cash flows in the future.

Steady income thanks to follow-up commercial lease

TAG's asset management activities are also proving successful in the commercial real estate segment. Despite the persistently difficult economic conditions, it was possible to seamlessly renew the lease for a commercial building in South Germany for the same rental as in the previous lease. In crisis-ridden times characterised by more subdued demand for commercial real estate, this testifies to the quality of the real estate as well as the tenant structure.

Portfolio optimisation through selling now largely completed

As part of portfolio optimisation efforts, only two items of residential real estate were sold in the third quarter of 2009, thus meaning that optimisation is now largely complete. This, in turn, highlights TAG's strategy of generating liquidity by means of active asset and rental management rather than by selling real estate.

TAG acquiring its own headquarters in Hamburg

In the third quarter of 2009, the TAG Group acquired its own headquarters in Steckelhörn 5-9 in Hamburg, part of which is leased to external tenants, via its subsidiary Bau-Verein zu Hamburg AG, thus confirming its commitment to the Hamburg real estate market and demonstrating its belief in the strengthening recovery of real estate business. The seller is a subsidiary of conwert Immobilien Invest SE, Vienna, in which Bau-Verein holds 25 percent. As a result, the office block, which is located in the heart of the Hamburg CBD adjacent to St. Catherine's church and the historical warehouse district, is now fully owned by the TAG Group. Constructed at the turn of the last century, the seven-floor building has a total floor area of 6,230 square metres and was extended between 2006 and 2008 with the addition of four extra floors and the latest installations and equipment. It is currently leased in full.

This acquisition will result in future savings of around EUR 100,000 per year at the Group level.

Success of the cost-cutting and optimisation programme reflected in financials

In line with the growth in its operating business, TAG has also achieved further success in restructuring the Company. The efforts to optimise the personnel structure have resulted in annualised savings of just under EUR 7 million, a reduction of 30 percent compared with the personnel costs of around EUR 10 million reported for 2008.

In addition, measures taken to improve the cost structure and to streamline the Company's organisation are already making themselves felt. Next year, a new software system is to be installed, allowing various processes to be pooled centrally and generating savings of one quarter of a million euros per year across the TAG Group. In addition, the relocation of the Berlin branch has caused the annual rental expense to drop by half, leading to savings of EUR 100,000. Further advantages of the new location of the Berlin office include its proximity to the portfolio properties, resulting in shorter distances, more efficient rental administration and improved tenant relationship management.

TAG has harnessed additional savings potential by simplifying the Group structure by eliminating project companies which are no longer active. In this way, it has been possible to achieve annual savings of around EUR 25,000 per company. By the end of 2009, this measure alone should result in savings of around EUR 150,000 per year.

Steckelhörn, Hamburg

Results of operations, financial condition and net assets

TAG Group

5 percent improvement in net rental income

Intensified efforts in the third quarter in particular to reduce vacancies in the residential real estate segment together with active rental and asset management resulted in a cumulative increase in net rental income of 7 percent in the first three quarters of the year to EUR 25.7 million, up from EUR 24.1 million in the same period of 2008. This performance is all the more remarkable given the large volumes sold in the first half of 2009.

49 percent increase in total revenues

Total revenues rose by 49 percent to EUR 106.9 million in the first nine months, up from EUR 71.9 million in the same period of the previous year. The greatest contribution to this came from real estate sales, which doubled, rising from EUR 31.0 million in the first nine months of 2008 to EUR 65.1 million thanks to brisk selling activity in the first half of 2009. At the same time, rental income rose from EUR 38.2 million in the first nine months of 2008 to EUR 40.5 million in the period under review, while income from service business came to EUR 1.3 million, compared with EUR 2.8 million in the first nine months of 2008.

EBITDA before fair-value revaluations and exceptionals

Spurred by upbeat operating business - particularly the successful efforts to reduce vacancies in the residential real estate portfolio - TAG generated cumulative EBITDA before fair-value revaluations in the first three quarters of 2009 came to EUR 17.5 million, up from EUR 15.3 million in the year-ago period.

