Interim report for the 3rd quarter 2008

TAG Group in figures

in TEUR	01/01/–09/30/2008	01/01/–09/30/2007
Revenues	80,105	58,338
a) Sale of properties	30,754	12,851
b) Rental income	38,173	26,454
c) Property management and others	11,178	19,033
EBITDA	27,777	30,046
EBIT	27,369	28,547
EBT	6,698	15,828
Consolidated net profit	2,218	7,037
Earnings per share in EUR	0.07	0.19

in TEUR	09/30/2008	12/31/2007
Total assets	910,555	886,603
Equity	304,271	306,513
Equity ratio in %	33.4	34.6
Real estate volume	842,042	762,396

Further figures	
Market capitalisation in TEUR on 09/30/2008	117,239
Subscribed capital in EUR	32,566,364.00
WKN/ISIN	830350/DE0008303504
Number of shares	32,566,364
Free float in %	93
Market segment	SDAX

Content

Boschstraße, Puchheim

Preface by the Management Board

Dear shareholders, ladies and gentlemen,

Since the publication of our first-half report in August 2008, the turmoil afflicting the global financial markets has degenerated into a general economic crisis affecting all economic sectors in Germany. Indices all around the world are continuing to tumble, accompanied by a mood in the capital markets which has been characterised by an enormous loss of trust and mounting fears of recession for weeks. In addition, it is currently impossible to say with any certainty whether and how quickly the bail-out packages announced by various governments will help to stabilise the markets.

TAG's general business development must therefore be seen against this backdrop. Reflecting the general downward trend in the stock markets, TAG stock also sustained heavy losses. However, these are not justified by the Company's inherent value and are due solely to shareholders' general liquidity concerns. Given the already difficult conditions in the credit markets and the mounting liquidity shortfalls throughout the entire financial system, it must be assumed that German banks will no be longer providing loans and follow-up finance in full, resulting in more difficult economic conditions for all companies not least of all those in the real estate sector. That said, the crisis is unleashing a new appreciation in the stock market of the merits of tangible assets and, in the long-term, will lead to a rediscovery of real estate investments provided that these are in good attractive locations and generate stable cash flows.

In the first nine months of 2008, the TAG Group was able to further improve its business performance, with revenues as a whole rising significantly by 37 percent in the first three quarters of 2008 from around EUR 58.3 million to EUR 80.1 million. In this connection, special mention should be made of rental income, which rose by 44 percent in the nine-month period from EUR 26.5 million in the previous year to EUR 38.2 million. In the third quarter alone, the net increase over the second quarter of 2008 stood at some 15 percent.

Despite reduced fair value remeasurement gains on investment properties, gross profit was virtually unchanged over the previous year, coming to EUR 44.5 million (previous year EUR 44.8 million). Net rental income for the first nine months of 2008 came to EUR 25.7 million, up from EUR 18.4 million in the previous year.

Due to the lower fair value remeasurement gains and higher interest expenditure as a result of the greater real estate volume, EBT contracted by 58 percent to EUR 6.7 million in the first nine months of 2008, down from EUR 15.8 million in the year-ago period. At EUR 2.2 million, post-tax profit was 68 percent lower than in the previous year.

Equity capital dropped to EUR 304 million due to the dividend payout and a change in the hedge account reserve, while the equity ratio came to 33 percent, down from 34 percent at the end of the first half of 2008.

Within the balance sheet structure, current liabilities to banks were reduced from EUR 217.4 million at the end of 2007 to EUR 106.3 million as of 30 September 2008, down from EUR 239.3 million at the end of the second quarter of 2008. This is due solely to renewals for existing loans. By contrast, non-current liabilities to banks rose from EUR 295.6 million at the end of 2007 to EUR 433.4 million in the third quarter. Despite the current adverse conditions in the credit markets, TAG assumes that all loans will be renewed upon expiry.

Banks' substantially more restrictive lending practices already started making themselves felt on potential buyers' ability to arrange finance in the third quarter, causing delays in transactions for the purchase and sale of real estate.

