



# INTERIM REPORT

## 2017 ON THE 1ST QUARTER

GROWING CASHFLOWS

**TAG**  
Immobilien AG

# GROUP FINANCIALS

in EUR m	01/01 – 03/31/2017	01/01 – 03/31/2016
<b>Income statement key figures</b>		
Rental revenues	71.5	67.7
EBITDA (adjusted)	46.9	41.6
Consolidated net profit	22.1	18.0
FFO I per share in EUR	0.20	0.17
FFO I	28.5	21.6
FFO II	28.6	22.3
AFFO	20.6	12.0
<b>Balance sheet key figures</b>		
	<b>03/31/2017</b>	<b>12/31/2016</b>
Total assets	4,114.0	4,016.8
Equity	1,438.2	1,365.6
Equity ratio in %	35.0	34.0
LTV in %	55.8	57.1
EPRA NAV per share in EUR	11.73	11.53
<b>Portfolio data</b>		
	<b>03/31/2017</b>	<b>12/31/2016</b>
Units	79,628	79,754
Real estate volume	3,851.9	3,856.6
Vacancy in % (total)	6.4	6.5
Vacancy in % (residential units)	5.9	6.1
I-f-I rental growth in %	1.9	2.0
I-f-I rental growth in % (incl. vacancy reduction)	3.4	3.7
<b>Capital market data</b>		
Market cap at 03/31/2017		1,848.1
Share capital at 03/31/2017 in EUR		146,498,765
WKN/ISIN		830350/DE0008303504
Number of shares at 03/31/2017 (issued)		146,498,765
Number of shares at 03/31/2017 (outstanding)		146,438,725
Free Float in %		100.0
Index		MDAX/EPRA

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# FOREWORD

## FOREWORD

### **Dear Shareholders, Ladies and Gentlemen,**

We are delighted to be able to come back to you with good results again today: the first few months of 2017 again surpassed the already excellent fourth quarter of 2016.

Funds from operations (FFO I not including income from sales result) rose to EUR 28.5m in Q1 2017, compared to EUR 27.1m in Q4 2016 and EUR 21.6m in Q1 2016 – a year-on-year increase in FFO of EUR 6.9m or 32%. And the increase was not only in absolute numbers; the per share figure is also growing steadily. A year ago, in Q1 2016, FFO per share was EUR 0.17. In Q1 2017 it was EUR 0.20, following EUR 0.19 in the previous quarter, an increase of 18% – despite an increase in the number of shares from the conversion of a convertible bond and the placement of treasury shares. Adjusted funds from operations (AFFO), which are derived from FFO deducting total capex, also rose significantly in Q1 2017 and amounted to EUR 20.6m following EUR 15.5m in Q4 2016 and EUR 12.0m a year ago in Q1 2016.

These positive developments were fuelled by continued strong like-for-like rental growth of 3.4% p.a. at March 31, 2017. Group-wide vacancy in TAG's residential units fell from 6.1% at the beginning of the year to 5.9% in March 2017, and to 5.8% in April 2017. This pushed vacancy below 6% for the first time, which from our point of view is a great confirmation of our targeted neighbourhood management concepts and investments.

We have stepped up our external growth in the past few months. In November and December 2016, we had already acquired 1,650 residential units in a total of four transactions. In February and March 2017, the purchase of another c. 2,700 apartments was completed in the city of Brandenburg and in Halle an der Saale. Their transfer into our portfolio is scheduled for the end of Q2 2017. Even though the markets remain fiercely competitive, we were able to buy the portfolios at purchase prices with a gross initial yield above 8% p.a. The existing potential from vacancy reduction and attractive financing conditions will quickly raise these yields to above 15%.

We further reduced our interest costs. Adjusted for non-cash effects and prepayment penalties, the net interest result in Q1 2017 was EUR 17.5m, compared to EUR 18.0m in Q4 2016 and EUR 20.1m in the first quarter of the previous year. In view of the imminent refinancing of EUR 490m in bank loans and a corporate bond of EUR 310m in 2017 and 2018 whose respective interest rates of 3.4% and 4.8% p.a. are high from today's perspective, considerable further savings are expected in the future.

In March 2017, we were able to place 4.1 m treasury shares with institutional investors by way of an accelerated book building process at a price of EUR 12.48 per share, which represented a discount of only 2.0% to the last XETRA closing price and an 8.1% premium to the last EPRA NAV per share. This transaction led to gross proceeds of EUR 51.1 m, lowering our loan-to-value (LTV) ratio to 55.8% compared to 57.1% at December 31, 2016. NAV (net asset value) per share also rose from EUR 11.53 at year-end 2016 to EUR 11.73 in March 2017, also thanks to the good quarterly result.

These 4.1 m shares were the last shares from the share buyback we carried out in 2014. At the time, a total of 13.1 m treasury shares were acquired at a price of EUR 9.30 per share, or EUR 122.1 m in all. We were able to place these shares again in a total of four steps (9.1 m shares in two cash placements and 4.0 m shares through in exchange transactions for additional shares in our subsidiary Colonia Real Estate AG). Taking into account the dividends not paid out in 2015 and 2016 as a result of the share repurchase, we reutilised our treasury shares at an average price of EUR 12.52, thereby creating EUR 42.3 m in value add, which is clearly a very gratifying result.

We have proposed a dividend of EUR 0.57 per share at the AGM to be held on May 16, 2017. This is once again higher than the previous year, and corresponds to a dividend yield of approximately 4.5% to the current share price. The dividend for the 2016 financial year will then rise to EUR 0.60 so that you, our shareholders, will continue to participate directly in TAG's growing cashflows.

We thank you for your continued trust and confidence, and look forward to seeing you at our Annual General Meeting in Hamburg, which we would like to take this opportunity to once again cordially invite you to.

Yours sincerely,



**Claudia Hoyer**  
COO



**Martin Thiel**  
CFO



**Dr Harboe Vaagt**  
CLO



Freiberg (Saxony)

# REPORT

## MANAGEMENT REPORT FOR THE FIRST THREE MONTHS OF THE 2017 FINANCIAL YEAR

### **I. Foundations of the Group**

TAG Immobilien AG ('TAG' in the following) is a Hamburg-based property company focused on the German residential real estate sector. The Group's properties are located in various regions of northern and eastern Germany and North Rhine-Westphalia. Overall, at 31 March 2017, TAG managed around 80,000 residential units. TAG shares are listed on the MDAX of the Frankfurt Stock Exchange; TAG's market capitalisation at 31 March 2017 was EUR 1.8bn.

TAG's business model is the long-term letting of apartments. All functions essential to property management are carried out by its own employees. In many portfolios, the company also delivers caretaker services and – increasingly since 2015 – craftsman services. It specialises in inexpensive housing, addressing the needs of broad sections of the population.



In financial year 2016, the existing business model was expanded by two fields. The founding of a multimedia company in the Group will improve the provision of multimedia to tenants, expanding the range on offer as a part of real estate management. In addition, energy management was pooled in a subsidiary, and the Group entered into the supply of commercial heating to the Group's own portfolio in order to optimise energy management.

TAG not only invests in and near big cities, but deliberately in medium and smaller towns as well to take advantage of the potential for growth and profit there. Newly acquired portfolios regularly have higher vacancy rates, which are then reduced following acquisition through targeted investments and proven asset management concepts. Investments are made exclusively in regions already managed by TAG in order to use existing administrative structures. In addition, the local knowledge of the market is essential in the acquisition of new portfolios.

In addition to long-term property management, sales opportunities are selectively used in high-priced markets in order to reinvest the capital appreciation and liquidity realised in new portfolios with higher yields. With this strategy of 'capital recycling', TAG is also responding to the now intense competition for German residential homes. After years of strong growth, the Group is now focused again on return based on the individual share, which sales activities also contribute to. Absolute orders of magnitude of growth are no longer at the forefront of the corporate strategy. The aim instead is to offer tenants affordable housing through sustained and active portfolio management, and investors growing cash flows through attractive dividends.