No further impairment expense on investment properties in the third quarter

As indicated in TAG's report on the first half of 2009, no further impairments were incurred on investment properties in the third quarter of 2009. In the first half of 2009, TAG had brought forward impairment losses of EUR 15.3 million from the fair-value revaluation of investment properties as of 31 December 2009.

The impairments were primarily related to commercial real estate in South Germany. TAG does not expect any further material impairment expense to arise in connection with its investment properties before the end of 2009.

Personnel costs / expenses

As already mentioned, TAG focused on cost management with respect to its internal structure in the third quarter. This also entailed adjustments to its personnel structure, for which non-recurring expense of EUR 1.4 million had already been placed on the books in the first half of 2009. These restructuring activities are not likely to produce any visible effects on profit and loss until the end of the year. Personnel costs - including the aforementioned non-recurring items of EUR 1.4 million - came to EUR 7.9 million in the first nine months of 2009, up from EUR 7.2 million in the same period one year earlier.

Looking forward, however, annual personnel costs will come to just under EUR 7 million on account of the measures taken. This translates into a reduction of almost 30 percent compared with the personnel costs of EUR 9.6 million reported for 2008.

In addition, measures taken to improve the cost structure and to streamline the Company's organisation are already making themselves felt. This is reflected in the drop in other operating expense which - net of exceptionals - came to EUR 6.9 million in the first nine months of 2009 (previous year: EUR 8.5 million). The Group-wide implementation of a new software system will also leave traces, although these will not be evident until the end of this year or early next year. In this way, it will be possible to generate savings of one quarter of a million euros per year across the TAG Group.

TAG has harnessed additional savings potential by simplifying the Group structure by eliminating project companies which are no longer active. In this way, it has been possible to achieve annual savings of around EUR 25,000 per company. By the end of 2009, this measure alone should result in savings of around EUR 150,000 per year.

Slight improvement in net borrowing costs

Net borrowing costs dropped slightly to EUR 18.8 million in the first nine months of 2009, compared with EUR 20.2 million in the same period of 2008.

EBT achieved in the third quarter

Earnings before tax came to EUR 3 million in the third quarter of 2009 thanks to the very favourable operating business, thus reversing the loss of EUR 0.8 million sustained at the EBT level in the third quarter of 2008.

At the EBT level, TAG recorded a loss of EUR 2.5 million before fair-value revaluations and exceptionals in the first nine months of 2009, down from the loss sustained in the first six months of 2009 and the loss of EUR 5.9 million recorded in the same period of the previous year.

Consolidated net profit/loss

TAG sustained a consolidated net loss after minorities of EUR 29.5 million in the first nine months, compared with consolidated net profit of EUR 2.3 million in the same period one year earlier.

Stahltwiete, Hamburg

Total assets down slightly - equity ratio of 27.5 percent

Total assets contracted slightly from EUR 839.3 million as of 31 December 2008 to EUR 796.7 million as of 30 September 2009 due to the real estate sold in the first half of 2009. Equity also contracted marginally, standing at EUR 219.5 million as of 30 September 2009, down from EUR 254.2 million on 31 December 2008. This translates into a current equity ratio of 27.5 percent.

At 67.9 percent, the loan-to-value (LTV) ratio was largely unchanged over the figure recorded at the end of 2008 (66.9 percent).

Significant decline in liabilities to banks

Liabilities to banks were lowered from EUR 538 million as of 31 December 2008 to EUR 518.2 million. In particular, current liabilities to banks were reduced substantially from EUR 130.1 million to EUR 100.3 million. Non-current liabilities to banks came to EUR 417.8 million as of 30 September 2009, up from EUR 408 million on 31 December 2008.

Interest risk

Extensive use is made of interest swaps to hedge exposure to interest risks. Fair-value revaluation of these interest swaps resulted in losses of around EUR 1 million in the third quarter of 2009 over the second quarter.

Bau-Verein zu Hamburg AG

Revenues doubled

Revenues in the first nine months of 2009 doubled, rising from EUR 40.1 million in the previous year to EUR 80.9 million. This was materially due to the sale of properties in the first half of 2009. However, rental income also rose by 16 percent over the year-ago period to EUR 17.8 million (previous year: EUR 15.4 million), resulting in a small increase in net rental income to EUR 7.2 million, up from EUR 7.1 million in the first nine months of 2008.

