



Growing Assets

Interim Report on the 1st quarter of 2014

Group financials IFRS

in TEUR	01/01 – 03/31/2014	01/01 – 03/31/2013
A. Income statement key figures		
Revenues	69,527	164,866
a) Rental income from continuing business	60,083	57,914
b) Rental income from discontinuing business	5,062	5,261
c) Rental income total	65,145	63,175
EBITDA	39,062	36,733
EBIT	33,067	35,031
EBT	8,160	11,251
Consolidated net profit/loss	7,927	14,130
FFO I in EUR m	20.7	15.1
AFFO in EUR m	12.8	13.6
FFO II incl. income from sales in EUR m	24.3	60.1
FFO I per share in EUR	0.16	0.12
AFFO per share in EUR	0.10	0.10
FFO II incl. income from sales per share in EUR	0.18	0.46
Ergebnis per share in EUR	0.06	0.11
B. Balance sheet key figures	03/31/2014	12/31/2013
Total assets	3,820,986	3,763,324
Equity before minorities	1,115,162	1,107,306
Equity ratio in %	29	29
Bank loans	1,903,220	2,126,583
of which current	62,771	179,534
Real estate volume	3,614,840	3,606,799
LTV in %	62.2	62.1
LTV in % incl. outstanding convertible bonds	65.2	65.0
EPRA NAV per share in EUR	9.55	9.45
Diluted NAV per share in EUR	9.41	9.31
C. Employees	03/31/2014	12/31/2013
Number of employees	532	519
Other key figures		
Market cap at 31 March 2014 in EUR		1,118,662
Share capital in EUR		131,298,317.00
WKN/ISIN		830350/DE0008303504
Number of shares		131,298,317
Free Float in %		100
Index		MDAX/EPRA

* pending approval by the shareholders

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Foreword

Dear shareholders, ladies and gentlemen,

Operating performance during the first quarter of 2014 was as we planned and expected. Rents increased further even without substantial rent increases, by about 0.5% in the first quarter – or about 2% on an annualized basis. This corresponds approximately to the rental growth our inventory generates, as newly vacated apartments are re-rented at higher market rents.

As a result of this purchase and the takeover – completed at the turn of the year – of a portfolio of approximately 3,000 units that currently has a vacancy rate above the group average, the vacancy rate has risen slightly compared to year-end 2013. By contrast vacancy reduction in the core inventory continues to progress well. Once again, it is worth pointing out that vacancy in Salzgitter has fallen by another 0.6% points in the first quarter and now stands at 18.0%.

This development is reflected in the FFO I, which was EUR 20.7 m in the first quarter. Without the temporary impact of interest costs caused by the increase in our corporate bond, the increase in FFO I would have been even higher (in Q4 2013 the FFO I was EUR 19.6m) .

These good operating results allow us to reconfirm our forecast of FFO I of EUR 90m for the full year 2014.

At the strategic level, the sale of an 80-percent stake in our commercial real estate subsidiary means we have now achieved a complete focus on the residential segment. This sale will be completed in the second quarter of this year and lead to a slight book profit, which makes this strategically important transaction even more gratifying.

For the rest of the year, apart from further increasing rents and reducing vacancy, our focus will also be on integrating the two newly acquired portfolios. Further acquisitions are being reviewed and can be purchased with existing cash and cash equivalents due to the sale of the commercial inventory.



Dieselstraße, Halle

In contrast to previous years, we do not rule out that we will seize opportunities for the sale of residential property portfolios more often than was previously the case. The demand for housing in individual market segments has begun to push prices to levels where even a portfolio developer like TAG Immobilien AG should consider strategic sales and take advantage of any market opportunities that might crop up.

We thank you for the trust that you have placed in us on our journey so far, and look forward to welcoming you to our Annual Meeting in Hamburg on 13 June 2014.

Yours sincerely,

Rolf Elgeti
CEO

Martin Thiel
CFO

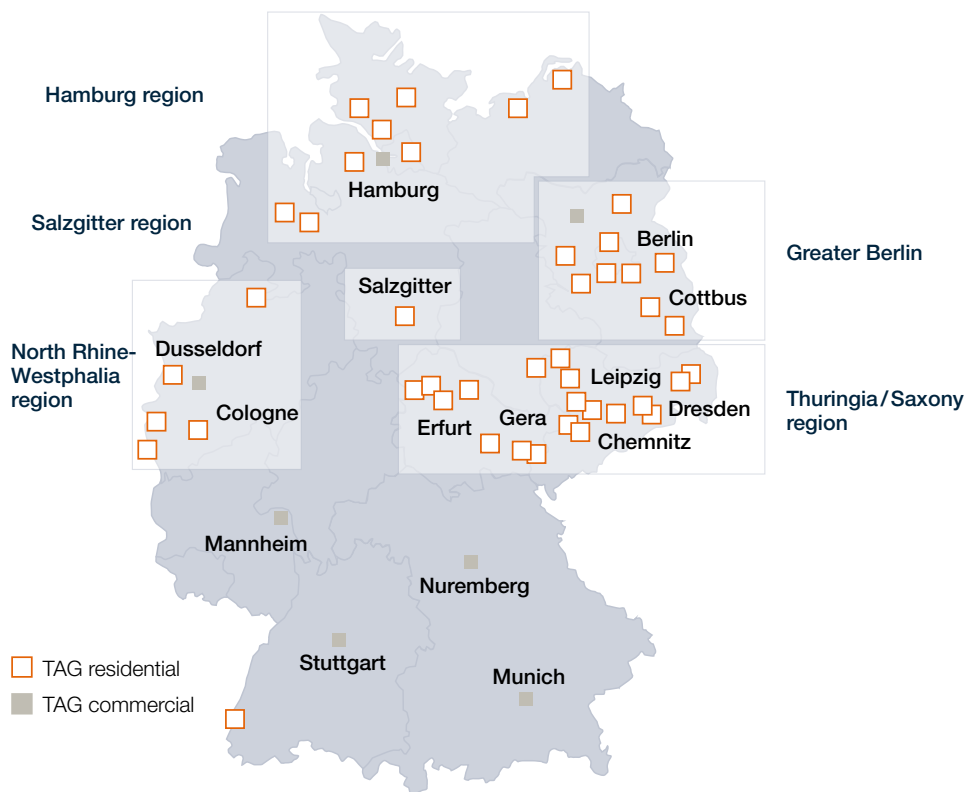
Claudia Hoyer
COO

Dr. Harboe Vaagt
CLO

Total portfolio (residential and commercial)

At the end of Q1 2014, TAG Group's property portfolio comprises more than 70,600 units, mostly located in good urban locations in German growth regions. It focuses on the Greater Metropolitan Areas of Hamburg and Berlin, as well as the Thuringia/Saxony, North Rhine-Westphalia and Salzgitter regions – locations with development potential, stable cash flows and attractive returns,

where TAG already has investments. This allows for centrally managing large parts of the portfolio with just a few branch offices, which makes for a particularly favourable opportunity/risk ratio since it lets us combine potential for rental growth, attractive initial yield, and a cost-efficient management of the portfolio.

