TAG

Interim Report on the 1st quarter 2016

GROWING CASHFLOWS

TAG Immobilien AG

GROUP FINANCIALS

in TEUR	01/01 – 03/31/2016	01/01 – 03/31/2015
A. Income statement key figures		
Rental revenues	67,680	64,124
EBITDA in total (adjusted)	41,696	40,192
EBIT	41,547	58,974
EBT	19,673	34,302
Consolidated net profit	17,991	28,009
FFO I per share in EUR	0.17	0.15
FFO I in EURm	21.6	18.1
FFO II in EURm	22.3	17.9
AFFO in EURm	12.0	11.3

B. Balance sheet key figures	03/31/2016	12/31/2015
Total assets	3,812,264	3,794,199
Equity	1,197,567	1,120,552
Equity ratio in %	31.4	29.5
Real estate volume	3,602,663	3,577,899
LTV in %	59.0	60.7
LTV in % incl. outstanding convertible bonds	61.0	62.7
EPRA NAV per share in EUR	10.76	10.64
EPRA NAV diluted per share in EUR	10.56	10.45

C. Employees	03/31/2016	12/31/2015
Number of employees	829	781

D. Capital market data	
Market cap at 03/31/2016 in TEUR	1,624,130
Share capital in EUR	136,596,330.00
WKN/ISIN	830350/DE0008303504
Number of shares at 03/31/2016 (issued)	136,596,330
Number of shares at 03/31/2016 (outstanding, without treasury shares)	132,501,206
Free Float in % (remainder treasury shares)	97
Index	MDAX/EPRA

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FORWORD

**Dear Shareholders,
Ladies and Gentlemen,**

We have had a very positive start to the year. This is true both for our operational indicators and for our results.

At 31 March 2016, total like-for-like rental growth, i. e. on the basis of the comparable portfolio, had grown to 3.8% for the past twelve months. At 31 December 2015, this figure was still at 3.3%, and a year ago, on 31 March 2015, it was just 2.5%. We also have very gratifying developments to report in vacancy reduction. Vacancy across the portfolio currently stands at 7.6%, in April 2016. At the beginning of the year, vacancy was still at 8.2%, and a year ago it was 9.1%.

As a result, our cash flow from operations is on the rise. Funds from operations (FFO) are continuously increasing. In Q1 2015, FFO was EUR 18.1 m; in the quarterly report published today we report FFO of EUR 21.6 m for Q1 2016. This is an increase over the previous quarter when FFO amounted to EUR 20.7 m. And we have grown our FFO per share as well – to EUR 0.17 in Q1 2016 after EUR 0.16 in the previous quarter, and EUR 0.15 a year ago.

In parallel to our operational successes, in Q1 2016 we laid the foundation for continued targeted growth through the placement of 5 m treasury shares in March, and optimised our capital structure. The shares were placed at EUR 11.65; in September / October 2014, we acquired these shares for EUR 9.30 as part of a share buyback. The result of this placement, with a high premium on the three-month average share price and well above our NAV, shows the high level of acceptance our shares enjoy on the capital market.

As a result, our LTV (loan-to-value) ratio dropped to 59.0% on 31 March 2016, or 61.0% including liabilities from convertible bonds. A year ago, on 31 March 2015, these values were still at 62.4% and 65.2%. Finally, the NAV (net asset value) per share benefited from the positive impact of the share placement and was EUR 10.76 at the reporting date, compared to EUR 10.24 a year ago, despite a dividend of EUR 0.50 per share having been paid in June 2015.

We are planning to conclude a control and profit and loss transfer agreement that would fully incorporate our subsidiary Colonia Real Estate AG into the TAG Group, both legally and with regard to taxation. The Colonia Annual General Meeting will vote on this in August 2016. Afterwards, the plan is to delist Colonia shares from the stock market. This would simplify the group structure and secure our effective tax structure for the future.

These developments make us optimistic about the future. Our operating results and cashflows are rising every quarter. On the acquisitions side, we will continue to seize opportunities, while also maintaining price discipline. Our portfolio was built at a time when the competitive landscape was much less keenly contacted and purchase prices were therefore significantly lower. On the other hand, we will also continue to take advantage of selling opportunities in high-priced markets. That is why we currently achieve some of the highest returns in the industry for our shareholders.

We want this to remain the case in future, and will propose a dividend of EUR 0.55 per share, up year-on-year once again, at the Annual General Meeting on 17 June 2016. Based on the current share price, this represents a dividend yield of over 4.5%.

Finally, we'd like to thank you, our shareholders, for your trust and look forward hopefully to seeing many of you at our Annual General Meeting in Hamburg.

Yours sincerely,

Claudia Hoyer	**Martin Thiel**	**Dr Harboe Vaagt**
COO	**CFO**	**CLO**

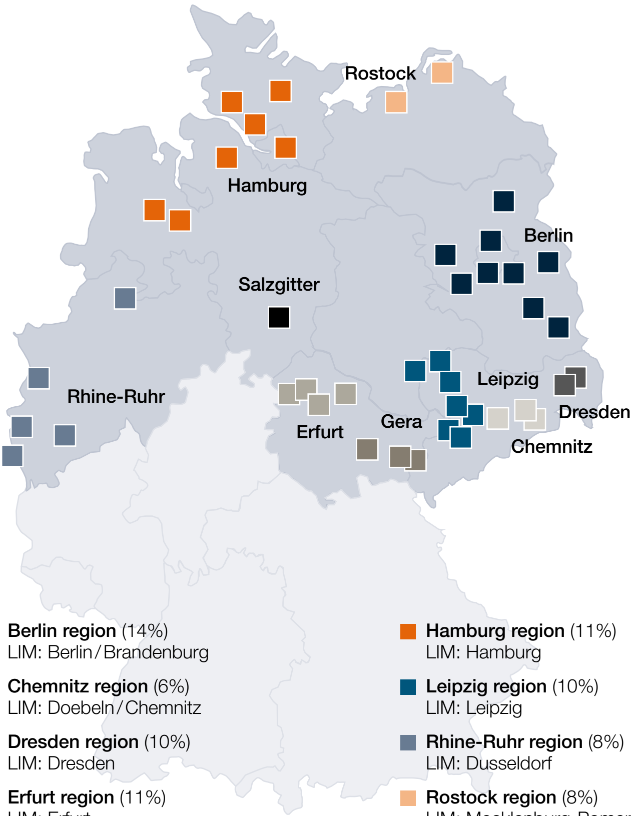
Brake (Lower Saxony)

TAG'S REAL ESTATE PORTFOLIO

At the end of Q1 2016, TAG's portfolio comprised approx. 78,600 units, mostly concentrated in regions that have positive economic growth and development data. Our focus is on managing attractive yet affordable housing with a great sense of social responsibility toward our tenants. The regional focus is mainly in northern and eastern Germany.

With over 60 tenants' offices in property management, TAG stands for high quality service. In keeping with our motto 'Growing cashflows', we are increasing the quality of our portfolio for our tenants while also growing return on equity for our shareholders.

Portfolio	as of 03/31/2016	as of 03/31/2015
Units	78,617	75,223
Rentable area in sqm	4,806,365	4,615,148
Real estate volume in TEUR	3,602,663	3,507,110
Actual net cold rent in EUR/sqm/month (total)	5.13	5.13
Actual net cold rent in EUR/sqm/month (residential units)	5.02	4.98
Annualised actual net cold rent in TEUR (total)	272,688	258,399
Vacancy in % (total)	7.9	9.1
Vacancy in % (residential units)	7.5	8.9



Berlin region (14%)
LIM: Berlin / Brandenburg

Chemnitz region (6%)
LIM: Doebeln / Chemnitz

Dresden region (10%)
LIM: Dresden

Erfurt region (11%)
LIM: Erfurt

Gera region (11%)
LIM: Gera

Hamburg region (11%)
LIM: Hamburg

Leipzig region (10%)
LIM: Leipzig

Rhine-Ruhr region (8%)
LIM: Dusseldorf

Rostock region (8%)
LIM: Mecklenburg-Pomerania

Salzgitter region (11%)
LIM: Salzgitter

% acc. IFRS book value

Capital recycling strategy – acquisition of approx. 1,000 residential units in Saxony at the beginning of the year 2015 / 2016

TAG's business model consists of the long-term management and letting of apartments. Together with making new acquisitions, since 2014, TAG has also specifically seized opportunities to sell properties in high-priced regions. The proceeds from these disposals in the previous year, which averaged 19.4 times the current annual net cold rent, are then reinvested in locations with development potential at significantly lower purchase prices (on average 10.0 times the annual net cold rent). In 2015, TAG sold approx. 1,900 units. At the same time, around 5,300 residential units with higher initial returns were acquired.