Personnel expenses unchanged over the previous year

At EUR 4.2 million, personnel expenses were unchanged over the previous year in the period under review.

Earnings before taxes (EBT) of EUR 2.2 million in the third quarter.

EBT came to EUR 2.2 million in the third quarter of 2009 thanks to the very favourable operating business, thus reversing the loss of EUR 1.4 million sustained at the EBT level in the third quarter of 2008.

In the first nine months of 2009, Bau-Verein sustained a loss of EUR 3.7 million at the EBT level before fair-value revaluation and exceptionals, an increase of EUR 0.7 million over the same period in 2008.

Consolidated net loss after tax

Consolidated net loss of EUR 5.9 million after tax from continuing activities was recorded in the first nine months of 2009 compared with post-tax profit of EUR 2.7 million in the first nine months of 2008.

Reduction in real estate portfolio halted - focus on acquisitions

The reduction in the real estate portfolio as a result of selling activity in the first half of 2009 was largely halted in the third quarter. With the acquisition of the Group's headquarters in Steckelhörn in Hamburg, Bau-Verein has ushered in a new phase of portfolio growth. Thus, real estate volumes widened from EUR 281.3 million as of 30 June 2009 to EUR 288.7 million as of 30 September 2009. Following the acquisition of the Group's headquarters, Bau-Verein will continue to utilise market opportunities which are consistent with its corporate strategy to additionally enhance the value of its real estate portfolio. At the same time, it will retain its core focus on residential real estate.

Total assets

In the period under review, total assets contracted to EUR 305.4 as of 30 September 2009 primarily as a result of the sales completed in the first half of the year, down from EUR 354.3 million as of 31 December 2008.

Loan-to-value (LTV) ratio and liabilities to banks

The loan-to-value ratio widened from 62.9 percent as of 31 December 2008 to 63.9 percent on 30 September 2009.

Liabilities to banks were lowered from EUR 207.3 million as of 31 December 2008 to EUR 184.5 million as of 30 September 2009 primarily thanks to the net cash inflow recorded by Bau-Verein as a result of its successful selling activities in the first half of the year.

Equity ratio of around 31 percent

The equity ratio currently stands at around 31 percent, up from 28.5 percent at the end of 2008. This was accompanied by a small decline in equity capital to EUR 94.2 million, down from EUR 101.1 million as of 31 December 2008.

TAG Gewerbeimmobilien-Aktiengesellschaft

Revenues

At EUR 18.5 million, revenues in the first nine months of 2009 were virtually unchanged over the previous year.

Earnings before taxes (EBT)

TAG Gewerbeimmobilien AG sustained a loss before taxes of EUR 13.3 million in the period from January to September 2009, compared with the earnings of EUR 1.5 million before taxes recorded in the same period one year earlier. This resulted from the revaluation losses of EUR 11.6 million net of revaluation gains of EUR 2.6 million recognised in the first half of 2009.

Interest expense

Net interest expense for the first nine months of 2009 came to EUR 14.6 million, down from EUR 15.1 million in 2008.

Liabilities to banks

The loan-to-value (LTV) ratio stands at 71 percent as of 30 September 2009, a slight improvement over the figure of 72 percent recorded as of 31 December 2008. Liabilities to banks were lowered from EUR 271 million at the end of 2008 to EUR 261 million at the end of September 2009.

Forecast, opportunities, risks

Outlook

The following sections should be read in conjunction with the management report and the risk report included in the consolidated financial statements for 2008.

In the first nine months of 2009, TAG systematically and successfully implemented its strategy of boosting its operating business in the residential and commercial real estate segments, optimising cost structures and thus generating liquidity.

To this end, it has sold over 500 residential units in the year to date. The sales were executed mostly to optimise the portfolio and have now largely been completed. Accordingly, the Company's business strategy will now be directed more strongly at managing the portfolio of real estate in attractive locations in German metropolitan regions such as Hamburg, Berlin and Munich.