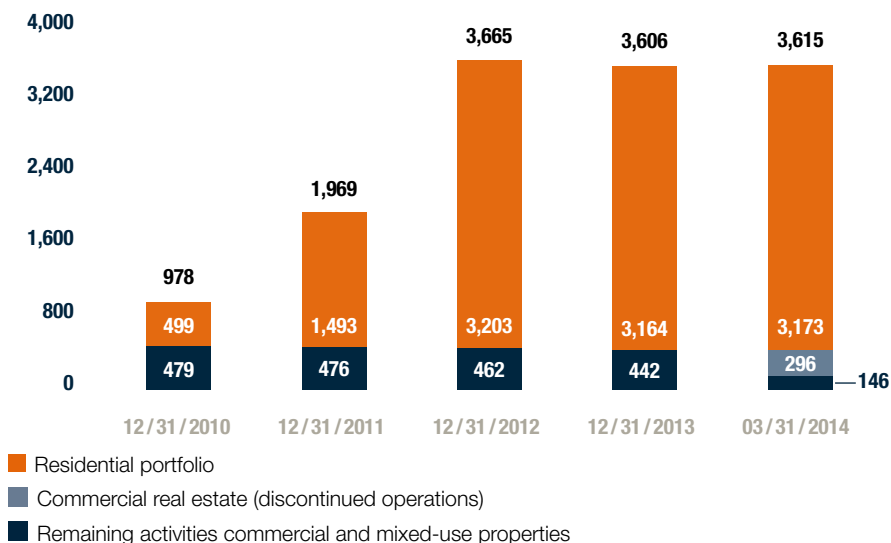


Portfolio as of 03/31/2014	Total (residential and commercial)
Units	70,645
Rentable area in sqm	4,582,808
Real estate volume in TEUR	3,614,840

The value of all property in the inventory amounts to EUR 3,615m at the end of the first quarter of 2014. In recent years, the company was able to significantly expand its inventory of residential units through acquisitions and purchases and increase its focus on the residential segment. Of the commercial portfolio, which is largely held by TAG Gewerbe, a real estate volume of EUR 297m as of December 2013 was sold at the end of March in a share deal. The commercial portfolio will shrink accordingly.

Real estate volume over time

Volume in EUR m





Bartholomäusstraße, Nuremberg

Purchase of approximately 4,000 residential units in Thuringia and Saxony at the beginning of the year 2014

At the beginning of February 2014, TAG acquired 3,985 residential units and 26 commercial units at a purchase price of approximately EUR 120.5m. The regional focus of this portfolio is Thuringia with about 3,000 units along the A4 autobahn and its university towns of Jena, Erfurt and Weimar, as well as Saxony and Saxony-Anhalt. The rental area totals approximately 236,000 m², expected annual rent is around EUR 12.4m, and vacancy at the time of purchase was 10.7%. The portfolio therefore also offers interesting potential for development. Approximately 500 units are slated for resale in the medium term. This portfolio acquisition will be consolidated into the inventory within the first half of 2014, and will increase the number of units to around 74,500.

Property sales in the first quarter of 2014

Because commercial real estate is no longer the focus of TAG's strategy, the Group had accelerated its program to dispose of commercial portfolio items in 2013, selling eight properties. At the end of March 2014, virtually the entire commercial line of business – another 21 properties – was sold to an Apollo Global Management fund with a real estate volume of EUR 297 m as part of a share deal.

TAG still owns a 20-percent stake in TAG Gewerbeimmobilien GmbH. The purchase price included EUR 167 m in loans taken over by the investor and will be settled with approx. EUR 78 m in cash once the contract is concluded. The remaining purchase price is being paid at a later date for now. The parties expect the contract to be concluded within the second quarter of 2014.

The commercial portfolio comprises some 270,000 m² and consists largely of office properties. At 31 December 2013, TAG generated net target rent of around EUR 20 m per year. The portfolio, which includes inventory at various locations in places including Berlin, Munich, Hamburg and Cologne has stable cash flows and potential for development.

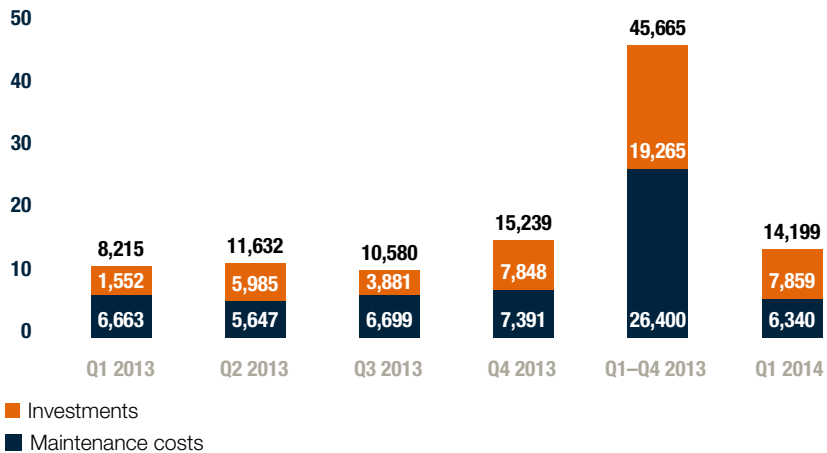
In the sale, TAG benefited from the fact that the demand for good commercial properties in A-locations significantly exceeds the supply at this point, which serves to shift general buyer interest onto commercial real estate with development potential in B-locations.

The following six commercial properties, some of them mixed-use, and with a total real-estate volume of approx. EUR 146m, remain in the possession of TAG.

- Rathausgalerie Markkleeberg
- Schleinufer, Magdeburg
- Stuttgart Südtor
- Ferdinand-Porsche-Straße, Cologne
- Steckelhörn, Hamburg
- Hofmannstraße, Munich

Total portfolio – Maintenance expenditure and investments

in EUR m



As expected, expenditure on maintenance and investments remained on par with the previous years' quarters, which underscores the good condition and professional management of the inventory.

Development of vacancy in Q1 2014

The vacancy reduction achieved during the course of 2013 continued in the first quarter of the year 2014.

Across the Group, the comparable vacancy rate in the core inventory of the residential real estate portfolio – i. e. without inventory held for sale – remained with a rate of 8.9% more or less constant compared with the end of the year.

The 0.2% increase results from the December purchases; a portfolio with a significantly higher vacancy rate of 12.6% was acquired. The transfer of the portfolio was effected at the end of 2013 and the first quarter of 2014.

It is noteworthy that in the first quarter of the year, vacancy in Salzgitter was reduced by another 0.6% since the end of 2013, to 18.0%.

The residential portfolio

TAG's diversified residential portfolio gives it a presence in five regions. As part of its strategy, TAG will continue to make future purchases at locations where it can build on the existing infrastructure, and the inventory can be cost-effectively integrated and profitably managed.