## II. The Economy

### a) The overall economy

The economic situation in Germany in the first quarter of 2017 was essentially shaped by solid, accelerating economic growth during the previous year. The economic forecast published by the Institute for World Economy (IfW) in Kiel in March 2017 forecasts that this robust upward trend will continue. GDP is expected to grow by 1.7% in 2017, and by 2.0% in 2018. The driving force here is no longer consumption alone, but also exports and investments.

However, due to the increase in energy prices – coupled with a simultaneous phasing-out of public expenditure on refugees – consumption is no longer as strong as in previous years; it grew by 1.6%. Exports, on the other hand, are expected to rise sharply, by 3.7% in 2017 and close to 5% in 2018. Investments are also gaining momentum, particularly in construction (up by 2% in 2017 and by more than 4% in 2018).

The influx of refugees, the global economic environment and demographic change continue to pose great challenges for the public, private and social sectors. The German government is focusing its economic and financial policy on stabilising the growth momentum and further increasing growth potential. The unemployment rate was 6% in March 2017 (5.8% at year-end 2016), while the absolute number of unemployed was around 2.7 m, which reflects a year-on-year reduction by 0.2m. Inflation is expected to be higher than before, both this year and next year. In February 2017, inflation rose to over 2%. This increase is attributable not only to basic effects, but also to the sharp rise in the price of oil. An inflation rate of around 1.8% is expected for the full year 2017, and for 2018.

Despite growing political uncertainty, the global economic situation stabilised in 2016, and again gained further momentum at the beginning of this year. Global production is forecast to increase from 3.1% in 2016 to 3.5% this year.



## **b) The German residential property market**

Germany remains an attractive real estate and investment market for both residential and commercial property. In 2016, at EUR 66bn, the transaction volume was still well above the mean value of the last eleven years, but had declined compared with 2015, mainly because of the lack of large residential deals.

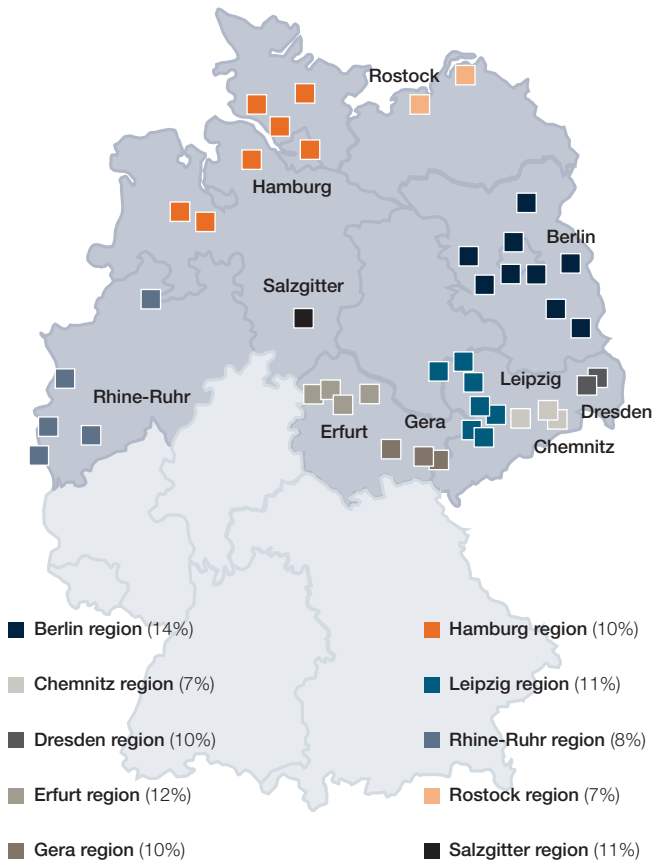
The first quarter of 2017 tended to be characterised by smaller transactions, and especially by deals involving project developments. A total of EUR 3.7bn was invested in German residential properties and portfolios (27,400 units) in the first three months of the year. This reflects a 75% year-on-year increase in the volume of transactions, while the number of transactions was up by about 10%. The investments continue to be mainly made by German investors. The share of international players in the transaction volume is around 20%.

For the current year, Jones Lang LaSalle (JLL) predicts that the trend of the first three months will continue. While the number of transactions will decline, significantly higher prices will continue to be charged.

## c) The TAG property portfolio

### Overview

At the end of the first quarter of 2017, as at the end of the 2016 financial year, the TAG Group's property portfolio comprised approximately 80,000 units, mostly concentrated in regions that have positive economic growth and development data. The focus remains on the management of attractive and simultaneously affordable housing with great awareness of our social responsibility toward our tenants. The regional focus is mainly on northern and eastern Germany.



% acc.: proportional IFRS book value real estate volume

<b>Portfolio</b>	<b>as of 03/31/2017</b>	<b>as of 12/31/2016</b>
Units	79,628	79,754
Rentable area in sqm	4,867,160	4,878,022
Real estate volume in TEUR	3,851,920	3,856,572
Annualised net actual rent in EUR m p.a.	286,240	286,434
Current net cold rent in EUR/sqm (total)	5.23	5.23
Current net cold rent in EUR/sqm (residential units)	5.11	5.11
Vacancy in % (total)	6.4	6.5
Vacancy in % (residential units)	5.9	6.1
I-f-I rental growth in %	1.9	2.0
I-f-I rental growth in % (incl. vacancy reduction)	3.4	3.7

TAG consistently concentrates on regions that exhibit positive economic growth and development data. The 'ABBA strategy', i.e. investing in A locations in B cities, and B locations in A cities, is working better than ever. Small- and medium-sized cities are also benefitting from the disproportionate demand for housing in cities where affordable living space in particular is scarce. Many people are moving to the outskirts of big cities or to the centres of medium-sized cities to find attractive yet affordable living conditions.

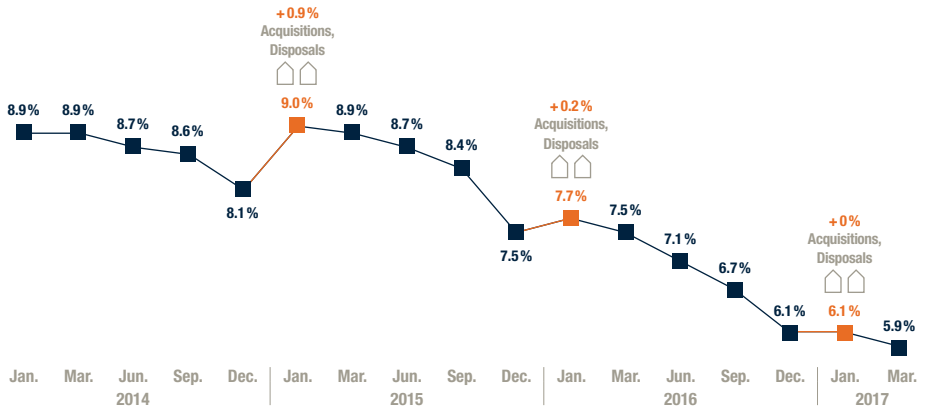
Even if the increase in rents and purchase prices in B locations or B cities doesn't always match that of Germany's top locations in absolute terms, they are nevertheless very attractive for investors. Ultimately what determines the advantageousness of an investment in the long term is the expected return on investment, i.e. the relationship between the expected increases in rental or purchase price and the purchase price. In our view, B locations and B cities offer a much better yield-risk profile.

Investments are made exclusively in residential properties, including the smaller commercial properties that are usually included in larger residential portfolios. High vacancy rates at the time of purchase are not an impediment to investment, provided that they are not structurally caused and no further increase in the medium or long term is expected. In fact, a continuous reduction in vacancy, as has been steadily achieved in the past, can lead to attractive rental growth with a relatively low outlay.