In the third quarter, TAG allocated top priority to reducing vacancies in the residential real estate segment. Accordingly, it was able to let 162 residential units mostly in Hamburg and Berlin thanks to intensified marketing activities, thus reducing vacancies in its residential real estate portfolio by almost one third. This success is all the more remarkable against the backdrop of the current difficult economic conditions. The current rental business not only generates additional long-term rental income for TAG but also results in a cut of almost one third in the vacancy costs, particularly in Berlin. This demonstrates once more the importance of TAG's professional and active asset management for generating long-term rental income, attractive returns and stable cash flows in the future.

No impairment expense was recorded on investment properties in the third quarter of 2009. At this stage, we assume that there will be no material impairment expense on investment properties between now and the end of 2009 over and above the amount of EUR 15.3 million placed on the books at the end of the first half of the year. This amount was derived from consultations with external surveyors on the basis of a conservative measurement of the value of the assets ahead of the next balance sheet date, i.e. 31 December 2009. The impairments were primarily related to commercial real estate in South Germany. As in the third quarter, we do not expect to have to set aside any further provisions for past business transactions in the fourth quarter, meaning that the amount of EUR 9 million recognised as of the end of the first half of the year will remain sufficient.

The measures implemented last year to lower costs and enhance efficiency continued to be resolutely pursued this year in order to place TAG's Group structure on a lean and solid basis and to weather the challenges of the market and the competition. Looking forward, annual personnel costs will come to just under EUR 7 million on account of the measures taken. This translates into a reduction of almost 30 percent compared with 2008.

Further cost-cutting potential will be harnessed with the implementation of a new software system in 2010 and the simplification of the Group structure, resulting in savings of almost half a million euros. As a result, the Company should be able to generate a net cash inflow from operating activities in 2010.

The persistent crisis afflicting the financial markets is making it difficult to predict economic conditions and particularly the credit markets. Fundamentals in the real estate markets remain muted despite the improvement in global leading indicators. For this reason, TAG has decided not to issue any quantitative earnings guidance for 2009 or the next few years. However, what it can say is this:

TAG is now positioned such that it can fund itself solely from its rental income in the future. In other words, all costs and loan liabilities are covered by rental income without the need for even a single residential unit to be sold. This is decisive as it allows us to steer our portfolio safely and unscathed through the protracted crisis.

Bärenparksiedlung, Berlin

TAG is confident of emerging strengthened from this crisis: With a concentrated and focused portfolio in tandem with far leaner cost and organisational structures, it will be able to overcome the crisis, preserve the Group's assets and boost their value. Opportunities and chances arising in the market are also to be used to the benefit of our shareholders.

Hamburg, 11 November 2009

The Management Board

Consolidated balance sheet

Assets in TEUR	09/30/2009	12/31/2008
Non-current assets		
Investment properties	595,217	620,942
Intangible assets	28	49
Property, plant and equipment	2,316	2,036
Investments in associates	336	347
Other financial assets	375	375
Deferred taxes	3,310	7,074
	601,582	**630,823**
Current assets		
Land with unfinished and finished buildings	166,990	176,667
Other inventories	665	478
Trade receivables	5,141	5,358
Income tax refund claims	1,391	1,395
Other current assets	7,090	11,365
Cash and cash equivalents	6,386	5,880
	187,663	**201,143**
Non-current available-for-sale assets	**7,483**	**7,331**
	796,728	**839,297**

Equity and liabilities in TEUR	09/30/2009	12/31/2008
Equity		
Equity holders of the parent		
Subscribed capital	32,566	32,566
Share premium	219,861	219,733
Other reserves	-13,416	-10,349
Unappropriated surplus/-loss	-43,311	-13,830
Minority interests	23,770	26,060
	219,470	**254,180**
Non-current liabilities		
Bank borrowings	417,819	407,980
Retirement benefit provisions	1,919	1,920
Other non-current liabilities	8	8
Deferred taxes	0	0
	419,746	**409,908**
Current liabilities		
Other provisions	18,133	11,639
Income tax liabilities	1,576	1,440
Bank borrowings	100,344	130,062
Trade payables	7,740	8,603
Other current liabilities	28,323	21,504
	156,116	**173,248**
Liabilities in connection with the non-current available-for-sale assets	**1,396**	**1,961**
	796,728	**839,297**