Vacancy and actual rents by region, through March 2014

Through active asset and property management, we were able to keep Group-wide vacancy in the residential sector stable at 8.9%, after 8.8% at year-end 2013, even with new acquisitions that involved the acquisition of some vacancy. At the end of the first quarter, the figures in the five regions of TAG's residential portfolio were as follows:

Region	Units	Floor area sqm	Vacancy %
Residential portfolio*	69,864	4,260,910	9.53
Thuringia/Saxony	31,948	1,926,927	10.13
Greater Berlin	13,503	824,324	4.92
Hamburg region	11,388	689,106	8.44
Salzgitter region	9,200	564,581	18.00
NRW	3,825	255,971	4.21

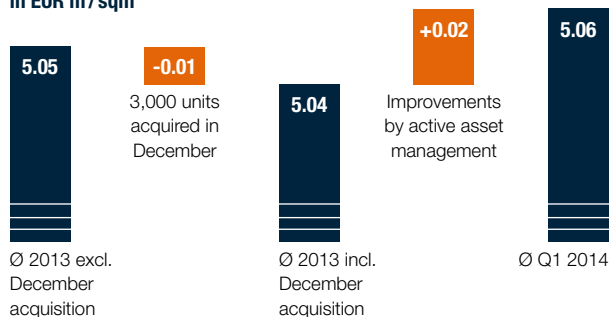
* as of 03/31/2014 according to balance sheet value

At the same time we were able to rent previously vacant units to new tenants at much higher rents in some cases, thereby increasing our rental profit. During the first quarter, average rent in our residential portfolio grew from EUR 5.04 per sqm per month

to EUR 5.06 per sqm at the end of March 2014. Against the backdrop of the December 2013 acquisition of 3,000 units in eastern Germany, the changes are as follows and testify to our operational success:

Increase in rental income

in EUR m / sqm



This corresponds to about 0.5 % organic growth through increased rent during the quarter – or about 2 % on an annualized basis.

No major rent increases were imposed during the first quarter.

Vacancy excluding properties for sale %	Net actual TEUR p. a.	Net actual EUR / sqm	Target rent TEUR p. a.	Book value TEUR	Maintenance costs EUR / sqm p. a.	thereof „Capex“ EUR / sqm p. a.	Return on target rent p. a. at IFRS book value %
8.91	233,938	5.06	254,423	3,146,520	3.18	1.82	8.1
8.73	101,660	4.89	110,589	1,360,935	2.59	1.75	8.1
4.54	47,847	5.09	49,918	661,170	3.79	2.19	7.5
8.58	39,344	5.20	42,495	538,649	3.04	1.61	7.9
18.00	28,633	5.15	34,192	360,920	4.30	2.44	9.5
4.17	16,453	5.59	17,230	224,844	3.58	0.46	7.7

Net Asset Value – NAV

NAV is the international benchmark for evaluating real estate companies; it represents the company's intrinsic strength. The calculation of NAV in accordance with EPRA (European Public Real Estate Association) guidelines is designed to show the fair value of net assets on a consistent and long-term basis.

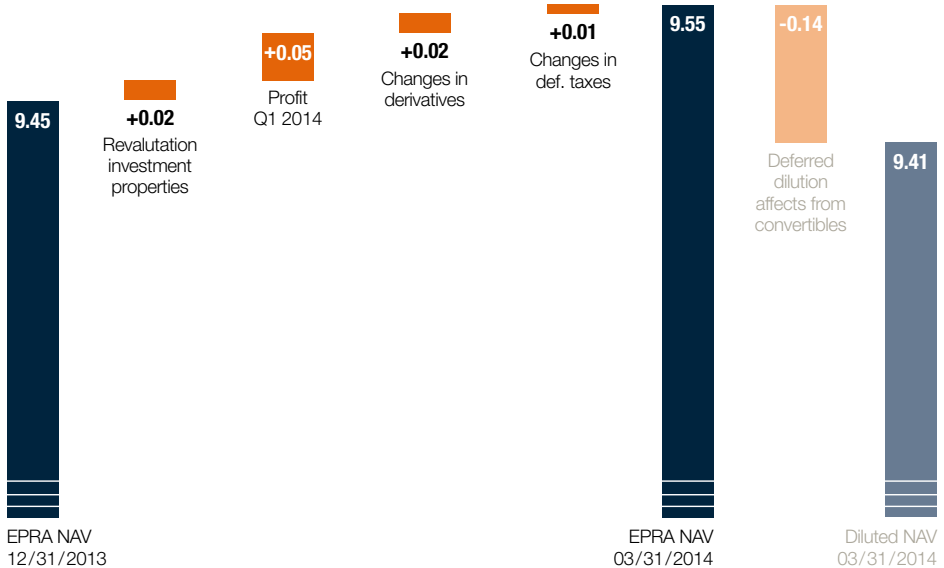
When calculating NAV only the equity before minority interests according to the balance sheet is considered, divided by the number of shares. Derivatives and deferred taxes are not included in the calculation. All values that are relevant for the calculation are validated by expert valuations.

In addition to the NAV, we also report the diluted EPRA NAV, which imputes the effects of exercising all conversion rights and the shares arising therefrom, as all currently outstanding TAG convertible bonds have a conversion price below TAG's current share price. At 31 March 2014, the dilution effect is unchanged at EUR 0.14 in comparison to 31 December 2013.



Luckenwalder Straße, Königswusterhausen

in EUR / share



Passage on FFO at TAG Group at the end of the first quarter 2014

Funds From Operations (FFO) describes a company's operational profitability and is therefore an important indicator for real estate companies. FFO I is calculated from EBT, adjusted for non-cash items. At the end of the first quarter 2014 FFO I, which does not include proceeds from sales, was EUR 20.7 m, reflecting a further increase over the last four quarters of the previous year. (Q1 EUR 15.1 m/Q2 EUR 16.4m/Q3 EUR 17.1 m/Q4 EUR 19.6m).

We report another indicator known as **AFFO** (Adjusted Funds From Operations), where investments made into the portfolio holdings are deducted from FFO. At 31 March 2014, AFFO was EUR 12.8m.

TAG's business activity regularly includes property sales. For this reason, we also report another indicator, FFO II, which includes cash inflows from disposals. At the end of March 2014, FFO II came to EUR 24.3m, showing that only very few proceeds from sales were booked in the first quarter.

in EUR m	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013 Total	Q1 2014*
EBT (incl. discontinued operations)	13.3	11.7	13.5	-15.5	23.1	9.7
Adjustments						
valuation result	0.1	0.3	-4.2	19.7	15.9	-2.0
depreciation	0.5	0.6	0.6	0.6	2.2	0.6
impairment losses on receivables and inventories	1.2	1.9	5.3	9.0	17.4	7.4
impairment of financial assets	-	-	-	0.2	0.2	-
non-cash financial expenses/ one off's refinancing	0.4	1.1	2.1	5.6	9.2	3.6
one off's personnel-costs and additional project costs	-	-	-	-	-	1.0
sales result	-0.5	0.9	-0.2	-0.1	0.2	0.4
FFO I	15.1	16.4	17.1	19.6	68.1	20.7
excl. CAPEX	-1.6	-6.1	-4.4	-8.0	-20.0	-7.9
AFFO	13.6	10.3	12.7	11.6	48.1	12.8
FFO I plus liquidity from sales	44.9	2.7	4.5	0.8	52.9	3.6
FFO II	60.1	19.0	21.6	20.4	121.0	24.3
FFO I per share in EUR	0.12	0.13	0.13	0.15	0.52	0.16
AFFO per share in EUR	0.10	0.08	0.10	0.09	0.37	0.10
FFO II per share in EUR	0.46	0.15	0.17	0.15	0.92	0.18