## Vacancy

In the first quarter of 2017, we managed to further reduce vacancy in the residential units of the portfolio. Vacancy in the residential units was reduced from 7.5% in March 2016 to 5.9% in March 2017. Vacancy across the entire portfolio declined to 6.4% in March 2017, compared to 7.9% at the end of Q1 2016.

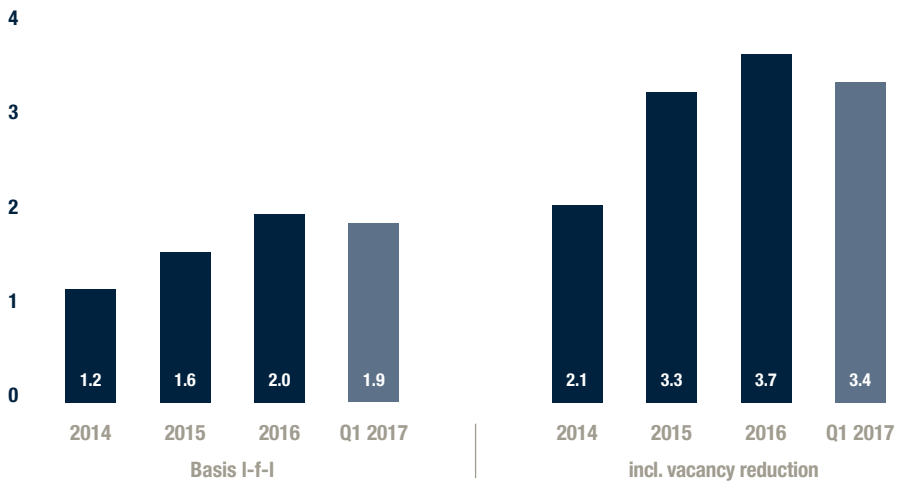
The following chart illustrates the positive development in vacancy in the Group's residential units from 2014 to 2017:



## Growth in rents

Growth in rents from the Group's residential units amounted to 1.9% on a like-for-like basis (i.e. not including acquisitions and sales of the previous twelve months) as at 31 March 2017. Including the effects of vacancy reduction, overall rental growth on a like-for-like basis was 3.4% over the past twelve months. Rental growth over time in the Group's residential units was as follows for FY 2014 to 2017:

in %



## The portfolio in detail

The following table shows further details of the TAG property portfolio, by region:

Region	Units	Rentable area sqm	IFRS BV TEUR	In-place yield %	Vacancy Mar. 2017 %	Vacancy I-f-I Dec. 2016 %
Berlin	9,841	567,966	520,087	6.5	6.5	6.8
Chemnitz	7,347	423,409	268,317	8.0	11.8	11.8
Dresden	6,190	402,016	375,266	6.7	3.9	3.8
Erfurt	9,365	527,731	453,713	6.9	2.4	2.5
Gera	9,689	564,080	385,243	7.6	9.6	9.7
Hamburg	7,212	441,410	387,101	7.0	4.1	4.3
Leipzig	8,903	527,618	389,800	7.8	4.6	4.7
Rhine-Ruhr	4,985	324,570	295,230	6.8	3.6	3.4
Rostock	5,469	325,096	273,214	7.2	4.8	4.4
Salzgitter	9,175	562,957	409,488	7.7	6.7	7.5
<b>Total residential units</b>	<b>78,176</b>	<b>4,666,853</b>	<b>3,757,460</b>	<b>7.2</b>	<b>5.9</b>	<b>6.1</b>
Acquisitions	-	-	-	-	-	7.2
Commercial units within residential portfolio	1,251	159,948	-	-	17.5	17.5
<b>Total residential portfolio</b>	<b>79,427</b>	<b>4,826,801</b>	<b>3,757,460</b>	<b>7.5</b>	<b>6.3</b>	<b>6.4</b>
Other*	201	40,359	94,460	5.0	11.8	11.6
<b>Grand total</b>	<b>79,628</b>	<b>4,867,160</b>	<b>3,851,920</b>	<b>7.4</b>	<b>6.4</b>	<b>6.5</b>

\* Includes commercial properties and serviced apartments



Current net cold rent EUR/sqm	Reletting rent EUR/sqm	I-f-I rental growth (y-o-y) %	I-f-I rental growth (y-o-y) % incl. vacancy reduction	Maintenance EUR/sqm	Capex EUR/sqm
5.29	6.04	2.8	2.9	1.35	1.38
4.78	4.88	1.5	3.0	1.35	3.23
5.41	5.51	0.9	1.8	1.02	1.10
5.04	5.54	1.6	3.3	0.98	1.65
4.79	5.07	2.2	3.3	1.53	1.52
5.34	5.63	2.1	2.7	1.66	0.54
5.03	5.14	2.9	4.2	1.09	1.07
5.33	5.74	2.0	2.9	3.13	1.04
5.28	5.60	1.1	1.9	1.69	1.26
5.03	5.29	1.2	6.6	2.17	3.30
<b>5.11</b>	<b>5.43</b>	<b>1.9</b>	<b>3.4</b>	<b>1.55</b>	<b>1.66</b>
-	-	-	-	-	-
7.62	-	-	-	-	-
<b>5.19</b>	-	-	-	<b>1.50</b>	<b>1.60</b>
11.08	-	-	-	1.93	4.21
<b>5.23</b>	-	-	-	<b>1.50</b>	<b>1.62</b>

\*\*Incl. an effect from changes in vacancy

## Acquisition of around 2,700 residential units in Brandenburg and Halle in the first quarter of 2017

At the end of February 2017, TAG signed the purchase of a residential property portfolio with 1,441 units and approximately 73,300sqm of rentable area in the city of Brandenburg. The purchase price, including transaction costs borne by TAG, was EUR 41.9m. The portfolio currently generates rental income of around EUR 3.42m, and vacancy is at about 19.3%. The transaction is expected to close at the end of the second quarter of 2017.

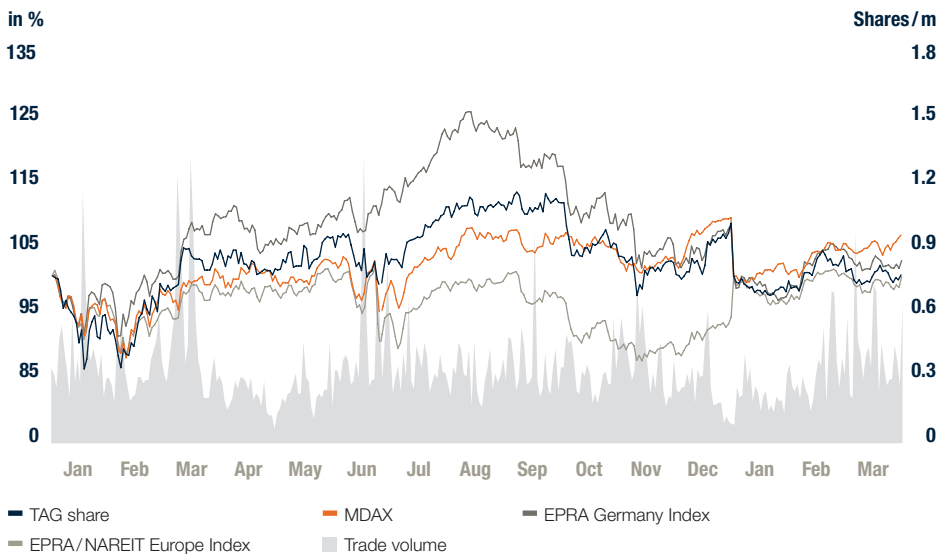
At the end of March 2017, a purchase agreement was signed for 1,252 units in Halle an der Saale. The rentable area amounts to around 65,100sqm, and the purchase price was EUR 42.9m. Annual rental income is currently approximately EUR 3.47m, and vacancy is around 7.2%. This purchase is also expected to close at the end of the second quarter of 2017.