Consolidated income statement

in TEUR	01/01/ – 09/30/2009	01/01/ – 09/30/2008	07/01/ – 09/30/2009	07/01/ – 09/30/2008
Total revenues	**106,882**	**71,944**	**32,337**	**25,996**
Rental revenues	40,488	38,173	15,761	16,351
Rental expenses	-14,768	-14,102	-7,443	-7,735
Net rental income	25,720	24,071	8,318	8,616
Revenues from the sale of inventory real estate	30,889	30,754	10,380	8,234
Expenses on the sale of inventory real estate	-29,388	-29,106	-9,713	-7,315
Net revenues from sale of inventory real estate	1,501	1,648	667	919
Revenues from the sale of investment properties	34,168	264	5,899	0
Expenses on the sale of investment properties	-34,909	-264	-5,570	0
Net revenues from sale of investment properties	-741	0	329	0
Revenues from property management	1,337	2,753	297	1,411
Other operating income	4,048	2,593	3,116	1,075
Fair-value revaluation of investment properties	-15,284	10,635	14	0
Gross profit	**16,581**	**41,700**	**12,741**	**12,021**
Personnel expenses	-7,905	-7,192	-2,119	-1,879
Depreciation/amortisation	-319	-399	-86	-152
Impairment losses on receivables and inventories	-932	-198	-64	-137
Other operating expenses	-14,074	-8,525	-2,380	-2,901
EBIT	**-6,649**	**25,386**	**8,092**	**6,952**
Share of profit of associates	-11	-445	-64	-205
Impairment losses on receivables from associates	0	0	1,045	0
Net borrowing costs	-18,752	-20,158	-6,112	-7,569
EBT	**-25,412**	**4,783**	**2,961**	**-822**
Income taxes	-5,457	-2,012	-2,066	471
Other taxes	-404	-9	-39	-1
Consolidated net profit/loss from continuing activities	**-31,273**	**2,762**	**856**	**-352**
Consolidated net profit/loss from discontinued business	-119	295	86	17
Consolidated net profit/loss before minorities	**-31,392**	**3,057**	**942**	**-335**
Minorities	1,911	-758	-158	278
Consolidated net profit/loss after minorities	**-29,481**	**2,299**	**784**	**-57**
Earnings per share (EUR), basic				
Continuing activities	-0,91	0,06	0,02	0,00
Discontinued business	0,00	0,01	0,00	0,00
Total	-0,91	0,07	0,02	0,00

Consolidated statement of comprehensive income

in TEUR	01/01/ – 09/30/2009	01/01/ – 09/30/2008	07/01 – 09/30/2009	07/01 – 09/30/2008
Consolidated net profit/loss before minorities	**-31,392**	**3,057**	**942**	**-335**
Unrealised gains and losses from derivative financial instruments	-4,528	-1,338	-1,424	-5,566
Deferred taxes on unrealised gains and losses	1,462	432	460	1,797
Net unrealised gains and losses after tax	**-3,066**	**-906**	**-964**	**-3,769**
Net other profit/loss after tax	**-34,458**	**2,151**	**-22**	**-4,104**
Minority interests	1,911	-758	-158	278
Total	**-32,547**	**1,393**	**-180**	**-3,826**

Consolidated cash flow statement

in TEUR	01/01/ – 09/30/2009	01/01/ – 09/30/2008
Consolidated net profit/loss	**-29,481**	**2,299**
Depreciation/amortisation	319	408
Impairment losses on financial assets	0	0
Share of profits of associates	-11	478
Fair-value revaluation of investment properties	15,284	-10,635
Impairment losses on receivables and inventories	932	198
Losses from disposals of investment properties	741	0
Changes in deferred taxes	3,764	1,785
Changes in provisions	6,493	-9,464
Changes in receivables and other assets	12,902	37,901
Changes in payables and other liabilities	2,588	5,956
Cash flow from operating activities	**13,531**	**28,926**
Payments made for investment properties	-26,398	-55,726
Payments received from the disposal of investment properties	34,168	264
Payments made for investments in intangible assets and property, plant and equipment	-574	-260
Payments made from the sale of shares	0	-3,174
Cash flow from investing activities	**7,196**	**-58,896**
Payments made to shareholders	0	-3,256
Payments received from the raising of bank loans	40,236	187,287
Payments made for repaying bank loans	-58,348	-160,540
Cash flow from financing activities	**-18,112**	**23,491**
Net change in cash and cash equivalents	2,615	-6,479
Cash and cash equivalents at the beginning of the period	3,771	11,887
Cash and cash equivalents at the end of the period	**6,386**	**5,408**