* Including commercial

FFO I forecast for 2014

We are well on our way to achieving this year's forecast FFO I of EUR 90 m excluding liquidity from sales and therefore confirm this forecast.

in EUR m



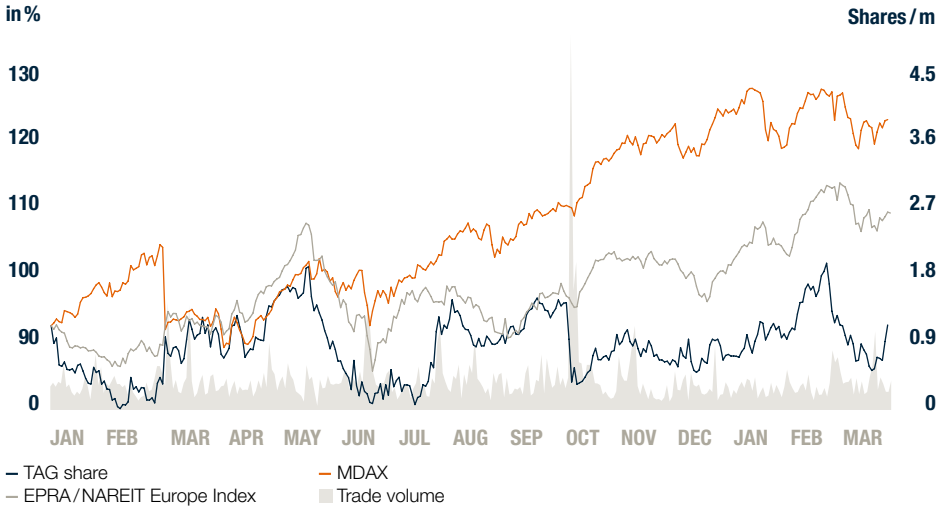
The TAG share

At the end of the first quarter 2014, the price of the MDAX-listed TAG share was trending up (+ 5%) in line with the European real estate index EPRA (+7%). During the same period, the MDAX index showed more of a sideways movement with a slightly decreasing trend (-0.4%). The TAG share was trading at EUR 8.63 at the beginning of the year, and at EUR 9.00 on 31 March 2014. The listed price on 30 Apr 2014 was EUR 9.15.

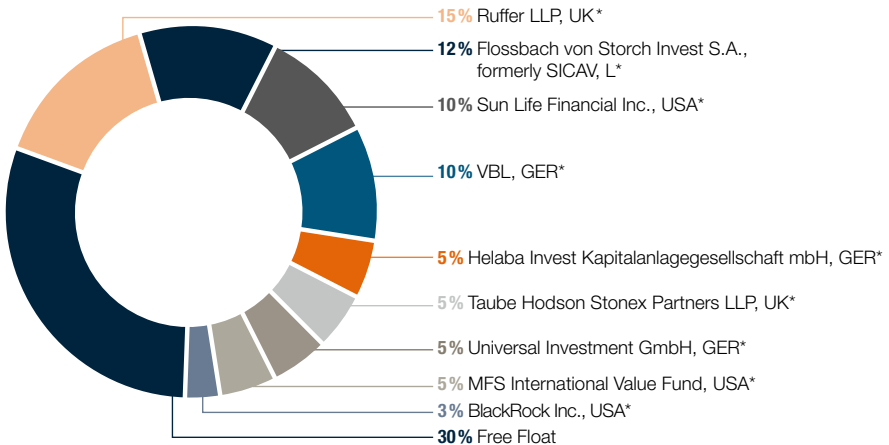
At 131.298.317 in the first quarter of 2014, the share capital and number of shares have remained unchanged compared with the end of the year 2013. Free float is still at 100%. Given the closing price of EUR 9.00 on 31 March 2014, TAG's market capitalization is EUR 1,119 m.

As before, national and international investors with a predominantly long-term investment strategy make up the majority of TAG shareholders.

Share price January 2013 – March 2014



Shareholder structure as of 31 March 2014



* Deutsche Börsen definition including institutional investors

Dividend

TAG intends to let its shareholders participate in the company's success by continually paying a dividend, and by paying out a significant share of the profits as dividends. Accordingly, a dividend of EUR 0.35 per share will be proposed at the upcoming Annual General Meeting. An increase in the dividend to EUR 0.50 per share is expected for the following year.

Corporate bond

On 7 February 2014, the volume of the WKN A1TNFU corporate bond issued in August 2013 was increased by another EUR 110m by way of a private placement. The bond, which matures in August 2018 and pays annual interest of 5.125%, had an original volume of EUR 200m. The new issuance was made at 103% of nominal value, or about the price of the bond at the time. The proceeds from the increase in the bond will primarily be used to further optimise the capital and financing structure, in particular for repayment of bank loans bearing a higher interest rate. In addition, the Company intends to use the net proceeds to fund the further growth of TAG and for other general business purposes.



Budapester Straße, Erfurt

Group Management Report for the first three months of the 2014 financial year

Macroeconomic conditions in Germany

Economic activity has accelerated steadily over the first three months of 2014 and this has had a positive effect on the economy. The International Monetary Fund (IMF) has confirmed this recovery trend and significantly lifted its global growth forecasts. For 2014, it expects growth of 1.2% in the euro zone – the previous year, forecasts were merely for 0.2%.

The German Institute for Economic Research (DIW) is in agreement with this positive trend and forecasts a 1.8% growth in Germany's gross domestic product for the current year 2014. Due to the crisis in the emerging markets and in the Crimea, the Ifo business climate index fell for the first time since October 2013, to 110.7 points at 31 March 2014, somewhat dampening the business climate in Germany.

The mood in industry, exports and construction, however, is positive. In particular, private consumption picked up again in the first quarter of 2014, after consumers' purchasing power had temporarily declined in the fourth quarter of 2013. The rate of inflation in the Federal Republic of Germany dropped to its lowest level since 2010. Boosted by these price developments, consumer spending will continue high. According to the Federal Statistical Office, the average year-on-year increase in the price of goods and services was just 1% in March. At the same time the unemployment rate fell to 7.1% at the end of March 2014, so all signs in Germany point to growth.

The German real estate market

The residential real estate market

German residential portfolios are still regarded as a high-demand asset class. In the first three months of 2014, approximately EUR 4.9 billion were invested in German residential real-estate portfolios – three and a half times the amount invested in the first quarter of 2013. This extremely high turnover is mainly due to three huge transactions: Deutsche Annington SE is responsible for the two largest deals – it acquired 30,000 units from the Vitus Group for approximately EUR 1.4 billion, and the Dewag portfolio with 11,500 units for around EUR 1 billion. Buwog AG, part of Immofinanz AG, bought up the DGAG portfolio for close to EUR 0.9 billion, the third-largest transaction during the reporting period. Collectively, these three transactions account for about two-thirds of the quarter's turnover – and so, the largest transactions that can be expected for 2014 have been completed within the first quarter. Industry professionals project total turnover of over EUR 10 billion for the year.