In line with this strategy, in December 2015 the Group acquired a residential development in Saxony with 972 units and a rentable area of 57,059 sqm at a purchase price of EUR 39.5 m (11.8 times annual net rent). The formal transfer of benefits and encumbrances took place at the end of January 2016. The portfolio in Saxony is concentrated in the cities of Chemnitz (about 70% of the units) and Riesa near Dresden (approx. 20% of units). The flats were completely renovated in the mid-1990s and have a vacancy rate of just 3.8%, with average net actual rent at EUR 5.05 per sqm.

The new portfolio can be cost-effectively integrated and profitably managed using our existing infrastructure and decentralised asset and property management organisation.

Ruegen (Mecklenburg-Pomerania)

Brandenburg

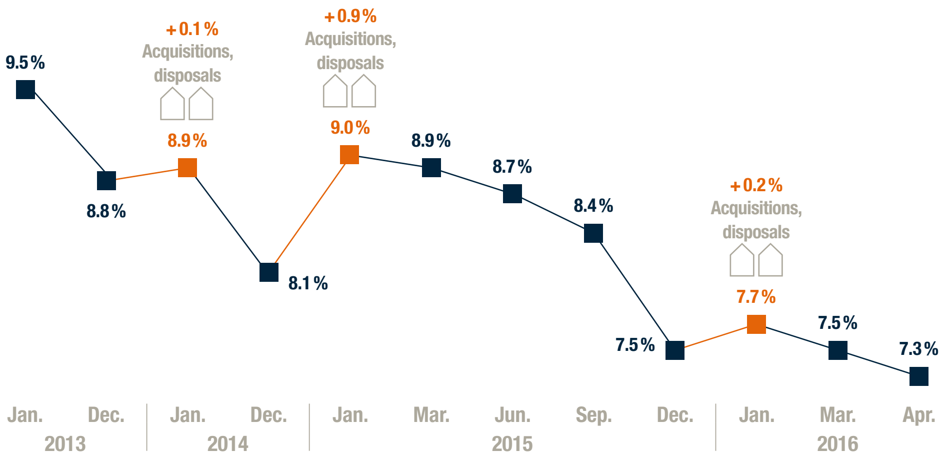
Bitterfeld (Saxony-Anhalt)

Grimma (Saxony)

Vacancy and rent development

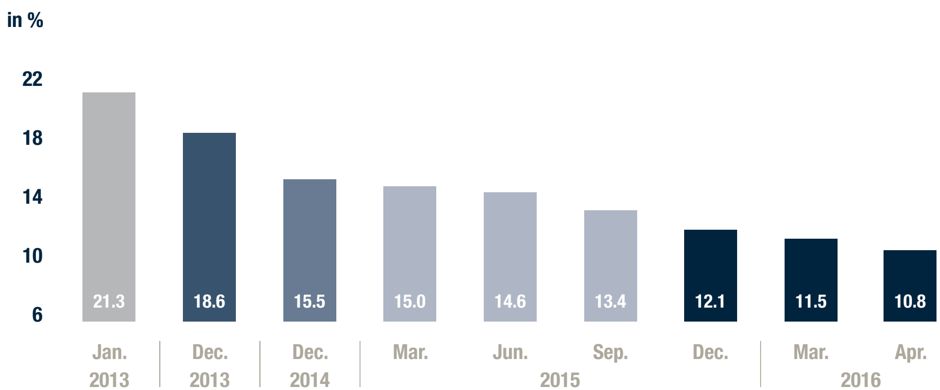
At the end of the first quarter of 2016, TAG was able to report further progress in reducing vacancy in its existing portfolio.

In the overall portfolio, vacancy was down from 8.2% at year-end 2015 to 7.9% in Q1 2016, and 7.6% at end of April 2016. Due to acquisitions in the previous year, vacancy in the total residential units increased from 7.5% at year-end 2015 to 7.7% in the beginning of the year, but within the first 3 months of 2016 was reduced back down to 7.5% in the first three months of the year, and to 7.3% at the end of April.



In the first quarter of the year, the vacancy rate at the Salzgitter location was further reduced from 12.1% at year-end to 11.5% at the end of March, and 10.8% at the end of April 2016.

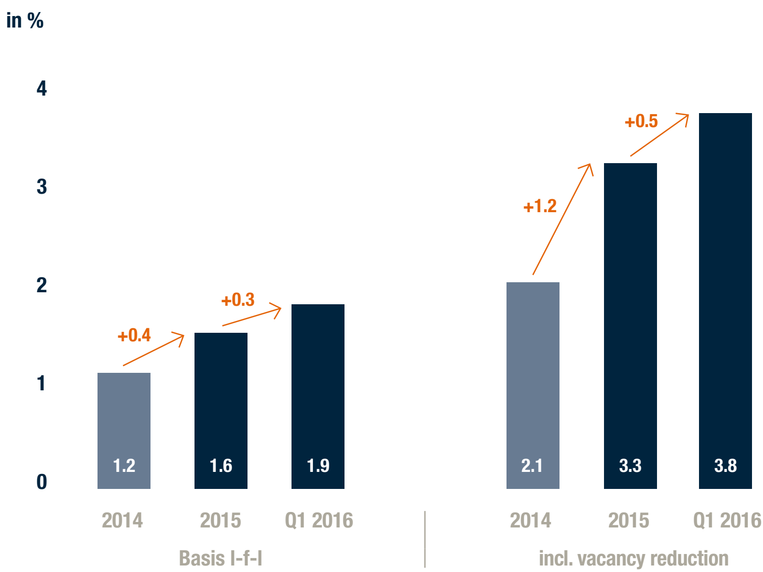
Vacancy development in Salzgitter



Average rent across the entire residential portfolio also remained nearly constant year-on-year, and was EUR 5.02 per sqm per month after EUR 4.98 in Q1 2015. Rents for new leases were well above past rents – at 31 March 2016 they were EUR 5.32 per sqm in the total residential units.

Rental growth in the Group's residential units increased to 1.9% on a like-for-like basis (i. e. including acquisitions and sales of the past twelve months) as of 31 March 2016. Including the effects of the vacancy reduction, the positive development is even more evident, with rental growth at 3.8%.

Rental growth in residential units



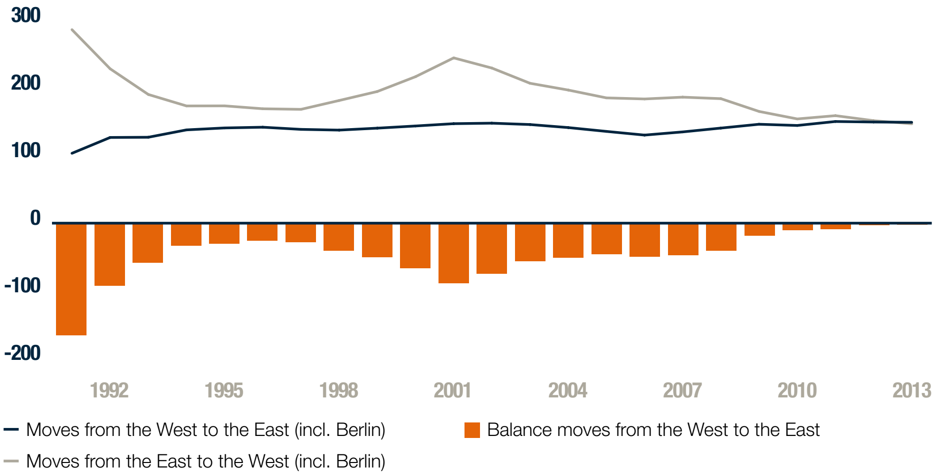
Dynamic property market in eastern Germany

A focus of our acquisitions will continue to be eastern Germany. The advantages of the eastern German property market lie in the positive economic fundamentals and the associated ending of emigration. The population is actually increasing again in many cities. This can be seen very clearly in university towns and cities with good educational and employment opportunities, such as Dresden, Leipzig, Magdeburg, Jena and Rostock. This trend in population development is having a favourable impact on the demand for living space as well. Demand is on a steady increase, not only in the centres, but also in the immediate surrounding areas. The effect: falling vacancy, rising rent levels, and an increase in value for residential properties.