So a total of EUR 84.8m was invested in new portfolios during the first quarter. Given these portfolios' current annual rental income of EUR 6.89m, this corresponds to a purchase multiplier of 12.3, or a gross initial yield of 8.1%.

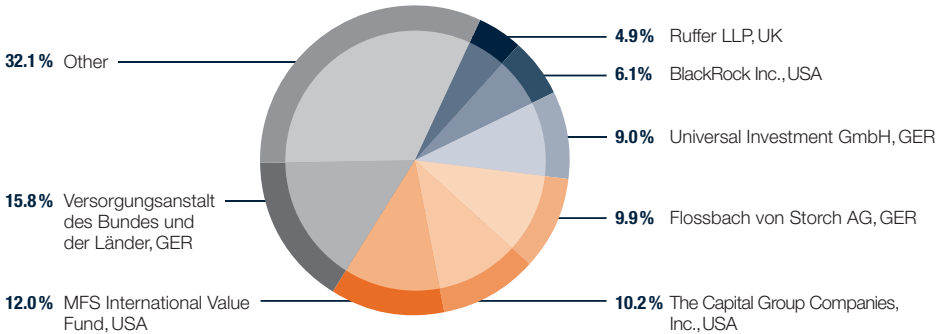
## d) The TAG share and the capital market

### Share price

During Q1 2017, the MDAX-listed TAG share was stable, trading at EUR 12.62 at 31 March 2017 after a closing price at year end 2016 of EUR 12.56. The MDAX improved by 7 percentage points during the first three months of 2017, while EPRA Germany, the index of Germany's listed real estate companies, improved by 2.5 percentage points. EPRA Europe remained virtually unchanged in the first quarter of 2017.



The share capital and number of shares at the balance sheet date remained unchanged compared to the end of the year at 146,498,765. TAG's market capitalisation was EUR 1.8bn as of 31 March 2017, at a similar level as at 31 December 2016. As before, national and international investors with a long-term investment strategy make up the majority of TAG shareholders.



## Placement of 4.1 m treasury shares in March 2017

In March 2017, TAG successfully placed 4,095,124 treasury shares with institutional investors by way of an accelerated book-building process. The shares were offered at EUR 12.48 per share, reflecting a discount of 2.0% to the last XETRA closing price and an 8.1% premium to the EPRA NAV per share of EUR 11.53 per share as of 31 December 2016. These shares were the last remaining shares, originally repurchased in October 2014 for EUR 9.30. This transaction led to gross proceeds of EUR 51.1 m.

## Dividend

TAG lets its shareholders participate substantially in the company's success by continually paying an attractive dividend. At the Annual General Meeting on 16 May 2017, a dividend of EUR 0.57 per share, after EUR 0.55 per share in the previous year, is to be approved for the 2016 financial year and subsequently paid out.

## e) Results of operations, financial position and net asset position

### Results of operations

In the first three months of the 2017 financial year, the Group increased its rental income by nearly 6% year-on-year, from EUR 67.7 m to EUR 71.5 m. The major drivers behind this increase in rental income were the portfolios newly acquired in financial year 2016, and the ongoing operational growth in rents.

Rental profit, i.e. rental income net of expenses for property management, amounted to EUR 59.0 m (Q1/2016: EUR 53.1 m). This corresponds to a margin of 83% for the first three months of the 2017 financial year (previous year: 79%).

The Group generated revenues of EUR 13.0 m (previous year: EUR 27.0 m) from property sales during the reporting period. Sales proceeds for the first three months of 2017 amounted to EUR 0.1 m after proceeds from sales of EUR 0.7 m in the same period of the previous year.

The result from changes in the fair value of investment properties and from the valuation of properties held for sale amounted to EUR -0.3 m for the first three months of the 2017 financial year (previous year: EUR +0.8 m). In the previous year, first-time valuations as part of new acquisitions accounted for EUR 1.9 m of this (Q1 2017: EUR 0.0 m).

Personnel expenses increased to EUR 9.9 m during the reporting period (previous year: EUR 9.3 m), mainly due to the continued expansion of in-house caretaker and craftsman services.

Other operating expenses amounted to EUR 4.5 m for the first three months of the financial year, after EUR 4.4 m in the same period last year. They mainly refer to legal, consulting and audit costs, advertising costs, IT costs, ancillary costs of monetary transactions, rental costs for leased business premises, car and travel expenses, and communications costs.

In a year-on-year comparison, the reduction in financing costs during the preceding quarters had an impact on the first three months of the 2017 financial year. The net financial result, which represents the balance of financial income and financial expenses, improved from EUR -21.9 m at 31 March 2016 to EUR -17.9 m for the first three months of the 2017 financial year. The cash interest income, adjusted for one offs, which is used in determining FFO, improved to EUR 17.5 m at 31 March 2017, following EUR 20.1 m in the same period of the previous year.

Overall, TAG generated pre-tax earnings (EBT) of EUR 27.9m in the first three months of the 2017 financial year (previous year: EUR 19.7 m) and after – mostly deferred – income taxes of EUR 5.8 m (previous year: EUR 1.7 m), total net income amounted to EUR 22.1 m (previous year: EUR 18.0 m).

The following table shows the calculation of FFO I, the adjusted EBITDA, AFFO (Adjusted Funds From Operations excl. Capex) and FFO II (FFO I incl. net revenue from sale) in the first quarter of 2017, in comparison to the same period of the previous year:

in EUR m	Q1 2017	Q1 2016
<b>Net income</b>	<b>22.1</b>	<b>18.0</b>
Taxes	5.8	1.7
Net financial result	17.9	21.9
<b>EBIT</b>	<b>45.8</b>	<b>41.6</b>
Adjustments		
Net revenue from sales	-0.1	-0.7
Valuation result	0.3	-0.8
Depreciation	0.9	0.7
One offs personnel and project costs	0.0	0.8
<b>EBITDA (adjusted)</b>	<b>46.9</b>	<b>41.6</b>
Net financial result (cash, after one offs)	-17.5	-20.1
Income taxes paid	-0.7	0.1
Guaranteed dividend to minority shareholders	-0.2	0.0
<b>FFO I</b>	<b>28.5</b>	<b>21.6</b>
Capitalised maintenance	-2.6	-1.9
<b>AFFO before modernisation capex</b>	<b>25.9</b>	<b>19.7</b>
Modernisation capex	-5.3	-7.7
<b>AFFO</b>	<b>20.6</b>	<b>12.0</b>
Net revenue from sales	0.1	0.7
<b>FFO II (FFO I + net revenue from sales)</b>	<b>28.6</b>	<b>22.3</b>
Weighted average number of shares outstanding (in thousands)	143,481	126,834
<b>FFO I per share in EUR</b>	<b>0.20</b>	<b>0.17</b>
<b>AFFO per share in EUR</b>	<b>0.14</b>	<b>0.09</b>

First quarter FFO I has thus increased significantly year-on-year. Besides improved operating EBITDA, a further lowering of financing costs also contributed to this positive development.

## Assets and financial position

The balance sheet total increased to EUR 4,114.0m as of 31 March 2017, compared to EUR 4,016.8m as at 31 December 2016. At 31 March 2017, the book value of the total real estate volume was EUR 3,851.9m (31 December 2016: EUR 3,856.6m), of which EUR 3,772.0m (31 December 2016: EUR 3,777.8m) were investment properties.

In the first three months of 2017, equity, in addition to the positive quarterly result, was mainly increased through the placement of 4.1 m treasury shares, to EUR 1,438.2m at 31 March 2017 (31 December 2016: EUR 1,365.6m). The equity ratio at the balance sheet date was 35.0% (34.0% at 31 December 2016).