In fact, the first quarter was dominated by major transactions, as also shown by the following: In all, 40 lots of apartments changed hands, each with an average 2,400 units, meaning that about 95,500 apartments were sold. German buyers accounted for about three-quarters of the total transaction volume.

One trend that emerged last year continued through the beginning of this year: smaller locations outside the metropolitan centres are becoming more attractive. Due to significant rent hikes, people are increasingly moving to cities beyond the prime locations like Cologne, Munich, Hamburg, Berlin. As a result, in the first quarter of 2014, for the first time in several years, Berlin was no longer among the five top-turnover sites. Instead, the ranking was led by locations like Kiel (approx. 15,100 traded units), Bremen (approx. 10,200 traded units) and Mönchengladbach (6,100 units).

The development of the German real estate market in the first three months of 2014 shows that German real estate, particularly residential real estate, is still very much in demand, fuelled in particular by its attractive risk premiums compared to other tangible assets, and persistent fears of a rise in the inflation rate.

Commercial real estate

The market for commercial real estate in Germany was also dynamic in the first three months of 2014. At nearly EUR 9.9 billion by the end of March 2014, the transaction volume of the first quarter of 2014 was nearly on par with the fourth quarter of 2013. This suggests a transaction volume of between EUR 35 and 40 billion for the full year 2014, that is, as much as 30 % higher than the result for fiscal 2013.

First-quarter transaction volume sales increased by more than 40 % year-on-year. Logistics and industrial properties saw the steepest increase in sales (+154 % compared to Q1 2013), followed by office properties (+64 % compared to Q1 2013). Almost all sectors benefitted from portfolio-scale transactions: at more than EUR 4.3 billion, these accounted for about 44 % of total sales.

The volume of transactions beyond the top 6 locations (Berlin, Dusseldorf, Cologne, Hamburg, Frankfurt, Munich) also doubled year-on-year, from EUR 3.2 billion to EUR 6.4 billion. Portfolio-scale transactions alone accounted for half of this. Most real estate packages were purchased by foreign investors, confirming this class of investors' increasing willingness to take risks.

Business performance in the first quarter of 2014

Acquisition of another residential property portfolio with approx. 4,000 units

TAG took advantage of opportunities in the German residential real estate market and at the beginning of February 2014 bought a real-estate portfolio consisting of 3,985 residential units. The portfolio is focused in Thuringia, with its university towns of Jena, Erfurt and Weimar (approx. 3,000 units), Saxony, and Saxony-Anhalt. The property package can be further developed, efficiently managed and easily integrated by TAG's existing administrative structures in the eastern German housing market. The takeover of the portfolio is expected in mid-2014.

Sale of the majority stake in TAG Gewerbe Immobilien GmbH and associated discontinuation of the commercial real estate business

Because commercial real estate is no longer the focus of its corporate strategy, TAG had accelerated its programme to sell off the commercial real estate portfolio in fiscal 2013, and had already sold a total of eight properties. Under an agreement dated 28 March 2014, the TAG has now sold 80% of its shares in TAG Gewerbeimmobilien GmbH – corresponding to another 21 properties – to an Apollo Global Management fund. The contract closing, that is the legal transfer of the shares, is expected for the second quarter of 2014. Up until this point, TAG Gewerbeimmobilien GmbH will continue to be included in the consolidated financial statements. As part of the sale, TAG is disposing of all the major components of its commercial portfolio. The Group is only retaining individual objects where a significant portion is devoted to other uses, such as housing, and the Group's own corporate headquarters in Hamburg. TAG will retain a 20% holding in TAG Gewerbeimmobilien GmbH.

The precise effect on earnings from the disposal of TAG Gewerbeimmobilien GmbH cannot be determined until after the legal completion of the sale. Based on the findings to date, a slight gain can be expected. In this consolidated interim financial statement to 31 March 2014, however, the sale has resulted in special discontinued requirements concerning the consolidated balance sheet and the consolidated profit-and-loss statement. Please refer to the further remarks in the explanatory notes for details on this.

Results of operations, financial position and net asset position of the TAG Group

Results of operations

In contrast to the prior year, at March 31, 2014 the income and expenses attributable to the discontinued commercial real estate operations are shown netted as 'Post tax result of discontinued operations'. A breakdown of this result can be found in the Notes to the consolidated statement.

The Group increased its first-quarter rental income by nearly 4.0% year-on-year, to TEUR 60,083, with the increase in rents during the first quarter of 2014 alone amounting to about 0.5% with no significant rent increases. In addition to the acquisitions made in the course of fiscal year 2013, this is also the result of our successful inventory management. Although vacancy has increased slightly since the end of 2013, this is solely due to the high vacancy in the portfolio we purchased at the turn of the year. We continue to make good progress on actual vacancy reduction, especially in Salzgitter where vacancy fell by a further 0.6% points in the first quarter and now stands at 18.0%. The further increase in our properties' profitability is also reflected in rental profits, which rose disproportionately to TEUR 49,834 vs. TEUR 44,847 during the same period last year.

There were no major property sales during the first quarter. Sales of investment properties and properties held for sale generated total revenue of TEUR 2,944; the sales proceeds confirmed our book values. By contrast, Q1 2013 had seen extensive property sales totalling TEUR 101,121. The sale of three residential complexes in Berlin, comprising 1,400 residential units, alone generated a purchase price of approximately EUR 87 million.

The valuation results for the first quarter amounted to TEUR 2,014 (previous year: TEUR -96), due to additional takeovers from the residential portfolio of approximately 3,000 units acquired at the end of fiscal 2013.

Additional expenses in the amount of TEUR 8,032 were incurred in the personnel department (previous year: TEUR 7,239). For the most part this was due to one-time payments because of a changeover on the company's Board. Other operating expenses also increased to TEUR 4,982, from TEUR 4,131 in Q1 2013 – mainly because of additional expenses incurred as a result of launching our new ERP program in several subgroups on 1 January 2014. The remaining companies and subgroups will use the software from 1 January 2015, at which point all IT systems across the Group will have been unified.

Of the increased impairment losses on inventories and receivables of TEUR 7,392 (previous year: TEUR 1,133), TEUR 5,682 are due to a now complete value adjustment to the receivables from the sale of shares to Polar Real Estate Management GmbH. In light of recent talks with the management of this company and the documents submitted, we have decided to carry out this complete value adjustment to eliminate all balance sheet risks, after a depreciation had already made at the end of 2013.

Net interest income, the result of offsetting interest income against interest expenses, increased from TEUR -23,842 to TEUR -24,993. This is, however, due for the most part to the investments made in fiscal year 2013 and the first quarter of 2014. The average interest rate on our bank loans was 3.64 % at 31 March 2014, after 4.20 % at 31 March 2013.