Statement of changes in consolidated equity

in TEUR	Equity holders of the parent company: Subscribed capital	Share premium	Other reserves: Retained earnings	Other reserves: Hedge accounting reserve	Unappropriated surplus	Total	Minority interests	Total equity
01/01/2008	**32,566**	**219,606**	**527**	**-735**	**20,049**	**272,013**	**34,500**	**306,513**
Consolidated net profit/loss	0	0	0	0	2,218	2,218	758	2,976
Changes in hedge accounting reserve	0	0	0	-906	0	-906	-38	-944
Total revenues and expenses	0	0	0	-906	2,218	1,312	720	2,032
Changes in consolidation	0	0	0	0	-347	-347	3	-344
Payments made to shareholders	0	0	0	0	-3,256	-3,256	0	-3,256
Other changes in minorities	0	0	0	0	0	0	-674	-674
09/30/2008	**32,566**	**219,606**	**527**	**-1,641**	**18,664**	**269,722**	**34,549**	**304,271**
Consolidated net profit/loss	0	0	0	0	-32,494	-32,494	-6,576	-39,070
Changes in hedge accounting reserve	0	0	0	-9,235	0	-9,235	-762	-9,997
Total revenues and expenses	0	0	0	-9,235	-32,494	-41,729	-7,338	-49,067
Business combination without change of status	0	127	0	0	0	127	-1,151	-1,024
12/31/2008	**32,566**	**219,733**	**527**	**-10,876**	**-13,830**	**228,120**	**26,060**	**254,180**
Consolidated net profit/loss	0	0	0	0	-29,481	-29,481	-1,911	-31,392
Changes in hedge accounting reserve	0	0	0	-3,067	0	-3,067	-251	-3,318
Total revenues and expenses	0	0	0	-3,067	-29,481	-32,548	-2,162	-34,710
Changes in consolidation	0	128	0	0	0	128	-128	0
09/30/2009	**32,566**	**219,861**	**527**	**-13,943**	**-43,311**	**195,700**	**23,770**	**219,470**

Segment report

in TEUR	Real estate Hamburg	Real estate Berlin	Real estate Munich	Real estate others	Total resi-dential	Com-mercial	Services	Other acitivites / consoli-dation	Group
Total revenues	**48,240**	**24,622**	**5,248**	**6,301**	**84,410**	**19,389**	**3,201**	**-118**	**106,882**
Previous year	10,775	19,152	13,056	1,344	44,326	22,233	4,437	948	71,944
• of which external revenues	48,240	24,622	5,248	6,301	84,410	19,389	1,337	1,746	106,882
Previous year	10,775	19,152	13,056	1,344	44,326	22,233	2,753	2,632	71,944
• of which external revenues	0	0	0	0	0	0	1,864	-1,864	0
Previous year	0	0	0	0	0	0	1,684	-1,684	0
Segment profit / loss	**2,505**	**106**	**1,528**	**952**	**5,091**	**4,511**	**3,201**	**-271**	**12,533**
Previous year	8,071	2,379	3,477	3,178	17,106	17,974	4,437	-411	39,107
• Non-allocated other operating income									4,049
Previous year									2,593
Gross profit									**16,581**
Previous year									41,700
• Non-allocated expenses									-41,993
Previous year									-36,917
EBT									**-25,412**
Previous year									4,783
Segment assets	**83,725**	**201,192**	**47,406**	**34,019**	**366,342**	**398,890**	**0**	**5,398**	**770,631**
Previous year	125,227	198,838	49,946	38,021	412,032	386,808	0	5,392	804,232
• Non-allocated assets									26,097
Previous year									35,065
Total assets									**796,728**
Previous year									839,297