- Since the fall of the Berlin Wall, about 1.8 m people from eastern Germany have moved to the West – mostly young people between 18 and 30 years old.*
- This exodus has now come to an end, that is, the population figures are stabilizing. In 2013, for the first time, more people immigrated to the five eastern German states than emigrated from them.**

Migration between eastern and western Germany**

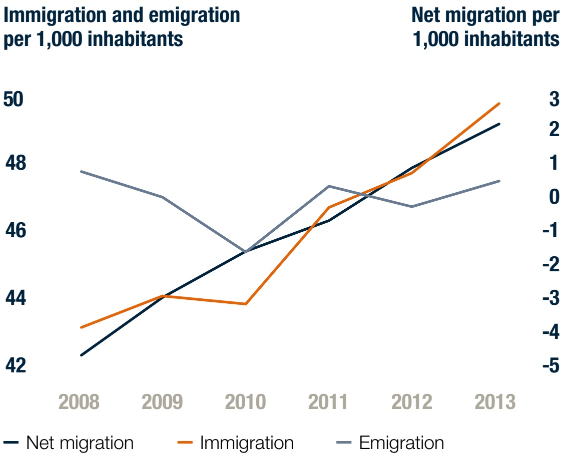
People in 1,000



* Source: Federal Statistical Office, Study: 'Migration Patterns in the East'
** Source: Federal Institute for Population Research 'Migration between East and West Germany', 1991 to 2013

- In the period from 2008 to 2013, the total net migration to the former East Germany improved steadily, and was positive for the first time in 2012. This turnaround is attributable especially to the growing number of people migrating to these states.

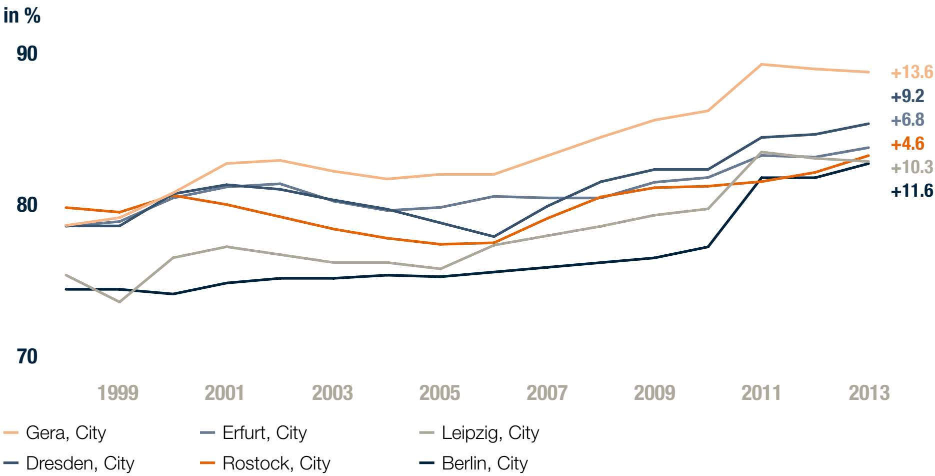
Immigration and emigration in eastern Germany 2008 – 2013*



* Source: Federal Statistical Office, Study: "Migration Patterns in the East"

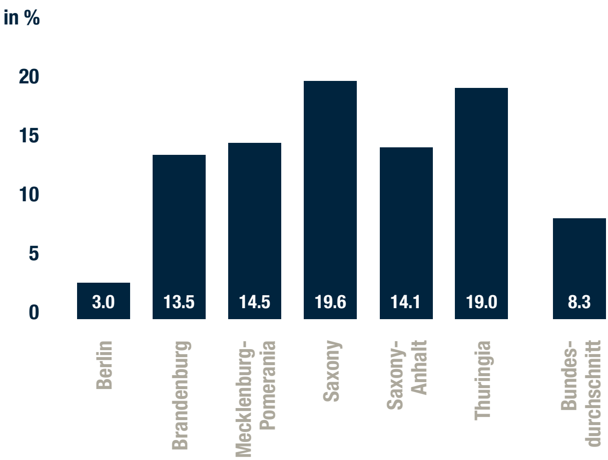
- In the regions that are part of the TAG portfolio, employment has increased significantly.
- By the same token, there has been a decline in the unemployment rate.
- Average employment increased by approx. 9.0% from 1998 to 2013.

Change in employment rates 1998 – 2013*



* Source: inkar.de, 1998 – 2013, Labour force per 100 inhabitants of working age, change in %, by city

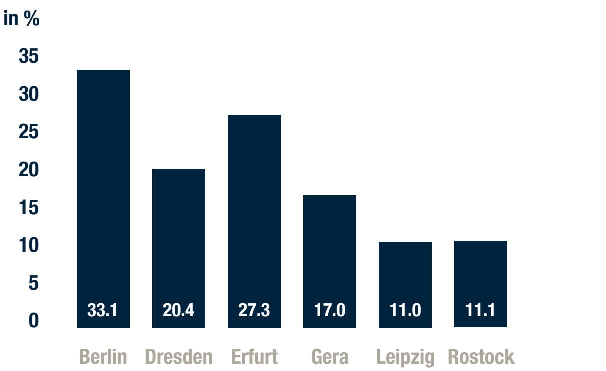
Growth in GDP per person employed 2000–2014*



* Source: statistik-portal.de, Gross domestic product (price-adjusted, chained) per employed person, 2000 – 2014, by federal state

- The highest growth in GDP per person employed in the period from 2000 to 2014 was recorded in Saxony: 19.6%.
- This was followed by Thuringia with a 19.0% increase in GDP per person employed.
- The national average growth in GDP per person employed was only 8.3%.

Change in rents – Net rent (without utilities) 2008–2015*



* Source: HSBC Global Research

- In the period from 2008–2015, the eastern German cities shown that are also part of the TAG portfolio showed a positive change in rents over time, without exception.
- The change in rents was highest in Berlin at 33.1%, followed by Erfurt (27.3%) and Dresden (20.4%).

TAG SHARES

In the first quarter of 2016, the price of the MDAX-listed TAG share was stable, and at plus 3 percentage points, was above the relevant benchmark indices – the MDAX has gained just 1 percentage point since the beginning of the year, while the EPRA index, comprised of various real estate companies listed on international stock exchanges, even showed a slight -2 percentage point drop. The TAG share started the year at EUR 11.57 and was trading at EUR 11.89 on 31 March 2016.

On 31 March 2016, TAG's market capitalisation amounted to EUR 1,624 m. As ever, national and international investors with a predominantly long-term investment strategy make up the majority of TAG shareholders.

The share capital and number of shares have remained unchanged at 136,596,330 since year-end 2015. Free float after the placement of treasury shares in March 2016 is 97% of the share capital.

Placement of 5 m treasury shares in March 2016

On 16th March 2016, TAG successfully placed 5,000,000 treasury shares with institutional investors as part of an an accelerated book-building process. The shares were placed at EUR 11.65 per share, which represents a 3.6% discount to the last closing price on that day on the Frankfurt Stock Exchange. This is equivalent to a 6.1% premium over the share's 3-month volume-weighted average price (VWAP) and a 9.5% premium over the EPRA NAV per share of EUR 10.64 per share as of 31 December 2015. The shares were repurchased in autumn 2014 for EUR 9.30.

This transaction resulted in gross proceeds to the Company of EUR 58.3 m, which will be used for general business purposes as well as possible property acquisitions in the context of continuously optimising the capital structure.

The shares placed are equal to the existing shares of the Company in every respect including dividend entitlement.

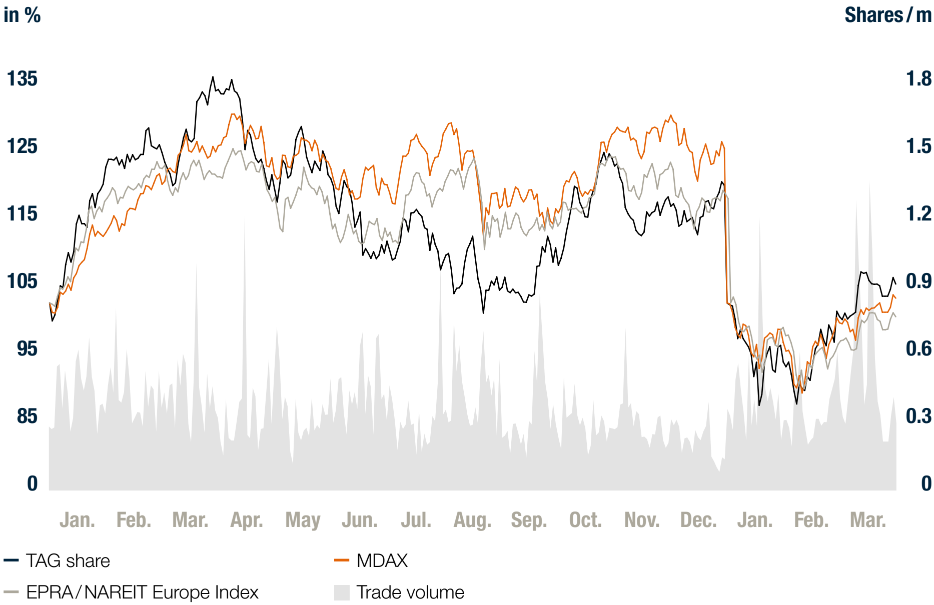
Dividend

TAG lets its shareholders participate in the company's success by continually paying a dividend, and pays out a significant share of the profits as dividends. Accordingly, the Annual General Meeting in June 2016 will vote on approving a dividend payment of EUR 0.55 per share for the 2015 financial year. To keep establishing TAG shares as an attractive dividend stock going forward, we are planning a dividend payout of EUR 0.57 per share for the 2016 financial year.