Overall, TAG generated first-quarter EBT of TEUR 8,160 (previous year: TEUR 11,251), and net income from continuing operations, i.e. without commercial property sales, of TEUR 7,024 (previous year: TEUR 12,698). By contrast, first-quarter FFO I, which shows our operating profitability, increased markedly year on year, from TEUR 15,139 in Q1 2013 to TEUR 20,706 during the period under review.

Assets and financial position

The balance sheet total at 31 March 2014 increased to EUR 3,821 m compared to 31 December 2013, due to the newly acquired inventory (previous year EUR 3,763 m). In addition to the increased real estate values, "Other current assets" includes down payments on properties not yet transferred, which explains the increase in this balance sheet item. The commercial properties, which will no longer be part of the group as part of the sale of TAG Gewerbeimmobilien GmbH, are shown mostly as "Non-current assets held for sale" at the reporting date, and most of the liabilities in connection with this are found at the end of the liabilities side of the balance sheet.

The equity ratio after minorities at the closing date was virtually unchanged vs. 31 December 2013, at nearly almost 29%. The positive Group net income in the first quarter of 2014 increased Net Asset Value (NAV) per share from EUR 9.45 to EUR 9.55.

The successful increase in our corporate bond pushed the book value of the bond to overall EUR 312 m from EUR 201 m at 31 December 2013. However, the loan to value ratio remains virtually unchanged at 62.2% (31 December 2013: 62.1%).

Personnel changes on the Boards

Based on the Supervisory Board resolution of 26 February 2014 Mr Martin Thiel was appointed as the new Chief Financial Officer (CFO) of TAG Immobilien AG with effect from 1 April 2014. Mr Georg Griesemann stepped down from the company's Management Board on March 31 2014.

The Chairman of the Supervisory Board, Dr. Lutz R. Ristow, will retire from the Supervisory Board for age reasons at the end of the coming Annual General Meeting (AGM), which will take place on 13 June 2014. His deputy, Prof. Dr. Ronald Frohne, will also resign his man-date at the end of the AGM for personal reasons. Dr. Hans-Jürgen Ahlbrecht and Dr. Hans-Ingo Holz will be proposed to the AGM as their successors on the Supervisory Board.

Material events after the reporting date

There were no significant events requiring disclosure after the end of the interim reporting period.

Opportunities and risks, Outlook

Through its activities, TAG is exposed to various operational and economic opportunities and risks. Please refer to the detailed disclosure in the „Opportunities and Risk Report“ section of the Group Management Report for the 2013 fiscal year. Since 1 January 2014, no significant developments have occurred or become apparent that would lead to a different assessment.

For fiscal year 2014, we continue to expect FFO I of EUR 90m. Our dividend policy of distributing approx. 75% of these FFO to our shareholders still applies so that, following our proposal to the AGM of a dividend of EUR 0.35 per share for fiscal 2014, we expect the dividend for the 2015 fiscal year to increase to EUR 0.50 per share.

Hamburg, 8 May 2014

The Management Board



Rolf Elgeti
CEO



Martin Thiel
CFO



Claudia Hoyer
COO



Dr. Harboe Vaagt
CLO

Consolidated balance sheet

Assets in TEUR	03/31/2014	12/31/2013
Non-current assets		
Investment properties	3,262,934	3,544,075
Intangible assets	5,337	5,142
Property, plant and equipment	13,014	13,028
Investments in associates	125	119
Other financial assets	12,664	18,178
Deferred taxes	0	613
	3,294,074	3,581,155
Current assets		
Land with unfinished and finished buildings	45,199	46,874
Other inventories	147	618
Trade receivables	12,334	16,221
Income tax receivables	2,771	3,293
Derivative financial instruments	5,842	8,884
Other current assets	44,630	14,984
Cash and cash equivalents	116,276	85,326
	227,199	176,200
Non-current assets available-for-sale	299,713	5,969
	3,820,986	3,763,324

Equity and liabilities in TEUR	03/31/2014	12/31/2013
Equity		
Subscribed capital	131,298	131,298
Share premium	705,898	705,898
Other reserves	-11,592	-10,930
Unappropriated surplus	289,558	281,040
Attributable to the equity-holders of the parent company	1,115,162	1,107,306
Attributable to non-controlling interests	19,468	20,060
	1,134,630	1,127,366
Non-current liabilities		
Bank borrowings	1,840,449	1,947,049
Liabilities from corporate bonds	309,890	197,006
Liabilities from convertible bonds	106,578	106,125
Derivative financial instruments	7,521	13,519
Retirement benefit provisions	5,556	5,618
Other non-current liabilities	329	293
Deferred taxes	108,184	120,710
	2,378,507	2,390,320
Current liabilities		
Other provisions	16,798	24,214
Income tax liabilities	7,506	9,423
Bank borrowings	62,771	179,534
Trade payables	18,589	11,385
Derivative financial instruments	5,316	9,166
Liabilities from corporate bonds	2,220	4,100
Liabilities from convertible bonds	1,807	190
Other current liabilities	14,277	7,626
	129,227	245,638
Liabilities in connection with the non-current assets available for sale	178,622	0
	3,820,986	3,763,324

Consolidated income statement

in TEUR	01 / 01 – 03 / 31 / 2014	01 / 01 – 03 / 31 / 2013 (adjusted)
Total revenues	63,415	159,605
Rental revenues	60,083	57,914
Rental expenses	-10,249	-12,721
Net rental income	49,834	45,193
Revenues from the sale of inventory real estate	994	3,061
Expenses on the sale of inventory real estate	-817	-2,343
Net revenues from sale of inventory real estate	177	718
Revenues from the sale of investment properties	1,950	98,060
Expenses on the sale of investment properties	-2,062	-98,308
Net revenues from sale of investment properties	-112	-248
Revenues from property management	388	570
Expenses for the provision of property management	-2	-5
Net income from the provisions of property management	386	565
Other operating income	1,791	1,875
Fair-value remeasurement of investment properties	-10	-96
Net fair value gains and losses from measurement of newly acquired investment properties	2,024	0
Total net gains from the remeasurement of investment properties	2,014	-96
Gross profit	54,090	48,007
Personnel expenses	-8,032	-7,239
Depreciation / amortisation	-617	-473
Impairment losses on receivables and inventories	-7,392	-1,133
Other operating expenses	-4,982	-4,131
EBIT	33,067	35,031
Net profit from investments	80	68
Share of profit from associates	6	1
Loss absorption	0	-7
Interest income	942	2,348
Borrowing costs	-25,935	-26,190
EBT	8,160	11,251
Income taxes	-1,126	1,456
Other taxes	-10	-9
Consolidated net profit from continuing operations	7,024	12,698

in TEUR	01 / 01 – 03 / 31 / 2014	01 / 01 – 03 / 31 / 2013 (adjusted)
Post tax result of discontinued operations	903	1,432
Consolidated net profit	7,927	14,130
of which attributable to non-controlling interests	-592	98
of which attributable to the Parent Company's shareholders	8,519	14,032
Earnings per share (EUR)		
Basic loss per share	0.06	0.11
Diluted loss per share	0.06	0.11