With the crisis in the financial markets coming to a head and the effects on the real economy emerging, future visibility is extremely limited. Accordingly, TAG is not able to state at this stage the extent to which and in what amount it will be possible for sales to be completed between now and the end of the year. Given this situation, the Company does not think that it will be able to achieve its revenue forecasts. Sales proceeds will be well down on the previous quarter particularly as revenues were very high in the fourth quarter of 2007.

At the same time, it can be assumed that the current conditions will not only take their toll on planned real estate transactions but may also affect the values of individual properties. TAG's general business development must therefore be seen against this backdrop. At this stage, the TAG Group expects to break even at the EBT level on account of the heightened uncertainty.

Despite the adjusted revenue and earnings forecasts for 2008, the Company is optimistic that it will be able to face up to the challenges arising from the crisis in the medium to long term thanks to the very consistent and sustained increase in rental income, its solid financial structure and the focus on good urban locations in the German real estate market.

Dalbekhof, Börnsen near Hamburg

TAG stock

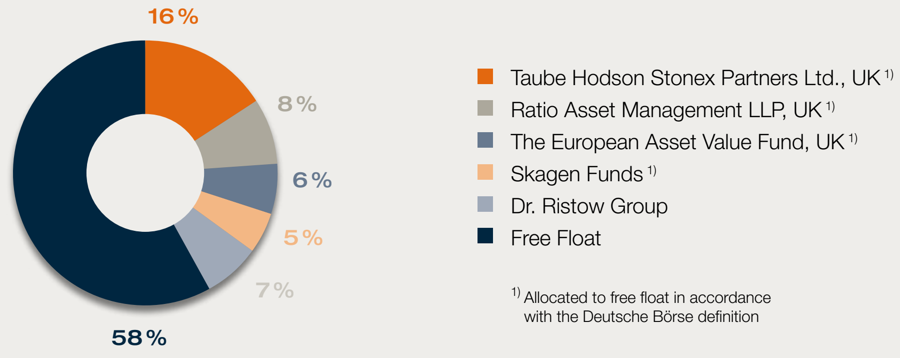
In the wake of the worldwide crisis afflicting the financial markets, German equities also came under heavy pressure. Alongside other sectors, German real estate stocks sustained massive losses.

In this environment, the SDAX-listed TAG stock closed the third quarter of 2008 at EUR 3.60. At the end of October it bottomed out at around EUR 1.80, down from EUR 6.70 at the beginning of the year. The substantial overshooting in the stock markets resulting in heavy losses in all segments does not reflect the Company's true inherent value but was triggered by shareholders' liquidity concerns. Fundamentally, this trend has been caused by uncertainty surrounding the future viability of equities as a form of investment in general and listed real estate companies in particular. At this stage, the ultimate outcome of these developments remains to be seen. In any case, the purpose of TAG Immobilien AG's communications strategy is to restore confidence in the stock step by step and to encourage investment by means of maximum transparency.

The number of shares is unchanged at 32,566,364. The free float stands at 93 percent. Market capitalisation came to EUR 117 million as of 30 September 2008.

Despite the crisis in the financial markets, the current shareholder structure testifies to the confidence being placed in the Company. TAG's main shareholders comprise national and international investors with a predominantly long-term horizon.

Shareholder structure as of 09/30/2008 (as per statutory disclosures)



1) Allocated to free float in accordance with the Deutsche Börse definition

Stock price

Interim consolidated financial statements for the first nine months of 2008

Economic environment in Germany

Over the past few months, economic conditions in Germany have been heavily influenced by the global financial crisis, which has spread to the entire national financial services sector. For one thing, interest rate cuts by the European Central Bank (ECB) are being discussed while, for another, loans are being granted with substantially higher risk premiums. The complete loss of trust emerging in the stock markets and growing fears of a recession are laming the entire economy, impairing visibility with respect to the future outlook. The headlines in the daily press reflect the mood swings from panic to euphoria.

That said, Germany is still in a relatively stable condition, with the government bail-out plans averting the risk of insolvencies and payment problems on the part of mortgage and investment banks.