Notes on the interim financial statements as of 30 September 2009

General information

The interim consolidated financial statements of TAG Immobilien AG (hereinafter referred to as the “Company” or “TAG”) have been prepared in accordance with the provisions contained in Section 37x (3) of the German Securities Trading Act pertaining to interim financial reporting. The reporting period comprises the period commencing on 1 January and expiring on 30 September 2009. The comparison figures refer to 31 December 2008 with respect to the consolidated balance sheet and otherwise to the first nine months of the 2008 financial year. In addition, the consolidated income statement and the consolidated statement of comprehensive income contain figures pertaining to the third quarter of 2009 (1 July to 30 September 2009) together with the corresponding comparison figures for the previous year. The figures reported in the interim financial statements are mostly denominated in TEUR (thousands of euros). This may result in rounding differences between the individual parts of the financial statements.

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

The recognition and measurement principles as well as the notes and explanations on the interim consolidated financial statements are fundamentally based on the recognition and measurement principles applied to the consolidated financial statements for the year ending 31 December 2008.

In a departure from the consolidated annual financial statements, the classification of gross profit in the income statement was modified in 2009 in line with the recommendations of the European Public Real Estate Association (EPRA) and now presents net rental income and the net proceeds from the sale of inventory and investment properties separately. This results in a more transparent presentation of the individual items within gross profit. The prior-year figures have been restated accordingly.

For more details concerning the recognition and measurement principles applied, please refer to the consolidated financial statements for the year ending 31 December 2008 compiled pursuant to IFRS, which in accordance with IAS 34 form the material basis for these interim financial statements.

Consolidation group

The consolidation group as of 30 September 2009 includes TAG and, as a matter of principle, all companies in which TAG directly or indirectly holds a majority of the voting capital. If shares in subsidiaries are considered to be of subordinate significance from the Group's perspective, they are recognised as financial instruments in accordance with IAS 39.

The consolidation group has not changed since 31 December 2008. In the first half of the year, a further 4.9 percent of the capital of TAG Gewerbeimmobilien-Aktiengesellschaft was sold by subsidiary Bau-Verein zu Hamburg Aktien-Gesellschaft (Bau-Verein AG) to TAG Immobilien AG. This transaction was recorded within equity as a business combination without any change of status. As a result, the share premium recorded in TAG's consolidated financial statements rose by TEUR 128, with minority interests declining accordingly.

Since 30 June 2009, the number of companies consolidated has risen with the purchase via Bau-Verein AG of the subsidiary “BV Steckelhörn GmbH & Co. KG” on 13 August 2008, which acquired a commercial building after being purchased, and its general partner “BV Steckelhörn Verwaltungs GmbH“, both with registered offices in Hamburg. Bau-Verein AG holds all of these two entities’ capital. Cash of TEUR 27 for the purchase price including transaction costs was utilized for this acquisition. As of the date of acquisition, these two entities did not have any material assets or liabilities and had not yet commenced business operations. Since the date of acquisition, BV Steckelhörn GmbH & Co. KG has sustained a net loss of TEUR 5 and BV Steckelhörn Verwaltungs GmbH a net loss of TEUR 3.

Material transactions and changes to the consolidated balance sheet and the consolidated income statement in the period under review

Disposals of investment properties and available-for-sale land, which had primarily been held by subsidiaries of Bau-Verein AG, were recorded on the balance sheet in the first nine months of 2009. These disposals primarily result from the sale and transfer of residential real estate. Accordingly, liabilities to banks also dropped following the repayment of property finance loans.

The hedge accounting reserve within equity relates to the fair-value measurement of interest derivatives for hedging cash flows from long-term real estate finance net of the resultant deferred tax effects.

Deferred tax assets net of deferred tax liabilities stand at TEUR 3,310 (previous year TEUR 7,074). Deferred tax assets primarily come from unused tax losses. Deferred tax liabilities chiefly relate to the differences between the values of the investment properties and their tax bases.

Other provisions were set aside on the basis of an updated and extensive analysis of the risks arising from construction activity in earlier years. This resulted in an allocation of TEUR 6,518 to provisions, which is recorded within other operating expenses.

Bank borrowings consist almost exclusively of liabilities arising in connection with the acquisition of investment properties or the acquisition and development of available-for-sale properties. Investment properties are normally financed on a long-term basis and available-for-sale properties on a short-term basis.