Consolidated statement of comprehensive income

in TEUR	01 / 01 – 03 / 31 / 2014	01 / 01 – 03 / 31 / 2013
Net loss as shown in the income statement	7,927	14,130
Unrealised gains and losses from hedge accounting	-787	4,598
Deferred taxes on unrealised gains and losses	126	-1,094
Other comprehensive income after taxes	-661	3,504
Total comprehensive income	7,266	17,634
of which attributable to non-controlling interests	-592	304
of which attributable to the Parent Company's shareholders	7,858	17,330

Consolidated cashflow statement

in TEUR	03/31/2014	03/31/2013
Consolidated net profit/loss	7,927	14,130
Depreciation/amortisation	617	462
Share of profits/losses of associates and other financial assets	-6	-1
Gains from the remeasurement from investment properties	-2,014	129
Gains/losses from the disposal of investment properties	6	248
Gains/losses from disposal of property, plant and equipment	0	-5
Impairments on receivables and inventories	7,397	1,239
Changes in deferred income taxes	1,895	-403
Changes in provisions	-8,101	-4,833
Changes in receivables and other assets	18,913	7,858
Changes in payables and other liabilities	-10,867	-8,154
Cashflow from operating activities	15,767	10,670
Payments received from the disposal of investment properties	3,000	98,060
Payments made for investments in investment properties	-29,131	-911
Payments received from sale of property, plant and equipment	0	8
Payments made for investments in intangible assets and property, plant and equipment	-800	-412
Payments received from other financial assets	586	0
Cashflow from investing activities	-26,345	96,745
Payments received from the issuance of corporate bonds	113,300	0
Costs associated with the issuance of corporate bonds	-144	0
Payments received from bank borrowings	100	21,643
Payments made for repaying bank borrowings	-70,890	-104,209
Cashflow from financing activities	42,366	-82,566
Net change in cash and cash equivalents	31,788	24,849
Cash and cash equivalents at the beginning of the period	79,008	31,712
Currency translation	0	0
Cash and cash equivalents at the end of the period	110,796	56,561

Statement of changes in consolidated equity

in TEUR	Attributable to the parent's shareholders							Non-controlling interests	Total equity
	Subscribed capital	Share premium	Other reserves			In-appropriated surplus	Total		
			Retained earnings	Hedge accounting reserve	Currency translation				
Amount on 01/01/2014	131,298	705,898	527	-11,546	89	281,040	1,107,306	20,060	1,127,366
Consolidated net profit	0	0	0	0	0	8,519	8,519	-592	7,927
Other comprehensive income	0	0	0	-661	0	0	-661	0	-661
Total comprehensive income	0	0	0	-661	0	8,519	7,858	-592	7,266
Currency translation	0	0	0	0	-1	0	-1	0	-1
Amount on 03/31/2014	131,298	705,898	527	-12,207	88	289,558	1,115,163	19,468	1,134,630
Amount on 01/01/2013	130,738	739,971	527	-20,833	96	285,678	1,136,177	20,279	1,156,456
Consolidated net profit	0	0	0	0	0	14,032	14,032	98	14,130
Other comprehensive income	0	0	0	3,298	0	0	3,298	206	3,504
Total comprehensive income	0	0	0	3,298	0	14,032	17,330	304	17,634
Increase/ decrease in shares without any change of status	0	-10	0	0	0	0	-10	-246	-256
Cost of issuing equity (after income taxes)	0	-50	0	0	0	0	-50	0	-50
Currency translation	0	0	0	0	-5	0	-5	0	-5
Amount on 03/31/2013	130,738	739,911	527	-17,535	91	299,710	1,153,442	20,337	1,173,779

Consolidated segment report

For the period from 1 January to 31 March 2014

in TEUR	Residential real estate				
	Hamburg	Berlin	NRW	Salzgitter	Thuringia / Saxony
Rental income	9,898	11,997	4,111	7,120	25,676
Previous year	9,627	11,854	4,084	6,809	24,002
■ of which external rental income	9,898	11,980	4,111	7,120	25,652
Previous year	9,627	11,840	4,084	6,809	23,977
■ of which internal rental income	0	17	0	0	24
Previous year	0	14	0	0	25
Rental expenses					
Previous year					
Asset sales					
Previous year					
Net income from services					
Previous year					
Remeasurement					
Previous year					
Investment properties					
Previous year					
Non-allocated other operating income					
Previous year					
■ of which consolidation gains					
Previous year					
Gross profit					
Previous year					
■ Miscellaneous nonallocated expenses					
Previous year					
EBT					
Previous year					
Segment assets	534,790	663,843	224,844	360,920	1,388,990
Previous year	532,639	665,542	224,734	359,544	1,381,925
Non-allocated assets					
Previous year					
Total assets					
Previous year					

Total residential	Other activities	Consolidation	Continuing operations	Discontinued operations	TAG Group
58,802	1,467	-186	60,083	5,062	65,145
56,376	1,719	-181	57,914	5,261	63,175
58,761	1,322	0	60,083	5,062	65,145
56,337	1,577	0	57,914	5,261	63,175
41	145	-186	0	0	0
39	142	-181	0	0	0
			-10,249	-921	-11,170
			-12,724	-879	-13,603
			-339	-106	-445
			470	0	470
			386	0	386
			565	0	565
			-10	0	-10
			-96	-33	-129
			2,024	0	2,024
			0	0	0
			1,791	8	1,799
			1,878	4	1,882
			0	0	0
			0	0	0
			53,686	4,043	57,729
			48,006	4,353	52,360
			-45,039	-2,983	-48,021
			-35,229	-3,801	-39,031
			8,648	1,060	9,708
			12,777	552	13,329
3,173,387	145,880	0	3,319,267	295,573	3,614,840
3,164,384	145,792	0	3,310,176	296,623	3,606,799
					206,147
					156,525
					3,820,986
					3,763,324

Notes on the abridged interim financial statements for the quarter ending 31 March 2014

General information

These abridged 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 37 × (3) of the German Securities Trading Act pertaining to interim financial reporting. The period under review covers the first three months of 2014. The comparison figures refer to 31 December 2013 with respect to the consolidated balance sheet and otherwise to the first three months of 2013. 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 report has been prepared on a consolidated basis in accordance with the International Financial Reporting Standards (IFRS) in the version endorsed by the EU concerning interim reporting (IAS 34 – Interim Reporting) subject to mandatory application as of the reporting date. In addition, allowance has been made for the provisions contained in German Accounting Standard No. 16 (DRS 16 – Interim Reporting). The standards to be applied for the first time in the period under review did not have any material effects on the consolidated financial statements.

The recognition and measurement principles as well as the notes and explanations on the interim consolidated financial statements are based on the recognition and measurement principles applied to the consolidated financial statements for the year ending 31 December 2013. For more details concerning the recognition and measurement principles applied, please refer to the consolidated financial statements for the year ending 31 December 2013 prepared in accordance with IFRS, which pursuant to IAS 34 form the material basis for these interim financial statements.

Consolidation group

The consolidation group as of 31 March 2014 includes TAG and all companies in which TAG directly or indirectly holds a majority of the voting capital. If shares in subsidiaries are considered to be of subordinate significance from the Group's perspective, they are recognised as available-for-sale financial assets in accordance with IAS 39. There were no material changes in the companies consolidated compared with 31 December 2013.