Business confidence in the German economy has slipped for the fifth consecutive month as a result of the financial crisis, with the ifo business barometer – the most important leading indicator for the German economy – hitting its lowest level since May 2003. Specifically, it dropped from 92.9 points to 90.2 in October 2008 according to the Munich ifo economic research institute. Exports look set to weaken, resulting in reduced capacity utilisation and employee layoffs. The expectations component of the index has slipped from 86.5 to 81.4 points. Even so, the situation is considered to be stable (Source: Handelsblatt, October 2008)

The extent to which the protracted crisis spreads to other economic factors such as inflation, GDP growth and the labour market remains to be seen.

According to the IMF (International Monetary Fund), global growth will weaken substantially in 2008. In fact, it projects zero growth for Germany in 2009, down from 1.8 percent in 2009 (Source: Handelsblatt, October 2008)

The German real estate market

Whereas two years ago major deals entailing portfolios of several thousand units were being reported on an almost daily basis in the residential real estate market, activity has come to an almost complete standstill this year. There is no shortage of offers at unchanged prices; however, buyers are waiting for falling prices or are unable to obtain the necessary finance. Only smallish portfolios are of interest for local buyers. (Source: Handelsblatt, October 2008)

Over the past few years, international residential apartment and housing prices have reached levels which defy rational explanation. As a result, distinct price corrections are occurring in Spain, the UK and Ireland in particular. As such exuberance has not occurred in the German real estate market, the downside risk is smaller by European standards; on the contrary, four German cities – namely Munich, Berlin, Hamburg and Frankfurt/Main – are amongst the top ten European investment locations. (Source: Immobilienmanager, October 2008)

According to Atisreal, transaction volumes in the German-wide commercial real estate market came to around EUR 17.5 billion as of the end of September, down 61 percent on the same period one year earlier. A full-year investment volume of around EUR 25 billion is projected for Germany. Rental prices in the commercial sector are also expected to slip due to reduced demand in 2009. (Source: Immobilienzeitung, October 2008)

TAG's business performance

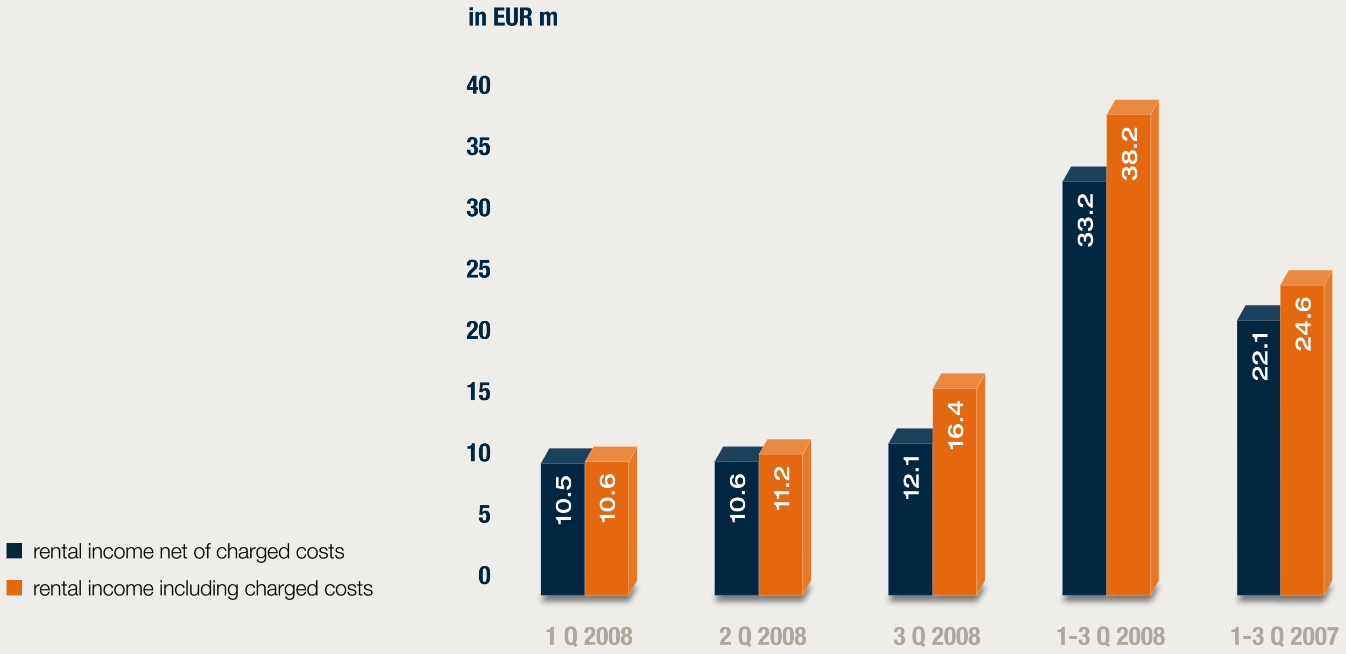
The focus of TAG's business is on residential and commercial real estate in good urban locations in Germany as well as the provision of real estate services. In the first nine months of the year, investments were completed in cash flow heavy portfolios, rental increases implemented and further efforts taken to reduce vacancies. No further acquisitions are planned for the rest of the year. In the current quarter, capital spending will only be implemented if it results in a direct increase in rental income.