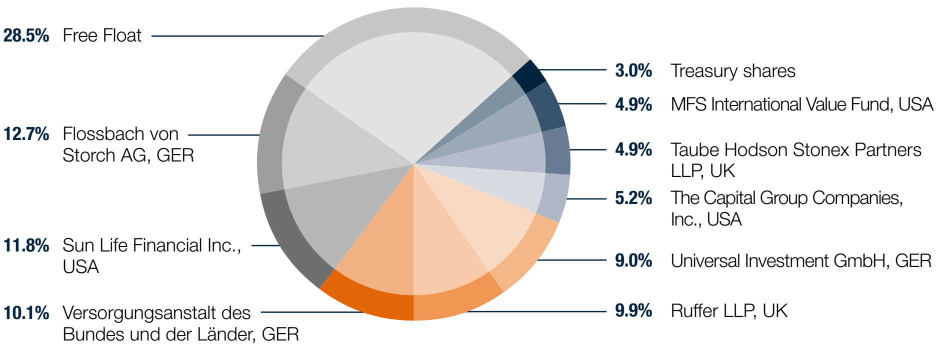
Increasingly share-based remuneration planned

On 22 March 2016, the TAG Supervisory Board resolved to continue to grant 50% of the variable Management Board compensation in TAG treasury shares. For the first time, the Management Board will receive half of its variable remuneration in TAG shares depending on the company's success in 2016. As before, the criteria used to gauge the Company's success are its share price, the development of the net asset value per share and FFO I per share, as well as the EBT (without valuation results) per share. The TEUR 250 cap on bonuses per Management Board member will also remain unchanged. TAG shares pledged to the Management Board members are only conferred three years after setting the variable remuneration for the Management Board members in each case, so that the Management Board members participate in the positive and negative performance of the equity over a period of three years with regard to a portion of their variable compensation. Such a scheme serves to ensure the sustained and positive development of the Company, and a greater harmonization between the interests of shareholders and the actions of the Management Board. These new regulations concerning the variable remuneration are to be adopted at the TAG Annual General Meeting in June 2016, which will resolve a new authorisation to acquire treasury shares for this purpose.

Share price January 2015 – March 2016



Shareholder structure as of 31 March 2016



Analyst recommendations

Institution	Analyst	Recommendation	Target price EUR	Date
Berenberg	Kai Klose	Buy	14.00	9 May 2016
Bankhaus Lampe	Georg Kanders	Buy	13.00	6 May 2016
Commerzbank	Thomas Rothaeusler	Hold	11.80	4 May 2016
VictoriaPartners	Bernd Janssen	n/a	11.00 – 12.50	28 April 2016
Kempen&Co.	Bernd Stahli	Sell	11.20	11 April 2016
Morgan Stanley	Bianca Riemer	Underweight	9.20	4 April 2016
Nord/LB	Michael Seufert	Hold	11.00	17 March 2016
Merrill Lynch	Mike Bessell	Underperform	10.40	3 March 2016
MM Warburg	Moritz Rieser	Hold	10.40	1 March 2016
Kepler Cheuvreux	Thomas Neuhold	Buy	13.00	26 February 2015
HSBC	Thomas Martin	Buy	13.30	25 February 2016
Baader Bank	André Remke	Hold	10.00	25 February 2016
Oddo Seydler	Manuel Martin	Buy	12.50	24 February 2016
Barclays	David Prescott	Underweight	9.80	20 January 2016
S&P Capital IQ	William Howlett	Buy	13.00	6 November 2015
Citigroup	Aaron Guy	Neutral	12.20	21 July 2015
Median			**11.20**	

TAG bonds

Overview of TAG corporate bonds

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

Overview of outstanding TAG convertible bonds

WKN A1PGZM3
Issued volume: EUR 85.3 m
Outstanding volume: EUR 74.5 m
Number of shares: 853
Nominal value per bond: EUR 100,000.00
Maturity: 06/28/2019
Interest rate: 5.5%
Conversion price: EUR 7.83

MANAGEMENT REPORT FOR THE FIRST THREE MONTHS OF THE 2016 FINANCIAL YEAR

I. The Economy

a) The overall economy

In an evaluation at the beginning of the year, the International Monetary Fund (IMF) saw significant risks for the global economy and lowered its economic forecast for 2016 and 2017 by 0.2 percentage points. It expects growth of 3.1% for the current year and 3.4% for next year.

Germany, however, made a good start in 2016 and continues to grow despite a difficult global environment. The IMF raised its forecast by 0.1% for this year and by 0.2% for 2017 – growth of 1.7% is expected in each case. Nevertheless, the mood in the business sector is lacklustre, which can be explained by increasing uncertainty about the future development of the global economic environment, and the turbulence seen in the financial markets at the beginning of the year. But the key driving forces behind the German economy remain stable: domestic demand provides reliable impetus and international competitiveness remains high. The low price of oil, the interest rate environment, and the euro exchange rate against the US dollar provide an additional boost. 'Overall, the German economy remains robust in a difficult international environment, and the trend is still clearly upward', the Institute for the World Economy (IfW) confirmed in March 2016.

According to the IfW, domestic factors are the driving force behind the recovering acceleration. During the forecast horizon, consumption is the strongest it's been in 15 years, fuelled by the rising incomes of workers: net wages and salaries are increasing by 2.6%, while consumer prices have risen only slightly, by 0.3% in March 2016 compared to March 2015.

b) The residential property market in Germany

The overall economic situation in Germany is stable, and the combination of low interest rates, high immigration, and a lack of investment alternatives continue to be good reasons to invest in residential property in particular. After the ECB lowered the base rate to 0%, the share prices of the three largest residential property companies increased by 10.6%, while the DAX only rose by 3.2%. The MDAX-listed TAG share also followed this upward trend in the first quarter. This illustrates the growing attractiveness of German residential property for investors. In Q1 2016, the transaction volume in the German residential investment market decreased by 85% year-on-year to EUR 1.5 billion. However, the high turnover of 2015 was due to the acquisition of Gagfah S.A. by Vonovia SE (formerly Deutsche Annington Immobilien SE). Excluding this transaction, turnover would in fact have increased by 27%.

A Postbank study shows that prices for apartments and houses in Germany's big cities have increased by about 80% over the past decade. However, the growth rate could stagnate in the future due to demographic changes. In the last decade, two-thirds of the 36 cities surveyed grew, but only two in five will grow between now and 2030 – and without the influx of refugees, it would be only one third. In many cities, the influx of refugees cushions the population decline. Eastern Germany in particular can benefit from this trend, while major cities with rapidly growing populations will experience housing shortages that will further exacerbate scarcity in the real estate market in both eastern and western Germany.

c) Business performance

Real estate purchases in Q1 2016

The sale and transfer of a residential portfolio with 972 residential units in December 2015 took place on 31 January 2016. The portfolio in Saxony is concentrated in the cities of Chemnitz (about 70% of the units) and Riesa near Dresden (approx. 20% of units). The flats were completely renovated in the mid-1990s, representing approx. 57,100 sqm of rentable space, and currently have a vacancy rate of 3.8%. The purchase price of EUR 39.5 m translates to a factor of 11.8 times the annual net cold rent or a gross initial yield of 8.5%.

Acquisition of additional shares in the Colonia Real Estate AG subsidiary

In March 2016, TAG Immobilien AG (TAG) acquired additional shares in Colonia Real Estate AG (Colonia) in exchange for its own TAG shares, and thus increased its stake in Colonia from 87.2% at 31 December 2015 to 93.9% at 31 March 2016. All in all, TAG traded 2.03 m treasury shares for 2.95 m Colonia shares.