Further details on revenues and gross profit are set out in the segment report, which forms an integral part of these notes and is analysed in a separate table in front of the notes in the interests of heightened convenience.

In the first nine months of 2009, fair-value accounting resulted in impairment losses of TEUR 15,284 (previous year revaluation gains of TEUR 10,635) in the carrying amounts of investment properties.

Andreas Ibel, a member of TAG's Management Board, left the Company effective 30 June 2009. Mr. Rolf Elgeti was appointed new CEO effective 1 July 2009.

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

No material events occurred after the end of the period covered by this interim report.

Material transactions with related persons

Fees for the provision of construction management, facility management and accounting/controlling services of TEUR 281 (previous year TEUR 557) plus VAT were charged to the associated company GAG Grundstücksverwaltungs AG ("GAG" for short) in the first nine months of 2009. In addition, rental payments of TEUR 278 (previous year TEUR 290) plus VAT were made to this company in the period under review. Revenues of TEUR 8,010 had been generated from construction management activities in 2008. These sales were offset by expenses in almost the same amount to non-group companies. In addition, there are loan receivables of TEUR 1,578 (31 December 2008: TEUR 7,745) subject to interest at 6 percent due from this company.

Zehlendorf, Berlin

In the year under review, there were business relations with Larus Asset Management GmbH in the form of construction management and administrative activities. Total remuneration for the first nine months of 2009 stood at TEUR 181 (previous year TEUR 253), with expenses coming to TEUR 906 (previous year TEUR 1,267). In addition, there are loan receivables of TEUR 2,400 (31 December 2008: TEUR 2,650) due from this company.

As of 30 September 2009, there are loan liabilities of TEUR 1,492 (31 December 2008 TEUR 1,443) towards a company in which members of TAG's Supervisory Board hold shares. The liabilities are subject to interest of 7.5 percent.

Other details

There has been no material change in the Group's contingent liabilities since 31 December 2008.

On 30 September 2009, the TAG Group had 103 employees, compared with 116 as of 31 December 2008.

Basis of reporting

The preparation of the interim consolidated financial statements pursuant to IFRS requires the management boards and management staff of the consolidated companies to make assumptions and estimates influencing the assets and liabilities carried on the balance sheet, the disclosure of contingent liabilities on the balance-sheet date and the expenses and income reported during the periods under review. The actual amounts arising in future periods may differ from these estimates. Moreover, this interim report includes statements which do not entail reported financial data or any other type of historical information. These forward-looking statements are subject to risk and uncertainty as a result of which the actual figures may deviate substantially from those stated in such forward-looking statements. Many of these risks and uncertainties are related to factors which the Company can neither control, influence nor precisely estimate. This concerns, for example, future market and economic conditions, other market participants' behaviour, the ability to successfully integrate companies after acquisition and tap expected synergistic benefits as well as changes to tax legislation. Readers are reminded not to place any undue confidence in these forward-looking statements, which apply only on the date on which they are given. The Company is under no obligation whatsoever to update such forward-looking statements to allow for any events or circumstances arising after the date of this material.

Hamburg, 11 November 2009

The Management Board

Steckelhörn, Hamburg

TAG`s Financial calender

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

Contact

TAG Immobilien AG

Steckelhörn 5
20457 Hamburg
Telefon + 49 40 380 32 - 300
Telefax + 49 40 380 32 - 390
info@tag-ag.com
www.tag-ag.com

Bau-Verein zu Hamburg Aktien-Gesellschaft

Steckelhörn 5
20457 Hamburg
Telefon + 49 40 380 32 - 0
Telefax + 49 40 380 32 - 390
info@bau-verein.de
www.bau-verein.de

TAG Gewerbeimmobilien-Aktiengesellschaft

Steckelhörn 5
20457 Hamburg
Telefon + 49 40 380 32 - 400
Telefax + 49 40 380 32 - 411
info@tag-gewerbe.com

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

TAG Immobilien AG

Steckelhörn 5
20457 Hamburg
Telefon +49 40 380 32-300
Telefax +49 40 380 32-390
info@tag-ag.com
www.tag-ag.com