Bärenparksiedlung, Berlin

Rental

TAG has been able to achieve a steady increase in rental income both through the acquisition of the VBL portfolio with its greater returns and by means of rental hikes and reductions in vacancies. Thus, rental income in the first three quarters of 2008 came to EUR 38.2 million, up from EUR 26.5 million in 2007, equivalent to an increase of 44 percent. In the third quarter alone, the net increase over the second quarter of 2008 stood at some 15 percent.

Rental income



One example of the systematic and successful implementation of rental increases on existing portfolios is "Bärenparksiedlung" in Berlin Tempelhof. Up until October 2008, a total of 77 apartments had been revitalised and modernised. These are now being leased at an average rental net of utilities of between EUR 4.75 and EUR 5.25 per square metre. Similar success in adjusting rentals was achieved in the previous year with the modernisation of some 80 apartments, for which rental increases of around 25 percent were implemented in some cases. Moreover, rental hikes of an average of 10 percent were implemented for around 550 apartments in "Bärenparksiedlung" in September and will be taking effect as of November of this year.

A further example is the residential complex comprising 18 buildings in the Asberg part of Moers. Following extensive restoration activities in the apartments last year, work on modernising the facades and windows will be completed for a total of 12 buildings by the end of 2008. The purpose of the modernisation activities and efforts to enhance the residential ambience is to create a high-quality portfolio, to reduce investment-related vacancies and to improve tenant acceptance as a basis for steady long-term increases in rentals. As a result, it was possible to reduce vacancies from 18.7 percent to 13.5 percent this year, with this figure continuing to decline. At the same time, rentals net of utilities were an average of 11 percent higher for new contracts compared with existing ones.

Sales

Demand for smallish properties valued in the single-digit millions and located in good urban locations in large German cities remains high. By contrast, it is very difficult to execute large transactions due to the problems mentioned in the preface which potential buyers are experiencing in their efforts to arrange the necessary finance. This is being exacerbated by delays in the completion of transactions. Against this backdrop, one commercial property in Hamburg classified as a current asset was sold in the third quarter. In the residential segment, a property from the VBL portfolio comprising 50 residential units in South Germany was sold profitably to a local investor. Title to the property is being conveyed in the fourth quarter, meaning that this transaction will be included in the books as of that quarter. Contracts for the sale of a further two properties from the VBL portfolio in North Rhine-Westphalia and in Baden-Württemberg are on the verge of being signed.

In urban regions, interest on the part of private investors in purchasing residential property for their own use remains strong, as demonstrated by the sale of several apartments in Berlin and Hamburg in the third quarter. Further reservations have been received for the fourth quarter for Berlin Zehlendorf and Berlin Mitte in particular.

As a result of the current crisis afflicting the financial markets, the Group is concentrating on reducing its liabilities and boosting liquidity.

changes in interest curves over the past few weeks and months particularly mirror the uncertainty surrounding the effects of the financial market crisis. In the last week of October, TAG was able to enter a credit agreement providing for substantially reduced interest rates for the first time again.