It is planned that during fiscal 2016, a control and profit and loss transfer agreement will be concluded between Colonia and TAG Beteiligungs- und Verwaltungs GmbH (TAG BI), a wholly-owned subsidiary of TAG. This agreement requires, among other things, the approval of the Colonia Annual General Meeting, which will be held on 29 August 2016, to become effective. TAG BI will extend an offer to Colonia's third-party shareholders to acquire the shares for a cash settlement or alternatively, for shareholders who do not accept this offer, compensation in the form of a guaranteed annual dividend for the duration of the control and profit and loss transfer agreement. It is also planned to terminate Colonia's existing listing in the Entry Standard of the Frankfurt Stock Exchange (open market) as soon as the control and profit and loss transfer agreement becomes effective.

The planned structure will ensure future tax benefits for the TAG Group. For instance, in the future, Colonia's profits and losses can be offset against the results of other TAG companies, and the full deduction of interest expenditure as a business expense will be secured long-term by integrating Colonia into TAG's income tax consolidation group. Besides these positive tax-related effects, the proposed delisting of Colonia will also greatly simplify the structure of the TAG Group.

Placement of treasury shares

On 16 March 2016, TAG placed 5 m treasury shares, equivalent to approx. 3.7% of the Company's ordinary share capital, with institutional investors in an accelerated book building process. The price of the placement shares was set at EUR 11.65 per share, which represents a 3.6% discount to the last closing price on the Frankfurt Stock Exchange.

The transaction generated gross proceeds of EUR 58.3 m for TAG, which the Group intends to use for general business purposes as well as for potential property acquisitions in the context of continuously optimising its capital structure.

After placement of the treasury shares and after the exchange of its own shares for Colonia shares described above, TAG still currently has over 4.1 m treasury shares.

Planned dividend payment for the 2015 financial year

The Management Board and Supervisory Board will propose a dividend payment of EUR 0.55 per share for the 2015 financial year to the Annual General Meeting on 17 June 2016. This represents a further year-on-year increase in the dividend payment (EUR 0.50 per share).

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

Results of operations

In the first quarter of the 2016 financial year, the Group increased its rental revenues from continued operations by 5.6% year-on-year, from EUR 64.1 m to EUR 67.7 m. The main reasons for the increase in rental revenues were the portfolios newly acquired during the 2015 financial year and in the first quarter of 2016, as well as the ongoing operational growth in rents. Like-for-like rental growth over the last twelve months to 31 March 2016 was 1.9% p. a. Adding in the effects of the reduction in vacancy, like-for-like rental growth was 3.8% p. a.

Rental profit, i. e. rental income net of expenses for property management, amounted to EUR 53.1 m (previous year: EUR 50.7 m). This means that the margin has remained constant at 79% for the first three months of financial year 2016 (previous year: 79%).

During the period under review, the Group generated revenues of EUR 27.0 m (previous year: EUR 8.3 m) from property sales. The sales result for the first quarter of 2016 was EUR 0.7 m compared to a loss from sales of EUR 0.2 m in the same period of the previous year.

The valuation result for the first three months of the 2016 financial year was EUR 0.8 m (previous year: EUR 21.5 m) and is primarily attributable to the portfolio acquired in Saxony in a share deal dated 31 January 2016.

Personnel expenses increased to EUR 9.3 m during the reporting period (previous year: EUR 8.1 m), mainly due to the expansion of the in-house caretaker and maintenance services.

Other operating expenses were down to EUR 4.4 m after EUR 5.0 m in the same period last year, mainly due to lower IT expenses after the introduction of a new ERP system in the two previous years was concluded.

The reduction in financing costs over the course of fiscal 2015 had a particular impact in Q1 2016. In addition to the early repayment of loans totalling EUR 46.5 m in fiscal 2015, expiring bank loans were continuously refinanced. The interest result, i. e. the net result of interest income minus interest expenses, decreased from EUR -24.8 m in the first three months of fiscal 2015 to EUR -21.9 m for the first three months of the 2016 financial year.

The average interest rate on our bank loans was 3.1% at 31 March 2016 after 3.4% at 31 March 2015, and their average maturity is now 10.2 years (31 March 2015: 11.0 years). Total cost of debt, i. e. taking into account the interest rates on corporate and convertible bonds, amounted to 3.5% at 31 March 2016 after 3.7% at 31 March 2015.

Overall, TAG generated EBT of EUR 19.7 m in the first quarter of the 2016 financial year (previous year: EUR 34.3 m) and total net income of EUR 18.0 m (previous year: EUR 28.0 m). The decline in EBT and total net income largely results from the year-on-year reduction in the valuation result.

FFO I came to EUR 21.6 m in the first three months of 2016 financial year, compared to EUR 18.1 m in the same period of the previous year, and EUR 20.7 m in the immediately preceding fourth quarter of 2015.

Assets and financial position

Total assets at 31 March 2016 rose to EUR 3,812.3 m, after EUR 3,794.2 m at 31 December 2015. At 31 March 2016, the book value of the total real estate portfolio was EUR 3,602.7 m (previous year: EUR 3,577.9 m), of which EUR 3,573.8 m (previous year: EUR 3,531.1 m) were investment properties.

In the first quarter of 2016, equity increased by EUR 57.5 m, mainly due to the placement of 5 m treasury shares. The quarterly results added another EUR 18.0 m to equity, while total assets only increased by EUR 18.1 m. All in all, the equity ratio at the balance sheet date increased to 31.4% following 29.5% as of 31 December 2015.

The following table shows the calculation of NAV in accordance with EPRA recommendations:

in EUR m	03/31/2016 TEUR	12/31/2015 TEUR
Consolidated equity (before non-controlling interests)	**1,176,292**	**1,085,121**
Deferred taxes on investment properties	244,896	245,076
Fair value of financial derivatives	4,582	5,420
NAV	**1,425,770**	**1,335,617**
Number of shares outstanding (without treasury shares)	**132,501**	**125,469**
NAV per share in EUR	**10.76**	**10.64**

Taking into account the potential dilutive effects of convertible bonds, this yields a diluted NAV per share of EUR 10.56 after EUR 10.45 on 31 December 2015.

The loan-to-value (LTV) ratio, without including the liabilities from convertible bonds, was 59.0% at 31 March 2016 (31 December 2015: 60.7%) and 61.0% with the inclusion of liabilities from convertible bonds (December 31, 2014: 62.7%). The LTV is derived by dividing the net liquidity position (financial debt less cash and cash equivalents, including the purchase prices already deposited into notary accounts) by real estate assets. As of 31 March 2016, the Group had cash and cash equivalents of EUR 110.4 m (31 December 2015 EUR 103.8 m).

e) HR report (employees)

TAG's employees at 31 March 2016 are shown in the following table:

	03/31/2016 TEUR	12/31/2015 TEUR
Operational staff	474	462
Administration and central services	104	103
Caretakers	223	201
Maintenance	28	15
Total	**829**	**781**

f) Other financial and non-financial performance indicators

In addition to the above-described financial indicators funds from operations (FFO), net asset value (NAV) and loan-to-value (LTV) ratio, TAG especially and continuously monitors the vacancy rate and the rental income generated.

Vacancy in the total residential units, i. e. without the real estate acquired in the last few months and without commercial units, totalled 7.5% in March 2016 and 7.3% in April 2016 following 7.7% at 1 January 2016 (including the portfolios newly acquired in 2015). Vacancy in the overall portfolio was 7.9% at the reporting date and end of April 7.6% compared with 8.2% at 31 December 2015.

Average net cold rent per sqm across the total residential units was EUR 5.02 at the reporting date (31 December 2015: EUR 5.04). New lettings at 31 March 2016 average EUR 5.32 per sqm (31 December 2015: EUR 5.32 per sqm). In the overall portfolio, average net cold rent per sqm at the end of Q1 2016 remained was EUR 5.13 per sqm (31 December 2015: EUR 5.13 per sqm).

II. Material events after the reporting date

No significant reportable events were recorded after the reporting date.

III. Outlook, opportunities and risks

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

Our FFO forecast did not change as at the end of Q1 2016 either. It remains unchanged at EUR 0.67 per share or or EUR 84–85 m, after FFO of EUR 0.62 per share or EUR 76.3 m in the 2015 financial year.