Material transactions during the period under review

In the course of the first quarter of 2014 the Group assumed further real estate assets from a portfolio which had been acquired at the end of the previous year. This resulted in an addition of TEUR 5,500 to investment properties; a gain of TEUR 2,024 resulting from the first-time measurement of the fair value of the portfolio was reported in the income statement.

In a contract dated 28 March 2014, TAG sold 80 % of its shares in TAG Gewerbeimmobilien GmbH to a fund initiated by Apollo Global Management. The contract is expected to be closed in the second quarter of 2014, at which time the transfer of the shares will take legal effect and control will be lost. Pending this, TAG Gewerbeimmobilien GmbH will continue to be fully consolidated.

As a result of this sale, TAG will be disposing of all main elements of its commercial real estate portfolio. The Group will only be retaining sporadic assets which are mostly used in conjunction with other types of use, e.g. residential and the self-used corporate headquarters in Hamburg. These residual activities will fall short of the IFRS 8 materiality thresholds for the definition of a separate segment as they will account for less than 10% of assets, rental income and consolidated earnings. Accordingly, they will be included within "other activities" in the consolidated segment report together with other activities of subordinate importance such as the remaining service business.

Regardless of the still pending sale, the guidance contained in IFRS 5 on discontinued operations is being applied from 31 March 2014. This requires the separate presentation of the main assets and liabilities to be sold under the item “non-current assets held for sale” and “liabilities in connection with non-current assets held for sale” in the consolidated balance sheet. In the consolidated income statement, all income and expenses accruing from the discontinued operations are netted and presented within “post-tax result of the discontinued operations”. The income, expenses and assets of the discontinued operations are also shown separately in the consolidated segment report. The previous-year figures in the consolidated income statement and in the consolidated segment report are restated accordingly.

The post-tax profit or loss from the discontinued operations reported within the consolidated income statement which is fully attributable to the parent company's equityholders breaks down as follows:

	01/01–03/31/2014 TEUR	01/01–03/31/2013 TEUR
Net rental income	4,141	4,379
Net revenues from sale	-510	0
Net gains from the remeasurement of investment properties	0	-33
Other operating income	8	7
Other expenses	-356	-403
Net interest income	-1,735	-1,872
Income and other taxes	-645	-646
Post tax result of the discontinued operations	903	1,432
Earnings per share from discontinued operations (in EUR)	0	0

The following cash flows are allocated to the discontinued operations:

	01/01–03/31/2014 TEUR	01/01–03/31/2013 TEUR
Cashflow from operating activities	2,236	2,254
Cashflow from investing activities	0	-33
Cashflow from financing activities	-1,320	-1,427
Total cashflow from discontinued operations	916	794

The precise effect on earnings of the sale of TAG Gewerbeimmobilien GmbH can only be calculated after the legal execution of the transaction. On the basis of current knowledge, the sale is expected to generate a small gain.

Disclosures on financial instruments

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

	Fair value hierarchy	03/31/2014 TEUR	12/31/2013 TEUR
ASSETS			
Investment properties	Level 3	3,262,934	3,544,075
Derivatives with no hedging relationship	Level 2	5,828	8,794
Derivatives with a hedging relationship	Level 2	14	97
LIABILITIES			
Derivatives with no hedging relationship	Level 2	1,021	1,063
Derivatives with a hedging relationship	Level 2	22,044	21,623

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

31 March 2014	Carrying amount TEUR	IAS 39 Category*	Fair value TEUR	Fair value hierarchy
ASSETS				
Other financial assets				
Investments	5,683	AfS	n/a	
Other financial assets	6,981	LaR	6,981	Level 2
Trade receivables	12,334	LaR	12,334	Level 2
Other current assets	43,118	LaR	43,118	Level 2
Cash and cash equivalents	116,276	LaR	116,276	Level 2
LIABILITIES				
Bank borrowings	1,903,220	AmC	1,862,176	Level 2
Liabilities from convertible bonds	108,385	AmC	116,631	Level 2
Liabilities from corporate bonds	312,110	AmC	328,600	Level 2
Other non-current liabilities	329	AmC	329	Level 2
Trade payables	18,589	AmC	18,589	Level 2
Other current liabilities	14,277	AmC	14,277	Level 2
31. Dezember 2013				
ASSETS				
Other current liabilities				
Investments	5,734	AfS	n/a	
Other financial assets	12,444	LaR	12,444	Level 2
Trade receivables	16,221	LaR	16,221	Level 2
Other current assets	14,498	LaR	14,498	Level 2
Cash and cash equivalents	85,326	LaR	85,326	Level 2
LIABILITIES				
Bank borrowings	2,126,583	AmC	2,068,515	Level 2
Liabilities from convertible bonds	106,315	AmC	106,315	Level 2
Liabilities from corporate bonds	201,106	AmC	206,000	Level 2
Other non-current liabilities	293	AmC	293	Level 2
Trade payables	11,385	AmC	11,385	Level 2
Other current liabilities	11,726	AmC	11,726	Level 2

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

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

The fair value of the other financial assets corresponds to the present value of the expected cash flows in the light of their duration and risk-adjusted market interest rates. Non-current bank borrowings and other non-current liabilities are measured accordingly.

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.

There has been no material change in the Group's financial risks since 31 December 2013. Further details of the interest risk, credit risk management as well as the liquidity and funding risk can be found in the notes to the consolidated financial statements as of 31 December 2013.

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

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

Other disclosures

There has been no material change in the Group's contingent liabilities since 31 December 2013.

As of 31 March 2014, the TAG Group had 532 employees, compared with 519 on 31 December 2013.

Basis of reporting

The preparation of the abridged consolidated interim financial statements pursuant to IFRS requires the management boards and management staff of the consolidated companies to make assumptions and estimates influencing the assets and liabilities carried on the balance sheet, the disclosure of contingent liabilities on the balance-sheet date and the expenses and income reported during the periods under review. The actual amounts arising in future periods may differ from these estimates. Moreover, the

abridged consolidated interim financial report includes statements which do not entail reported financial data or any other type of historical information. These forward-looking statements are subject to risk and uncertainty as a result of which the actual figures may deviate substantially from those stated in such forward-looking statements. Many of these risks and uncertainties are related to factors which the Company can neither control, influence nor precisely estimate. This concerns, for example, future market and economic conditions, other market participants' behaviour, the ability to successfully integrate companies after acquisition and tap expected synergistic benefits as well as changes to tax legislation. Readers are reminded not to place any undue confidence in these forward-looking statements, which apply only on the date on which they are given.

Hamburg, 8 May 2014



Rolf Elgeti
CEO



Martin Thiel
CFO



Claudia Hoyer
COO



Dr. Harboe Vaagt
CLO



TAG financial calendar

08 May 2014	Publication of the Interim Report Q1 2014
13 June 2014	Annual General Meeting 2014 in Hamburg
07 August 2014	Publication of the Interim Report Q2
06 November 2014	Publication of the Interim Report Q3



Muntebauten, Salzgitter

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This interim report for the first quarter of 2014 is also published in German.
In cases of doubt the German version takes precedence.

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