The following table shows the calculation of Net Asset Value (NAV) in accordance with EPRA recommendations.

in EUR m	03/31/2017	12/31/2016
<b>Consolidated equity</b> (before non-controlling interests)	<b>1,423.2</b>	<b>1,350.9</b>
Deferred income taxes on investment properties and derivative financial instruments	290.9	287.1
Fair value of derivative financial instruments	3.5	4.0
<b>EPRA NAV</b>	<b>1,717.6</b>	<b>1,642.0</b>
Lump sum deduction of transaction costs	-225.2	-225.4
<b>EPRA NAV (after lump sum deduction of transaction costs)</b>	<b>1,492.4</b>	<b>1,416.6</b>
Number of relevant shares (outstanding, in thousands)	146,439	142,344
<b>EPRA NAV per share in EUR</b>	<b>11.73</b>	<b>11.53</b>
<b>EPRA NAV per share in EUR (after lump sum deduction of transaction costs)</b>	<b>10.19</b>	<b>9.95</b>

The loan-to-value (LTV) ratio at 31 March 2017 is calculated as follows:

in EUR m	03/31/2017	12/31/2016
Non-current and current liabilities to banks	1,859.7	1,826.5
Non-current and current liabilities from corporate bonds	440.9	443.7
Cash and cash equivalents	-128.1	-74.5
Net financial debt	2,172.5	2,195.7
Book value of investment properties	3,772.0	3,777.8
Book value of property reported under property, plant and equipment	10.0	10.1
Book value of property held as inventory	51.3	51.7
Book value of property reported under non-current assets held for sale	18.6	17.0
Real estate volume	3,851.9	3,856.6
Book value of property for which purchase prices have already been paid (or arrived) in advance	39.6	-9.0
Relevant real estate volume for LTV calculation	3,891.5	3,847.6
<b>LTV</b>	<b>55.8%</b>	<b>57.1%</b>

The main reason for the 1.3 percentage point reduction in the LTV ratio during the first three months of FY 2017 was the placement of the treasury shares.

The average interest rate of bank loans amounted to 2.5% at 31 March 2017, following 2.82% at 31 December 2016. Total cost of debt, i.e. including interest rates for corporate bonds, amounted to 3.09% at 31 March 2017, compared to 3.15% at 31 December 2016.

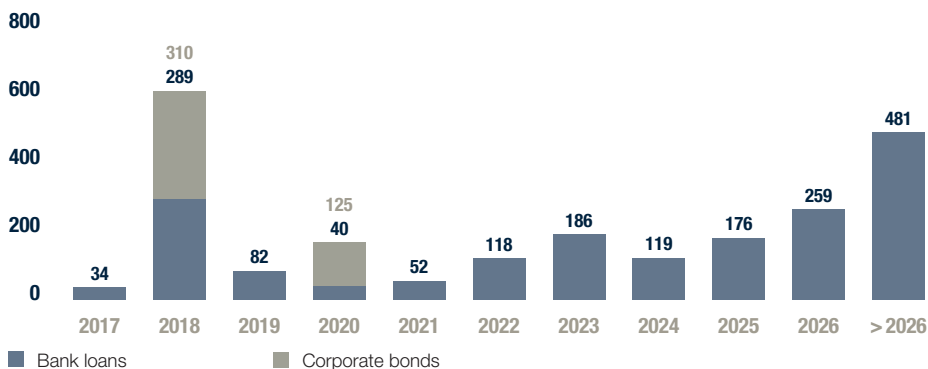


In the area of capital market financing, TAG still has two corporate bonds left. The following shows the basic information about these bonds:

<b>WKN A1TNFU</b>	<b>WKN A12T10</b>
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

The following table shows the maturity of all liabilities as of 31 March 2017:

in EUR m



By 31 December 2018, a total of EUR 490m (Q2 to Q4 2017: EUR 77 m; 2018: EUR 413m) of fixed-income bank loans will come due, or can be refinanced with no breakage fees upon maturity because the fixed interest rate stipulated in the contract ends. The average interest rate of these bank loans, totalling EUR 490m, is 3.4%. The EUR 310.0m corporate bond that matures in August 2018 has an effective interest rate of 4.8%. Given the currently significantly lower market interest rates, both for bank loans and corporate bonds, a substantial reduction in financing costs is to be expected in the following years.

## f) Personnel report (number of employees)

The number of TAG employees at 31 March 2017 is shown in the following table:

	03 / 31 / 2017	12 / 31 / 2016
Operational staff	482	489
Administration and central services	98	98
Caretakers	283	219
Craftsmen	47	27
<b>Total</b>	<b>910</b>	<b>833</b>

## III. Material events after the reporting date

There were no material events to report after the balance sheet date.

## IV. 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 FY 2016. Since 1 January 2017, no significant developments have occurred or become apparent that would lead to a different assessment.

In February of this year, we had already increased our forecasts for FY 2017 based on the very positive operating performance in Q4 2016 and the acquisitions made at the end of 2016. These forecasts remain unchanged and are as follows for the FFO (here as FFO I excluding sales) and the dividend:

- FFO in 2017: EUR 110m to EUR 112m (2016: EUR 97.0m)
- FFO per share in 2017: EUR 0.77 (in 2016: EUR 0.72)
- Dividend per share for 2017: EUR 0.60 (for 2016: EUR 0.57)

The forecasts for the EBT (before valuation gains), NAV as well as the development of vacancy and rental growth remain unchanged. For further details, please refer to the Forecast report in the Group Management Report for FY 2016.

Hamburg, 4 May 2017



**Claudia Hoyer**  
COO



**Martin Thiel**  
CFO



**Dr Harboe Vaagt**  
CLO

# CONSOLIDATED BALANCE SHEET

<b>Assets in TEUR</b>	<b>03/31/2017</b>	<b>12/31/2016</b>
<b>Non-current assets</b>		
Investment properties	3,771,953	3,777,757
Intangible assets	1,978	2,256
Property, plant and equipment	22,434	16,996
Investments in associates	100	103
Other financial assets	7,503	7,626
Deferred taxes	38,272	38,795
	<b>3,842,240</b>	<b>3,843,533</b>
<b>Current assets</b>		
Property held as inventory	51,293	51,690
Other inventories	120	280
Trade receivables	9,252	14,642
Income tax receivables	3,874	4,000
Derivative financial instruments	4	5
Other current assets	60,462	11,081
Cash and cash equivalents	128,071	74,487
	<b>253,076</b>	<b>156,185</b>
<b>Non-current assets held for sale</b>	<b>18,648</b>	<b>17,049</b>
	<b>4,113,964</b>	<b>4,016,767</b>

<b>Equity and liabilities in TEUR</b>	<b>03/31/2017</b>	<b>12/31/2016</b>
<b>Equity</b>		
Subscribed capital	146,439	142,344
Share premium	783,194	736,964
Other reserves	-411	-617
Retained earnings	493,995	472,227
Attributable to the equityholders of the parent company	1,423,217	1,350,918
Attributable to non-controlling interests	14,989	14,650
	<b>1,438,206</b>	<b>1,365,568</b>
<b>Non-current liabilities</b>		
Liabilities to banks	1,734,363	1,675,758
Liabilities from corporate bonds	434,960	434,962
Derivative financial instruments	2,769	2,938
Retirement benefit provisions	6,042	6,132
Other non-current liabilities	7,562	7,478
Deferred taxes	276,957	272,334
	<b>2,462,653</b>	<b>2,399,602</b>
<b>Current liabilities</b>		
Liabilities to banks	125,336	150,683
Liabilities from corporate bonds	5,964	8,764
Derivative financial instruments	718	1,017
Income tax liabilities	7,495	7,244
Other provisions	26,729	21,521
Trade payables	13,033	11,857
Other current liabilities	33,830	50,511
	<b>213,105</b>	<b>251,597</b>
	<b>4,113,964</b>	<b>4,016,767</b>