Hamburg, 10 May 2016

Claudia Hoyer	**Martin Thiel**	**Dr Harboe Vaagt**
COO	**CFO**	**CLO**

CONSOLIDATED BALANCE SHEET

Assets in TEUR	03/31/2016	12/31/2015
Non-current assets		
Investment properties	3,573,754	3,531,108
Intangible assets	2,641	2,959
Property, plant and equipment	14,679	14,668
Investments in associates	114	114
Other financial assets	13,014	12,956
Deferred taxes	43,341	43,627
	3,647,543	**3,605,432**
Current assets		
Property held as inventory	11,864	12,809
Other inventories	327	348
Trade receivables	13,133	29,859
Income tax receivables	3,839	5,000
Derivative financial instruments	5	14
Other current assets	18,346	13,194
Cash and cash equivalents	110,384	103,833
	157,898	**165,057**
Non-current assets held for sale	**6,823**	**23,710**
	3,812,264	**3,794,199**

Equity and liabilities in TEUR	03 / 31 / 2016	12 / 31 / 2015
Equity		
Subscribed capital	132,501	125,469
Share premium	684,851	618,317
Other reserves	-1,903	-2,400
Retained earnings	360,843	343,735
Attributable to the equity holders of the parent company	1,176,292	1,085,121
Attributable to non-controlling interests	21,275	35,431
	1,197,567	**1,120,552**
Non-current liabilities		
Liabilities to banks	1,593,283	1,630,787
Liabilities from corporate bonds	434,965	434,967
Liabilities from convertible bonds	71,196	70,942
Derivative financial instruments	990	1,390
Retirement benefit provisions	5,930	6,020
Other non-current liabilities	3,338	3,354
Deferred taxes	233,312	231,589
	2,343,014	**2,379,049**
Current liabilities		
Other provisions	22,702	17,285
Income tax liabilities	6,180	6,162
Liabilities to banks	200,618	204,088
Trade payables	16,919	14,629
Derivative financial instruments	3,597	4,044
Liabilities from corporate bonds	5,964	8,764
Liabilities from convertible bonds	1,044	34
Other current liabilities	14,659	39,592
	271,683	**294,598**
	3,812,264	**3,794,199**

CONSOLIDATED INCOME STATEMENT

in TEUR	01/01–03/31/2016	01/01–03/31/2015 (adjusted)
Rental revenues	67,680	64,124
Rental expenses	-14,536	-13,411
Net rental income	**53,144**	**50,713**
Revenues from the sale of real estate	27,009	8,287
Expenses on the sale of real estate	-26,350	-8,456
Sales result	659	-169
Other operating income	1,405	961
Valuation gains/losses on investment properties	764	21,470
Gross profit	**55,972**	**72,975**
Personnel expenses	-9,261	-8,108
Depreciation/amortisation	-721	-864
Other operating expenses	-4,443	-5,029
EBIT	**41,547**	**58,974**
Net profit from investments	56	123
Interest income	850	772
Interest expenses	-22,780	-25,567
EBT	**19,673**	**34,302**
Income taxes	-1,682	-6,293
Consolidated net profit	**17,991**	**28,009**
attributable to non-controlling interests	883	1,352
attributable to equity holders of the parent company	17,108	26,657
Earnings per share (in EUR)		
Basic earnings per share	0.13	0.22
Diluted earnings per share	0.13	0.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	01/01 – 03/31/2016	01/01 – 03/31/2015
Net profit as shown in the income statement	**17,991**	**28,009**
Unrealised gains and losses from hedge accounting	605	780
Deferred taxes on unrealised gains and losses	-108	-177
Other comprehensive income after taxes	497	603
Total comprehensive income	**18,488**	**28,612**
attributable to non-controlling interests	883	1,352
attributable to equity holders of the parent company	17,605	27,260

CONSOLIDATED CASHFLOW STATEMENT

in TEUR	01 / 01 – 03 / 31 / 2016	01 / 01 – 03 / 31 / 2015
Consolidated net profit	17,991	28,009
Net interest income / expense through profit and loss	21,930	24,795
Current income taxes through profit and loss	- 48	4
Depreciation, amortisation and financial assets	721	864
Share of profit or loss from affiliated companies and other financial assets	- 56	0
Valuation profit / losses from investment properties	- 764	- 21,470
Gains / losses from the disposal of investment properties	- 464	448
Impairments on inventories and receivables	1,393	1,776
Changes to deferred taxes	1,730	5,676
Changes in provisions	5,235	3,087
Interest received	589	425
Interest paid	- 20,747	- 22,693
Income tax paid	1,242	- 4
Changes in receivables and other assets	- 5,088	3,384
Changes in payables and other liabilities	- 7,164	- 3,563
Cashflow from operating activities	**16,500**	**20,738**
Payments received from the disposal of investment properties (less selling costs)	22,578	52,593
Payments made for investments in investment properties	- 49,121	- 121,113
Payments made for investments in intangible assets and property, plant and equipment	- 413	- 431
Payments received from other financial assets	0	123
Cashflow from investing activities	**- 26,956**	**- 68,828**
Payments received from the issuance of treasury shares	58,250	0
Costs associated with the issuance of treasury shares	- 771	0
Payments received from liabilities to banks	8,354	1,899
Payments made for repaying liabilities to banks	- 48,405	- 42,000
Cashflow from financing activities	**17,428**	**- 40,101**
Net change in cash and cash equivalents	6,972	- 88,191
Cash and cash equivalents at the beginning of the period	95,910	171,433
Currency translation	0	- 17
Cash and cash equivalents at the end of the period	**102,882**	**83,225**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

in TEUR	Attributable to the parent's shareholders								
			Other reserves						
	Subscribed capital	Share premium	Retained earnings	Hedge accounting reserve	Currency translation	Retained earnings	Total	Non-controlling interests	Total equity
Amount on 01/01/2016	**125,469**	**618,317**	**46**	**-2,446**	**0**	**343,735**	**1,085,121**	**35,431**	**1,120,552**
Consolidated net profit	0	0	0	0	0	17,108	17,108	883	17,991
Other comprehensive income	0	0	0	497	0	0	497	0	497
Total comprehensive income	0	0	0	497	0	17,108	17,605	883	18,488
Issue of treasury shares for Colonia shares	2,032	14,055	0	0	0	0	16,087	-16,088	-1
Issue of treasury shares	5,000	53,250	0	0	0	0	58,250	0	58,250
Costs associated with issue of treasury shares	0	-771	0	0	0	0	-771	0	-771
Initial consolidation of real estate asset companies	0	0	0	0	0	0	0	1,049	1,049
Amount on 03/31/2016	**132,501**	**684,851**	**46**	**-1,949**	**0**	**360,843**	**1,176,292**	**21,275**	**1,197,567**
Amount on 01/01/2015	**118,586**	**582,002**	**46**	**-5,727**	**17**	**258,728**	**953,652**	**51,402**	**1,005,053**
Consolidated net profit	0	0	0	0	0	26,657	26,657	1,352	28,009
Other comprehensive income	0	0	0	603	0	0	603	0	603
Total comprehensive income	0	0	0	603	0	26,657	27,260	1,352	28,612
Issue of treasury shares for Colonia shares	2,000	7,237	0	0	0	0	9,237	-9,238	-1
Initial consolidation of real estate asset companies	0	0	0	0	0	0	0	2,242	2,242
Conversion of bonds	1,555	8,814	0	0	0	0	10,369	0	10,369
Currency translation	0	0	0	0	-17	0	-17	0	-17
Amount on 03/31/2015	**122,141**	**598,053**	**46**	**-5,124**	**0**	**285,384**	**1,000,500**	**45,758**	**1,046,258**

CONSOLIDATED SEGMENT REPORT

For the time period from 1 January to 31 March 2016

in TEUR		Segment by LIM Region						
		LIM Berlin	LIM Chemnitz	LIM Dresden	LIM Erfurt	LIM Gera	LIM Hamburg	LIM Leipzig
Segment revenues	**Q1 2016**	**8,810**	**5,157**	**6,424**	**7,174**	**7,460**	**7,181**	**7,550**
	Q1 2015	**8,343**	**4,393**	**6,106**	**6,763**	**7,285**	**6,817**	**6,900**
Rental revenues	**Q1 2016**	8,810	5,157	6,424	7,174	7,460	7,181	7,550
	Q1 2015	8,343	4,393	6,106	6,763	7,285	6,817	6,900
Segment expenses	**Q1 2016**	**-2,094**	**-1,397**	**-1,170**	**-1,059**	**-2,425**	**-1,354**	**-1,594**
	Q1 2015	**-1,299**	**-1,171**	**-682**	**-1,099**	**-2,072**	**-1,786**	**-1,121**
Rental expenses	**Q1 2016**	-770	-566	-545	-393	-1,494	-362	-765
	Q1 2015	-317	-420	43	-325	-1,438	-563	-453
Maintenance	**Q1 2016**	-858	-747	-561	-529	-854	-955	-751
	Q1 2015	-802	-610	-700	-542	-500	-826	-607
Impairment losses on receivables	**Q1 2016**	-491	-79	-67	-164	-72	-19	-71
	Q1 2015	-193	-149	-35	-236	-146	-406	4
Property management expenses	**Q1 2016**	0	0	0	0	0	0	0
	Q1 2015	0	0	0	0	0	0	0
Other income / expenses	**Q1 2016**	25	-5	3	27	-5	-18	-7
	Q1 2015	13	8	10	4	12	9	-65
Segment results	**Q1 2016**	**6,716**	**3,760**	**5,254**	**6,115**	**5,035**	**5,827**	**5,956**
	Q1 2015	**7,044**	**3,222**	**5,424**	**5,664**	**5,213**	**5,031**	**5,779**
Segment assets	**Q1 2016**	**491,161**	**258,715**	**348,607**	**385,209**	**373,761**	**390,836**	**375,551**
	Q1 2015	**490,516**	**218,581**	**349,860**	**384,077**	**372,940**	**391,189**	**373,296**