Financing

In the third quarter, TAG reduced its current liabilities to banks from EUR 217.4 million at the end of 2007 to EUR 106.3 million as of 30 September 2008. In this way, it was able to discharge a large number of current liabilities prior to the outbreak of the financial market crisis. Despite banks' funding difficulties, TAG assumes that all loans will be renewed as planned. TAG does not have any foreign-currency finance.

All told, TAG expects borrowing costs to decline in the course of 2008 as central banks are likely to cut their rates. However, the extent to which the lower market rates also result in a reduction in the Company's borrowing costs in the long term or are absorbed by the higher margins charged by banks remains to be seen. The considerable

Cost Structure

The Company attaches prime importance to ensuring efficient cost management within the Group and to achieving a low cost ratio regardless of the volume of real estate held. For this purpose, all expenses are examined to determine their contribution to the Company's objectives. In addition to a reduction in personnel expenses and the cost of materials, processes and organisational structures in the real estate property management segment are optimised in the interests of harnessing synergistic benefits. This is particularly to be achieved by pooling all of the service activities within LARUS Asset Management, a joint venture with HSH Real Estate AG. In this way, it will be possible not only to achieve substantially improved and more transparent cost allocation but also to report it in a readily understandable way.

Fair Value Measurements

At the moment, TAG does not expect any substantial impairments to arise in the fair value of German real estate located in good urban locations. The stable situation is due to the reduction in capital market yields in the last few weeks. That said, the extent to which liquidity shortages on the part of market participants and muted investment activity exert influence on fair values in the market between now and the end of the year remains to be seen. At this stage, it is not possible to determine whether corrections will be necessary as a result of deflationary tendencies or whether inflationary tendencies will come to the fore.

REIT

In the current situation which is being dominated by the crisis in the financial markets, the flotation of the TAG Gewerbeimmobilien-AG REIT is of secondary importance. That said, TAG remains committed to its REIT plans for this company.

Asset Management

With the entry of LARUS Asset Management GmbH in the commercial register, the joint venture forged at the end of 2007 between HSH Real Estate AG and TAG Immobilien AG has received a new name. The real estate portfolio managed by LARUS has grown in value in the course of the year from EUR 1.2 billion to EUR 1.6 billion (+ 34 percent). The company manages both its own and jointly held commercial real estate as well as the portfolios owned by private and institutional investors, thus tapping different sources of income. The focus is on the German commercial real estate market. The crucial success factors which have been pooled under this company's roof include management experience, expertise accumulated over many years in the management and modernisation of real estate as well as project development and an excellent network as well as regional presence in the market via several branches. The strong demand for potent asset management is reflected in the ability to unlock value in the market.

Boockholzstraße, Wedel near Hamburg

Results of operations, financial condition and net assets

TAG Group

Significant 37 percent increase in revenues

Total revenues in the first nine months of the year rose by 37 percent to EUR 80.1 million, up from EUR 58.3 million in the previous year. The TAG Group registered particularly strong growth in rental income, which climbed from EUR 26.5 million to EUR 38.2 million, an increase of 44 percent. This increase was due to the rental income from the Siemens portfolio acquired in 2007 as well as the rental income from the VBL portfolio obtained in 2008.

The sale of two residential units in Nuremberg and a plot of land in Hamburg caused sales proceeds to rise from EUR 12.9 million in the previous year to EUR 30.8 million in 2008.

Construction management income contracted from EUR 19.0 million to EUR 11.2 million due to the scheduled completion of a construction project in Hamburg.

Gross profit holding steady

At EUR 44.4 million, gross profit was virtually unchanged in the first nine months of 2008 in spite of lower gains from the fair-value remeasurement of investment properties. Thus, fair-value remeasurement gains shrank from EUR 23.2 million in the previous year to EUR 10.6 million in 2008.