# CONSOLIDATED INCOME STATEMENT

in TEUR	01 / 01 – 03 / 31 / 2017	01 / 01 – 03 / 31 / 2016
Rental revenues	71,519	67,680
Rental expenses	-12,481	-14,536
<b>Net rental income</b>	<b>59,038</b>	<b>53,144</b>
Revenues from the sale of real estate	13,033	27,009
Expenses on the sale of real estate	-12,906	-26,350
<b>Sales result</b>	<b>127</b>	<b>659</b>
Other operating income	2,165	1,405
Fair value changes in investment properties and valuation of properties held as inventory	-317	719
Personnel expenses	-9,872	-9,261
Depreciation / amortisation	-867	-721
Other operating expenses	-4,497	-4,398
<b>EBIT</b>	<b>45,777</b>	<b>41,547</b>
Net profit from investments	56	56
Share of profit or loss of associates	-2	0
Interest income	564	850
Interest expenses	-18,503	-22,780
<b>EBT</b>	<b>27,892</b>	<b>19,673</b>
Income taxes	-5,785	-1,682
<b>Consolidated net profit</b>	<b>22,107</b>	<b>17,991</b>
attributable to non-controlling interests	339	883
attributable to equityholders of the parent company	21,768	17,108
<b>Earnings per share (in EUR)</b>		
Basic earnings per share	0.15	0.13
Diluted earnings per share	0.15	0.13

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	01 / 01 – 03 / 31 / 2017	01 / 01 – 03 / 31 / 2016
<b>Net profit as shown in the income statement</b>	<b>22,107</b>	<b>17,991</b>
Unrealised gains and losses from hedge accounting	267	605
Deferred taxes on unrealised gains and losses	-61	-108
Other comprehensive income after taxes	206	497
<b>Total comprehensive income</b>	<b>22,313</b>	<b>18,488</b>
attributable to non-controlling interests	339	883
attributable to equityholders of the parent company	21,974	17,605

# CONSOLIDATED CASHFLOW STATEMENT

in TEUR	01/01 – 03/31/2017	01/01 – 03/31/2016
Consolidated net profit	22,107	17,991
Net interest income/expense through profit and loss	17,939	21,930
Current income taxes through profit and loss	700	-48
Depreciation/amortisation on intangible assets and property, plant and equipment	867	721
Share of profit or loss of associated companies and other financial assets	-54	-56
Fair value changes in investment properties and valuation of properties held as inventory	317	-719
Gains/losses from the disposal of investment properties	-37	-464
Impairments and rent receivables	1,030	1,393
Changes to deferred taxes	5,085	1,730
Changes in provisions	5,119	5,235
Interest received	365	589
Interest paid	-17,844	-20,747
Income tax payments	-323	1,242
Changes in receivables and other assets	-5,546	-5,133
Changes in payables and other liabilities	-8,535	-7,164
<b>Cashflow from operating activities</b>	<b>21,190</b>	<b>16,500</b>
Payments received from the disposal of investment properties (less selling costs)	6,417	22,578
Payments made for investments in investment properties including prepayments	-51,994	-49,121
Payments made for investments in intangible assets and property, plant and equipment	-6,027	-413
Payments received from other financial assets	180	0
<b>Cashflow from investing activities</b>	<b>-51,424</b>	<b>-26,956</b>
Proceeds from the issuance of treasury shares (net, after costs)	50,417	57,479
Proceeds from new bank loans	52,940	8,354
Payments made for repaying liabilities to banks	-20,062	-48,405
<b>Cashflow from financing activities</b>	<b>83,295</b>	<b>17,428</b>
Net change in cash and cash equivalents	53,061	6,972
Cash and cash equivalents at the beginning of the period	67,046	95,910
<b>Cash and cash equivalents at the end of the period</b>	<b>120,107</b>	<b>102,882</b>



# 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		Retained earnings	Total			
			Retained earnings	Hedge accounting reserve					
<b>Amount on 01/01/2017</b>	<b>142,344</b>	<b>736,964</b>	<b>46</b>	<b>-663</b>	<b>472,227</b>	<b>1,350,918</b>	<b>14,650</b>	<b>1,365,568</b>	
Consolidated net profit	0	0	0	0	21,768	21,768	339	22,107	
Other comprehensive income	0	0	0	206	0	206	0	206	
Total comprehensive income	0	0	0	206	21,768	21,974	339	22,313	
Colonia compensation offer	0	-186	0	0	0	-186	0	-186	
Issuance of treasury shares	4,095	47,012	0	0	0	51,107	0	51,107	
Costs associated with the issuance of treasury shares	0	-690	0	0	0	-690	0	-690	
Share-based compensation	0	94	0	0	0	94	0	94	
<b>Amount on 03/31/2017</b>	<b>146,439</b>	<b>783,194</b>	<b>46</b>	<b>-457</b>	<b>493,995</b>	<b>1,423,217</b>	<b>14,989</b>	<b>1,438,206</b>	
<b>Amount on 01/01/2016</b>	<b>125,469</b>	<b>618,317</b>	<b>46</b>	<b>-2,446</b>	<b>343,735</b>	<b>1,085,121</b>	<b>35,431</b>	<b>1,120,552</b>	
Consolidated net profit	0	0	0	0	17,108	17,108	883	17,991	
Other comprehensive income	0	0	0	497	0	497	0	497	
Total comprehensive income	0	0	0	497	17,108	17,605	883	18,488	
Colonia compensation offer	2,032	14,055	0	0	0	16,087	-16,088	-1	
Issuance of treasury shares	5,000	53,250	0	0	0	58,250	0	58,250	
Costs associated with the issuance of treasury shares	0	-771	0	0	0	-771	0	-771	
Initial consolidation of real estate asset companies	0	0	0	0	0	0	1,049	1,049	
<b>Amount on 03/31/2016</b>	<b>132,501</b>	<b>684,851</b>	<b>46</b>	<b>-1,949</b>	<b>360,843</b>	<b>1,176,292</b>	<b>21,275</b>	<b>1,197,567</b>	

# CONSOLIDATED SEGMENT REPORT

For the time period from 1 January to 31 March 2017

in TEUR		Segment by LIM Region					
		Berlin	Chemnitz	Dresden	Erfurt	Gera	Hamburg
Segment revenues (Rental revenues)	Q1 2017	8,998	5,528	6,527	8,262	7,708	7,350
	Q1 2016	8,811	5,158	6,424	7,175	7,460	7,181
Segment expenses	Q1 2017	-1,502	-1,643	-957	-1,290	-1,755	-979
	Q1 2016	-1,635	-1,815	-1,030	-1,407	-1,853	-1,029
Rental expenses	Q1 2017	-199	-211	-180	-392	-410	-266
	Q1 2016	-288	-309	-247	-512	-581	-204
Investment costs	Q1 2017	-1,202	-1,351	-743	-929	-1,299	-655
	Q1 2016	-880	-1,423	-720	-755	-1,193	-788
Impairment losses on receivables	Q1 2017	-126	-105	-51	7	-65	-122
	Q1 2016	-493	-78	-66	-163	-73	-19
Other income/ expenses	Q1 2017	25	24	17	24	19	64
	Q1 2016	26	-5	3	23	-6	-18
Segment result I	Q1 2017	7,496	3,885	5,570	6,972	5,953	6,371
	Q1 2016	7,176	3,343	5,394	5,768	5,607	6,152
Personnel expenses (LIM region)	Q1 2017	-464	-345	-263	-312	-507	-303
	Q1 2016	-471	-339	-249	-287	-519	-278
Other operating expenses (LIM region)	Q1 2017	-74	-80	-39	-54	-27	-55
	Q1 2016	-92	-46	-72	-36	-24	-61
Segment result II	Q1 2017	6,958	3,460	5,268	6,606	5,419	6,013
	Q1 2016	6,613	2,958	5,073	5,445	5,064	5,813
Segment assets	03/31/2017	520,087	268,317	375,266	453,757	385,497	410,639
	12/31/2016	521,972	266,985	374,822	453,328	384,895	411,064