This Group segment report is an integral part of the notes

LIM Rhine-Ruhr	LIM Rostock	LIM Salzgitter	Other activities	Consoli-dation	Total
5,230	**4,912**	**7,521**	**481**	**-220**	**67,680**
4,416	**4,551**	**7,083**	**1,695**	**-228**	**64,124**
5,230	4,912	7,521	481	-220	67,680
4,416	4,551	7,083	1,695	-228	64,124
-1,504	**-880**	**-2,244**	**-1,118**	**2,437**	**-14,402**
-1,161	**-642**	**-2,620**	**-601**	**956**	**-13,298**
-390	-378	-917	-122	1,319	-5,383
-313	-248	-1,060	-148	832	-4,410
-810	-378	-942	-59	437	-7,007
-590	-288	-1,384	-149	124	-6,874
-222	-119	-346	-10	266	-1,394
-270	-108	-176	-60	0	-1,775
0	0	0	-933	415	-518
0	0	0	-217	0	-217
-82	-5	-39	6	0	-100
12	2	0	-27	0	-22
3,726	**4,032**	**5,277**	**-637**	**2,217**	**53,278**
3,255	**3,909**	**4,463**	**1,094**	**728**	**50,826**
282,030	**260,950**	**376,329**	**59,515**	**0**	**3,602,663**
302,309	**260,238**	**375,247**	**59,644**	**0**	**3,577,899**

SELECTED NOTES ON THE CONDENCED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 MARCH 2016

General information

These condenced interim consolidated interim financial statements of TAG Immobilien AG (hereinafter referred to as the “Company” or “TAG”) have been prepared in accordance with the provisions contained in Section 51a (6) of the Regulations of the Frankfurt Stock Exchange and Section 37w of the German Securities Trading Act pertaining to interim financial reporting. The period under review comprises the first three months of 2016. The comparison figures refer to 31 December 2015 with respect to the consolidated balance sheet and otherwise to the first three months of 2015.

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

The recognition and valuation principles as well as the notes and explanations on the consolidated interim financial statements are fundamentally based on the recognition and valuation principles applied to the consolidated financial statements for the year ending 31 December 2015. The accounting rules subject to mandatory application from 1 January 2016 did not have any impact on the consolidated interim financial statements. For more details concerning the recognition and valuation principles applied, please refer to the consolidated financial statements for the year ending 31 December 2015 prepared in accordance with IFRS which, pursuant to IAS 34, form the material basis for these interim financial statements.

Consolidated companies

The consolidation group as of 31 March 2016 includes the parent company TAG and all companies controls. Under IFRS 10, the Group is deemed to control a subsidiary if it has power over it, exposure or rights to variable returns from its involvement with the subsidiary and the ability to use its power over the subsidiary to affect the amount of the Group's returns. The subsidiary's assets and liabilities are consolidated for the duration of such control.

Material changes to the consolidation group arose following the first-time consolidation from 31 January 2016 of three real estate asset companies domiciled in Denmark that are owners of a real estate portfolio composed of around 1,000 dwellings in Saxony. This acquisition caused the book value of the investment properties to increase by EUR 39.5 m.

Presentation changes in the consolidated income statement

Changes to the presentation of items in the consolidated income statement were made for the first time as of 31 March 2016 to bring their structure into line with standard industry practices and to enhance the clarity of the consolidated income statement. The changes do not have any impact on consolidated net profit / loss or funds from operations (FFO) as a performance indicator. Specifically, the following adjustments were made and the corresponding figures for the comparison period (first quarter of 2015) duly restated.

- Reflecting the fact that services provided for external third parties (e. g. external facility or management services for communities of owners) have not had any significance for a number of years, income from services will no longer be reported separately,x but included in other operating income. Expenses arising from the provision of services, which for the most part comprise non-rechargeable ancillary expenses resulting from janitorial and handcraft services, will now be reported within rental expenses. The disclosure of net service income will be dispensed with immediately. With respect to the first quarter of 2015, this causes income from services to drop by TEUR 390 from TEUR 390 to TEUR 0, expenses from services by TEUR 217 from TEUR 217 to TEUR 0 and net income from services by TEUR 173 from TEUR 173 to TEUR 0. Other operating income increased by TEUR 390 from TEUR 571 to TEUR 961 and rental expenses by TEUR 217 from TEUR 11,418 to TEUR 11,635.

- Impairments on inventories and receivables, that were previously presented separately have been eliminated. Impairments of rental receivables are now reported within rental expenses. Impairments of other receivables and inventories are now reported within other operating expenses. As a result, expenses rose by TEUR 1,776 to TEUR 13,411 in addition to the increase referred to in the point above. As this item solely comprised rental receivables in the first quarter of 2015, it did not have any impact on other operating expenses. The impairments of inventories and receivables dropped by TEUR 1,776 from TEUR 1,776 to TEUR 0.
- Income and expenses from the sale of real estate will be presented uniformly and combined in the consolidated income statement in the future. Income and expenses from the sale of investment properties and inventory real estate will only be disaggregated in the notes to the consolidated financial statements. Thus, the income generated in the first quarter of 2015 from the sale of investment properties (TEUR 2,659) and from inventory real estate (TEUR 5,628) has been combined in a uniform item entitled 'income from the sale of real estate' (TEUR 8,287). Corresponding to this, expenses from the sale of investment properties (TEUR 2,380) and from the sale of inventory real estate (TEUR 6,076) have been combined in a single item (TEUR 8,456). The now combined net income from sales in the first quarter of 2015, which had previously been broken down into net expense of TEUR 448 in the case of investment properties and net income of TEUR 279 in the case of inventory real estate, now stands at a negative figure of TEUR 169.
- Net fair value gains and losses from the valuation of investment properties will now only be broken down into net fair value gains and losses from the valuation of newly acquired investment properties and net fair value gains and losses from the revaluation of existing investment properties in the notes to the consolidated financial statements. A combined net figure will be included in the consolidated income statement. As a result, the net fair value gains and losses of TEUR 21,470 from the valuation of newly acquired investment properties and the net fair value gains and losses of TEUR 0 from the revaluation of other properties reported separately as of 31 March 2015 now stand at a combined figure of EUR 21,470.

- Other taxes, e. g. vehicle taxes, VAT backpayments for earlier years, which were previously reported within income statement, will now be reported within other operating expenses. As a result, other operating expenses increased by TEUR 12 from TEUR 5,017 to TEUR 5,029.
- Total revenues comprising income from rental activities, sales and the provision of services will now be dispensed with in line with standard sector communications practices.

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

Investment properties

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

Investment properties	2016	2015
Amount on 1 January	3,531,108	3,331,600
Additions as a result of acquisitions	39,525	101,781
Trailing transaction costs	9,596	18,918
Transferred to available-for-sale assets	-4,344	0
Sales	-2,895	-2,446
Change in market value	764	21,470
Amount on 31 March	**3,573,754**	**3,471,323**

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

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

The relevant market was deemed to be constituted by the submarkets of the German states. On the basis of information provided by the relevant valuer committees on asset deals on the one hand and freely available information on share deals on the other, it was not possible to unambiguously identify any main market for the eastern German states with the exception of Berlin or for Lower Saxony. Accordingly, the market for share deals was assumed to be the most appropriate one for measuring the fair value of real estate holdings in these German states. The deductible market-specific transaction costs of a potential buyer under a share deal were assumed to equal 0.2%. No other discounts or premiums were taken into account in determining the fair value of share deals. With respect to real estate holdings in the other German states, i.e. Berlin and the western German states with the exception of Lower Saxony, the market for asset deals was assumed to be the main market in the absence of any evidence to the contrary. The transaction costs recognised as of 30 September 2015 stand at an average of 8.1%.