This Group segment report is an integral part of the notes

Leipzig	Rhine-Ruhr	Rostock	Salzgitter	Other activities	Consolidation	Total
7,929	5,413	5,004	8,037	1,016	-253	71,519
7,548	5,230	4,912	7,521	480	-220	67,680
<b>-1,374</b>	<b>-1,568</b>	<b>-923</b>	<b>-2,341</b>	<b>-372</b>	<b>826</b>	<b>-13,878</b>
-1,190	-1,538	-966	-2,509	-133	905	-14,200
-313	-347	-156	-349	-307	244	-2,886
-296	-297	-202	-438	-72	203	-3,243
-1,044	-1,094	-686	-1,829	-63	582	-10,313
-817	-940	-641	-1,686	-57	437	-9,463
-76	-175	-109	-205	-3	0	-1,030
-70	-222	-119	-346	-10	265	-1,394
59	48	28	42	1	0	351
-7	-79	-4	-39	6	0	-100
<b>6,555</b>	<b>3,845</b>	<b>4,081</b>	<b>5,696</b>	<b>644</b>	<b>573</b>	<b>57,641</b>
6,358	3,692	3,946	5,012	347	685	53,480
<b>-407</b>	<b>-151</b>	<b>-270</b>	<b>-470</b>	<b>-105</b>	<b>0</b>	<b>-3,597</b>
-394	-165	-241	-426	-103	0	-3,472
<b>-53</b>	<b>-41</b>	<b>-45</b>	<b>-68</b>	<b>-18</b>	<b>198</b>	<b>-356</b>
-56	-70	-51	-62	-15	274	-311
<b>6,095</b>	<b>3,653</b>	<b>3,766</b>	<b>5,158</b>	<b>521</b>	<b>771</b>	<b>53,688</b>
5,908	3,457	3,654	4,524	229	959	49,697
<b>391,456</b>	<b>295,467</b>	<b>273,214</b>	<b>409,488</b>	<b>68,732</b>	<b>0</b>	<b>3,851,920</b>
399,097	295,333	272,806	407,623	68,637	0	3,856,571

# NOTES

## SELECTED EXPLANATORY NOTES ON THE CONDENCED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 MARCH 2017

### General information

These condensed 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 2017. The comparison figures refer to 31 December 2016 with respect to the consolidated balance sheet and otherwise, to the first three months of 2016.

The consolidated interim financial statements have been prepared 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 EUR m (millions of euros) or TEUR (thousands of euros). This may result in rounding differences between the individual parts of the financial statements.

The amendments to IAS 7 (cash flow statement), IAS 12 (income taxes) and the other standards in connection with the IFRS 2014-2016 improvement cycle, which are to be applied from 1 January 2017 for the first time, have not yet been endorsed by the EU. Accordingly, they have not yet been applied.

Accordingly, the recognition and valuation principles as well as the notes and explanations on the consolidated interim financial statements are based on the recognition and valuations principles applied to the consolidated financial statements for the year ending 31 December 2016. For more details concerning the recognition and valuation principles applied, please refer to the consolidated financial statements for the year ending 31 December 2016 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 2017 includes the parent company TAG and all companies it 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.

There were no material changes in the companies consolidated compared with 31 December 2016.

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

### Investment properties

The table below sets out the changes in the value of the portfolio of investment properties during the period under review:

<b>Investment properties in TEUR</b>	<b>2017</b>	<b>2016</b>
Amount on 1 January	3,777,757	3,531,108
Additions as a result of acquisitions	0	39,525
Capex and subsequent acquisition costs	8,126	9,596
Transfers to available-for-sale assets	-12,815	-4,344
Sales	-807	-2,895
Change in market value	-308	764
<b>Amount on 31 March</b>	<b>3,771,953</b>	<b>3,573,754</b>

The fair value of all of the Group's real estate assets is measured once a year by CBRE GmbH as an independent expert. The assumptions underlying valuation of the real estate are made by the independent valuer on the basis of his professional experience and are subject to uncertainty. The fair value of the investment properties 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 (gross) chiefly include the management costs borne by the owner.

The underlying detailed planning period is generally ten years. A potential discounted terminal value for the property in question is forecast for the end of this period, reflecting the most likely price that can be achieved at the end of this period. For this purpose, the discounted cash surpluses for the tenth year are capitalised at the exit rate to produce the perpetual annuity.

The sum total of the discounted cash surpluses and the discounted potential selling value equals the gross present value of the property in question. The net present value is calculated by deducting the costs arising 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, it is necessary to draw a distinction between asset deals involving the direct sale of investment properties and share deals, which 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 in particular.

In order to determine the relevant market, the degree of activity and trading volumes for transactions in the form of asset deals and share deals were examined for the German federal states as relevant submarkets. To this end, information gained from reports by valuer committees on asset deals and freely available information on share deals, among other things, were evaluated. If a given form of transaction exhibits the highest volume or degree of activity in a given submarket, the main market is determined accordingly. If it is not possible to identify a main market, the most advantageous market is applied, this being the share deal market on account of the lower transaction costs.

Relatively few differences were recorded in trading volumes and the degree of activity in the asset and deal markets of the new German states excluding Berlin as well as 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. As in the previous year, the market-specific transaction costs of a potential buyer were deducted at an unchanged rate of 0.2%. No other discounts or premiums were taken into account in determining the fair value of share deals.

In the case of all the other German states, i.e. the old states excluding Lower Saxony, a relatively low degree of activity was registered for share deals, or it was not possible to prove that the opposite was the case. Accordingly, the market for asset deals was applied for the valuation real estate holdings in these sub-markets. The deductible transaction costs for these stand at an average of 8.3% (31 December 2016: 8.3%).

The definition of the relevant submarkets 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 EUR 225 m (31 December 2016: EUR 225 m) lower. If no main market were identifiable for all of the German states, meaning that the market for share deals would be deemed to be the most advantageous market for measuring fair value, the fair value of the residential real estate would rise by EUR 57 m (31 December 2016: EUR 57 m).

## Cash and cash equivalents

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

<b>Cash and cash equivalents in TEUR</b>	<b>03/31/2017</b>	<b>12/31/2016</b>
Cash and cash equivalents as reported on the balance sheet	128,071	74,487
Cash at banks subject to drawing restrictions	-7,964	-7,441
<b>Cash and cash equivalents</b>	<b>120,107</b>	<b>67,046</b>

## Deferred income tax assets and liabilities

Deferred income tax assets break down as follows:

<b>Deferred tax assets in TEUR</b>	<b>03/31/2017</b>	<b>12/31/2016</b>
Tax losses carried forward	54,668	56,021
Derivative financial instruments	332	330
Other (including offsetting)	-16,728	-17,556
	<b>38,272</b>	<b>38,795</b>

The following table sets out the deferred income tax liabilities:

<b>Deferred tax liabilities in TEUR</b>	<b>03/31/2017</b>	<b>12/31/2016</b>
Investment properties	291,213	287,510
Other (including offsetting)	-14,256	-15,176
	<b>276,957</b>	<b>272,334</b>





Wittenberg (Saxony-Anhalt)

## Rental expenses

Rental expenses break down as follows:

<b>Rental expenses in TEUR</b>	<b>01/01–03/31/2017</b>	<b>01/01–03/31/2016</b>
Maintenance expenses	7,297	6,613
Non-recoverable charges and results from settlement of service charges	1,529	3,467
Operating costs for vacant real estate	2,625	3,063
Impairments of rental receivables	1,030	1,393
<b>Total</b>	<b>12,481</b>	<b>14,536</b>