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

Cash and cash equivalents

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

Cash and cash equivalents	**03/31/2016 TEUR**	**12/31/2015 TEUR**
Cash and cash equivalents as reported on the balance sheet	110,384	103,833
Cash at banks subject to drawing restrictions	-7,502	-7,923
Cash and cash equivalents	**102,882**	**95,910**

Deferred income tax assets and liabilities

Deferred income tax assets break down as follows:

Deferred tax assets	03/31/2016 TEUR	12/31/2015 TEUR
Tax losses carried forward	53,120	53,014
Derivative financial instruments	1,113	1,218
Other (including offsetting)	-10,892	-10,605
	43,341	**43,627**

The following table breaks down the deferred income tax liabilities:

Deferred tax liabilities	03/31/2016 TEUR	12/31/2015 TEUR
Valuation of investment properties	246,009	243,913
Other (including offsetting)	-12,697	-12,324
	233,312	**231,589**

Equity

On 16 March 2016, TAG issued 5,000,000 shares at a price of EUR 11.65 each. Net of issuance costs, this resulted in an increase of EUR 57.5 m in the Company's equity.

In the course of March 2016, TAG acquired further shares in its subsidiary Colonia Real Estate AG in return for the issue of TAG shares. As a result, the equity attributable to the parent company rose by EUR 16.1 m. The equity attributable to non-controlling interests dropped by the same amount.

Rental expenses

Rental expenses break down as follows:

Rental expenses	01/01–03/31/2016 TEUR	01/01–03/31/2015 TEUR
Maintenance expenses	6,613	6,584
Non-recoverable charges	3,467	2,126
Operating costs of vacant real estate	3,063	2,925
Impairments of rental receivables	1,393	1,776
Total	**14,536**	**13,411**

Net income from sales

Net income from sales breaks down as follows:

Net income from sales	01/01–03/31/2016 TEUR	01/01–03/31/2015 TEUR
Revenues from the sale of investment properties	25,456	2,659
Expenses on the sale of investment properties	-24,992	-2,380
Net revenues from the sale of investment properties	**464**	**279**
Revenues from the sale of inventory real estate	1,553	5,628
Expenses on the sale of inventory real estate	-1,358	-6,076
Net revenues from sale of inventory real estate	**195**	**-448**
Total	**659**	**-169**

Net income from fair value gains and losses on investment properties

Net income from fair value gains and losses for the first three months of 2016 came to EUR 0.8 m (previous year: EUR 21.5 m) and comprises EUR 1.9 m (previous year: EUR 21.5 m) from the initial valuation of newly acquired investment properties and EUR -1.1 m (previous year: EUR 0.0 m) from the revaluation of existing investment properties performed on the basis of signed contracts for sales taking effect after the reporting date.

Other operating income

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

Other operating income	01/01–03/31/2016 TEUR	01/01–03/31/2015 TEUR
Revenues from property management	466	390
Income from the release of accrued liabilities	313	55
Derecognition of liabilities	93	52
Income from impaired receivables	87	43
Other out-of-period income (e. g. reimbursements)	209	92
Others	236	329
Total	**1,404**	**961**

Net interest income / expense

The following table breaks down net interest income / expense:

Net cost of debt	01/01–03/31/2016 TEUR	01/01–03/31/2015 TEUR
Interest rate derivatives		
Non-cash income	240	347
Other financial assets		
Non-cash income	21	20
Other interest income	589	405
Interest income	**850**	**772**
Interest rate derivatives		
Non-cash expenses	-5	-8
Other expenses	-1,059	-1,300
Other financial liabilities		
Premature termination compensation	-327	-1,296
Non-cash expenses	-1,701	-1,590
Other expenses	-19,688	-21,373
Cost of debt	**-22,780**	**-25,567**
Total	**-21,930**	**-24,795**

Income taxes

The table below analyses income taxes:

Income taxes	01/01–03/31/2016 TEUR	01/01–03/31/2015 TEUR
Actual income taxes in the current year	216	34
Actual income taxes in prior years	-264	-30
Deferred income tax liabilities	1,730	6,298
Total	**1,682**	**6,293**

Notes on segment reporting

Reflecting the growth in the real estate portfolio as a result of acquisitions, the ‘Dresden’ segment (old) has been subdivided into the ‘Dresden’ segment (new) and the ‘Chemnitz’ segment. The previous year’s figures have been adjusted accordingly.

The segment net profit/loss of TEUR 53,278 (previous year: TEUR 50,826) shown in the segment report differs by TEUR 134 (previous year: TEUR 113) from the net rental income shown in the income statement of TEUR 53,144 (previous year: TEUR 50,713). This is chiefly due to other operating income which is additionally included in segment net profit/loss.

Disclosures on fair values and financial instruments

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

Fair value	Fair value hierarchy	03/31/2016 TEUR	12/31/2015 TEUR
Assets			
Investment properties	Level 3	3,573,754	3,531,108
Derivatives with no hedging relationship	Level 2	5	14
Equity and liabilities			
Derivatives with no hedging relationship	Level 2	467	584
Derivatives with a hedging relationship	Level 2	4,120	4,850

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

31 March 2016	Book value TEUR	IAS 39 Category*	Fair value TEUR	Fair value hierarchy
Assets				
Other financial assets				
Investments	7,345	AfS	n/a	n/a
Other financial assets	5,669	LaR	5,669	Level 2
Trade receivables	13,133	LaR	13,133	Level 2
Other current assets	18,346	LaR	18,346	Level 2
Cash and cash equivalents	110,384	LaR	110,384	Level 2
Equity and liabilities				
Liabilities to banks	1,793,901	AmC	1,835,979	Level 2
Liabilities from convertible bonds	72,240	AmC	79,156	Level 2
Liabilities from corporate bonds	440,929	AmC	463,313	Level 2
Other non-current liabilities	3,338	AmC	3,338	Level 2
Trade payables	16,919	AmC	16,919	Level 2
Other current liabilities	14,659	AmC	14,659	Level 2
31 December 2015				
Assets				
Other financial assets				
Investments	7,345	AfS	n/a	n/a
Other financial assets	5,611	LaR	5,611	Level 2
Trade receivables	29,859	LaR	29,859	Level 2
Other current assets	13,194	LaR	13,194	Level 2
Cash and cash equivalents	103,833	LaR	103,833	Level 2
Equity and liabilities				
Liabilities to banks	1,834,875	AmC	1,889,821	Level 2
Liabilities from convertible bonds	70,976	AmC	75,703	Level 2
Liabilities from corporate bonds	443,731	AmC	459,385	Level 2
Other non-current liabilities	3,354	AmC	3,354	Level 2
Trade payables	14,629	AmC	14,629	Level 2
Other current liabilities	39,592	AmC	39,592	Level 2

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

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

- Level 1: Prices quoted in active markets for identical assets or liabilities (such as share prices).
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or

liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices).
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

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

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

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

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

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

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

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

Basis of reporting

The preparation of the abridged consolidated interim financial statements pursuant to IFRS requires the management boards and management staff of the consolidated companies to make assumptions and estimates influencing the assets and liabilities carried on the balance sheet, the disclosure of contingent liabilities on the balance sheet date, and the expenses and income reported during the periods under review. The actual amounts arising in future periods may differ from these estimates. Moreover, the abridged consolidated interim financial report includes statements that 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 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 in tax legislation. Readers are reminded not to place any undue confidence in these forward-looking statements, which apply only on the date on which they are given.

Hamburg, 10 May 2016

Claudia Hoyer	**Martin Thiel**	**Dr Harboe Vaagt**
COO	**CFO**	**CLO**

TAG FINANCIAL CALENDAR

ANNOUNCEMENTS

10 May 2016	Publication of Interim Report – Q1 2016
17 June 2016	Annual General Meeting, Hamburg
28 June 2016	Capital Markets Day, Dresden
11 August 2016	Publication of Interim Report Q2 2016
10 November 2016	Publication of Interim Report Q3 2016

CONFERENCES

25–26 May 2016	Kempen European Property Seminar, Amsterdam
01 June 2016	Kepler Cheuvreux Conference, Paris
09 June 2016	db Conference Corporate Access, Berlin
13–14 September 2016	UBS Best of Germany One on One Conference, New York
19 September 2016	Goldman Sachs & Berenberg German Conference, Munich
21 September 2016	Baader Investment Conference, Munich
29 September 2016	Société Générale Pan-European Real Estate Conference, London

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The English version of the Interim Report Q1 2016 is a translation of the German version.
The German version is legally binding

NOTES

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