## Net income from sales

Net income from sales breaks down as follows:

<b>Net income from sales in TEUR</b>	<b>01/01–03/31/2017</b>	<b>01/01–03/31/2016</b>
Revenues from the sale of investment properties	12,208	25,456
Expenses on the sale of investment properties	-12,171	-24,992
<b>Net revenues from the sale of investment properties</b>	<b>37</b>	<b>464</b>
Revenues from the sale of portfolio real estate	826	1,553
Expenses on the sale of portfolio real estate	-735	-1,358
<b>Net revenues from the sale of portfolio real estate</b>	<b>91</b>	<b>195</b>
<b>Total</b>	<b>128</b>	<b>659</b>

## Changes in the fair value of investment properties and property held as inventories

This item comprises gains and losses from the valuation of investment properties, the net fair value gains and losses on the purchase of investment properties and effects arising from the valuation of properties held as inventories. It breaks down as follows:

<b>Fair value measurement of real estate in TEUR</b>	<b>01/01–03/31/2017</b>	<b>01/01–03/31/2016</b>
<b>Investment properties</b>		
Valuation losses on portfolio real estate	-308	-1,136
Valuation gains on real estate acquisitions	0	1,900
	<b>-308</b>	<b>764</b>
<b>Properties held as inventories</b>		
Impairments	-9	-45
<b>Total</b>	<b>-317</b>	<b>719</b>

## Other operating income

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

<b>Other operating income in TEUR</b>	<b>01/01–03/31/2017</b>	<b>01/01–03/31/2016</b>
Revenues from services	1,012	466
Reversal of provisions and derecognition of liabilities	674	405
Other	479	533
<b>Total</b>	<b>2,165</b>	<b>1,404</b>

## Finance income and expenses

The following table adjusts net finance income and expenses for non-cash interest and non-recurring effects:

<b>Net financial result in TEUR</b>	<b>01/01–03/31/2017</b>	<b>01/01–03/31/2016</b>
Net profit from investments	56	56
Share of profit or loss of associates	-2	0
Interest income	564	850
Interest expenses	-18,503	-22,780
<b>Net financial result</b>	<b>-17,885</b>	<b>-21,874</b>
Non-cash interest on convertible bonds	0	254
Non-cash interest on corporate bonds	182	182
Non-cash interest on derivative financial instruments	-81	720
One-off (e. g. premature termination compensation) and other non-cash interest	336	616
<b>Net finance income/expense (cash, without one-offs)</b>	<b>-17,448</b>	<b>-20,102</b>

## Income taxes

The table below analyses income taxes:

<b>Income taxes in TEUR</b>	<b>01/01–03/31/2017</b>	<b>01/01–03/31/2016</b>
Current income taxes in the current year	711	216
Current income taxes in prior years	-11	-264
Deferred income tax liabilities	5,085	1,730
<b>Total</b>	<b>5,785</b>	<b>1,682</b>

## Notes on segment reporting

TAG pursues a regional diversification strategy for its residential real estate. Accordingly, it has defined the following segments: Berlin, Chemnitz, Dresden, Erfurt, Gera, Hamburg, Leipzig, Rhein-Ruhr, Rostock and Salzgitter. The 'Other Activities' segment comprises service business, the remaining commercial real estate activities and the boarding houses operated by the Group.

In the segment report, segment earnings are derived from rental income and related expenses. In line with internal reporting, segment earnings have been expanded to include personnel expenses and other operating costs directly attributable to the LIM regions.

The following table reconciles segment earnings II with EBT as stated in the income statement:

<b>Segment earnings in TEUR</b>	<b>01/01–03/31/2017</b>	<b>01/01–03/31/2016</b>
<b>Segment earnings II</b>	<b>53,688</b>	<b>49,697</b>
Capitalized investment costs not deducted from segment earnings	3,017	2,457
Non-allocated vacancy expenses	-2,625	-3,063
Net gains/losses from sales	128	658
Net valuation gains/losses on investment properties	-308	764
Non-allocated staff costs	-6,275	-5,789
Depreciation and amortisation	-867	-721
Other non-allocated income and expenses	-981	-2,456
Net finance expense	-17,885	-21,874
<b>EBT</b>	<b>27,892</b>	<b>19,673</b>

## Disclosures on fair values and financial instruments

The fair value of assets and liabilities is determined by using inputs which 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.

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

Fair value in TEUR	Fair value hierarchy	31 / 03 / 2017	31 / 03 / 2016
<b>Assets</b>			
Investment properties	Level 3	3,771,953	3,777,757
Derivatives with no hedging relationship	Level 2	4	5
<b>Equity and liabilities</b>			
Derivatives with no hedging relationship	Level 2	2,638	2,701
Derivatives with a hedging relationship	Level 2	849	1,254

The values of the investment properties are regularly measured by an external valuer effective 30 September of each year.

Derivative financial instruments are measured using established methods, the main inputs for which are derived from active markets. In the case of interest rate hedges, this is chiefly the discounted cash flow method. The purchase price guarantee, which is recognized as a derivative financial instrument with no hedging relationship, is measured using a standardised process based on a Monte Carlo simulation (mark-to-model) applying two correlated stochastic processes.

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

<b>31 March 2017</b>	<b>Book value TEUR</b>	<b>IAS 39 Category*</b>	<b>Fair value TEUR</b>	<b>Fair value hierarchy</b>
<b>Assets</b>				
Other financial assets				
Investments	7,345	AfS	n/a	n/a
Other financial assets	157	LaR	157	Level 2
Trade receivables	9,252	LaR	9,252	Level 2
Other current assets	60,462	LaR	60,462	Level 2
Cash and cash equivalents	128,071	LaR	128,071	Level 2
<b>Equity and liabilities</b>				
Liabilities to banks	1,859,699	AmC	1,897,238	Level 2
Liabilities from corporate bonds	440,924	AmC	455,987	Level 2
Other non-current liabilities	7,562	AmC	7,562	Level 2
Trade payables	13,033	AmC	13,033	Level 2
Other current liabilities	33,830	AmC	33,830	Level 2
<b>31 December 2016</b>				
<b>Assets</b>				
Other financial assets				
Investments	7,345	AfS	n/a	n/a
Other financial assets	281	LaR	281	Level 2
Trade receivables	14,642	LaR	14,642	Level 2
Other current assets	11,081	LaR	11,081	Level 2
Cash and cash equivalents	74,487	LaR	74,487	Level 2
<b>Equity and liabilities</b>				
Liabilities to banks	1,826,441	AmC	1,867,724	Level 2
Liabilities from corporate bonds	443,726	AmC	453,299	Level 2
Other non-current liabilities	7,478	AmC	7,478	Level 2
Trade payables	26,315	AmC	26,315	Level 2
Other current liabilities	36,053	AmC	36,053	Level 2

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

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 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 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.



## **Financial risk management**

There were no material changes in the Group's financial risks (interest rate, default, liquidity and finance risk) in the period under review compared with 31 December 2016.

## **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 condensed 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 condensed 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 which TAG 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, 4 May 2017



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COO



**Martin Thiel**  
CFO



**Dr Harboe Vaagt**  
CLO

# CONTACT

## TAG FINANCIAL CALENDAR

### PUBLICATIONS

16 May 2017	Annual General Meeting, Hamburg
10 August 2017	Publication of Interim Report – Q2 2017
07 November 2017	Publication of Interim Report – Q3 2017

### CONFERENCES

01 June 2017	Kepler Cheuvreux German Property Day, Paris
07 June 2017	Kempen European Property Seminar, Amsterdam
22 June 2017	db Access Berlin Conference, Berlin
05–07 September 2017	EPRA Conference, London
14 September 2017	UBS Best of Germany Conference, New York
18 September 2017	Berenberg and Goldman Sachs Corporate Conference, Munich
19 September 2017	Baader Investment Conference, Munich

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