Earnings before taxes (EBT)

TAG achieved earnings before taxes of EUR 6.7 million in the first nine months of 2008, thus falling short of the year-ago figure of EUR 15.8 million. This was due to lower fair value remeasurement gains in 2008 compared with the previous year together with higher borrowing costs as a result of the increased volume of real estate.

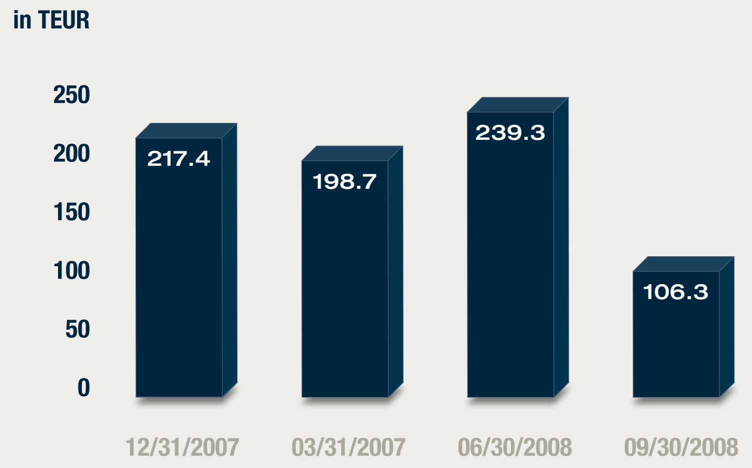
Net borrowing costs

Net borrowing costs rose from EUR - 12.3 million in the previous year to EUR - 20.7 million in the first nine months of 2008.

Decline in current bank liabilities

It was possible to reduce current bank liabilities significantly from EUR 239 million as of 30 June 2008 to EUR 106 million as of 30 September 2008 due to the contracts entered into with banks for the renewal of existing loans.

Changes in current liabilities to banks



Bartholomäusstraße, Nuremberg

Equity ratio steady at 33 percent

Despite the transactions completed in 2008, the equity ratio remained almost unchanged at 33 percent in tandem with an increase in total assets to EUR 911 million. At the same time, equity capital contracted slightly from EUR 306.5 million to EUR 304.3 million on account of the dividend payment and a change in the hedge account reserve.

Drop in Loan-to-value (LTV) ratio to 64.1 percent

Liabilities to banks increased by EUR 27 million from EUR 513 million as of 31 December 2007 to EUR 540 million as of 30 September 2008 due to acquisitions. The LTV ratio contracted from 67.4 percent to 64.1 percent.

Bau-Verein zu Hamburg Group

Substantial increase in revenues

Revenues in the first nine months 2008 rose encouragingly to EUR 47.5 million, up from EUR 42.4 million in the previous year, equivalent to an increase of 12 percent. This improvement was materially due to property sales, which rose by 152 percent to EUR 21.9 million this year, up from EUR 8.7 million in the previous year. Rental income climbed by 12 percent to EUR 15.4 million (previous year: EUR 13.8 million).

Revenues in the construction management segment contracted from EUR 19.9 million in the previous year to EUR 10.2 million in the period under review due to the scheduled completion of construction projects in Hamburg.

EBT stable at a high level

Earnings before tax (EBT) held steady at a high level, although at EUR 5.1 million they fell short of the previous year's figure (EUR 6.5 million). The main reason for this decline was the higher borrowing costs as a result of the investments completed in the first half of the year.

Ongoing efforts to unlock value in the portfolio

Fair value remeasurement gains of EUR 8.6 million were achieved on investment properties in the first nine months of 2008, compared with EUR 8.9 million in the year-ago period.

Decline in current bank liabilities

Thanks to successful negotiations with banks concerning loan durations, it was possible to significantly reduce current bank liabilities (due for settlement in less than one year). They declined by EUR 36.4 million from EUR 82.6 million to EUR 46.2 million.

Lower Loan-to-value (LTV) ratio

At the same time, the LTV (loan to value) ratio contracted from 64.9 percent as of 31 December 2007 to 60.8 percent as of 30 September 2008. In this way, it was possible to reduce credit risk materially.

Slight decline in equity ratio

The equity ratio changed only slightly from 33.9 percent as of 31 December 2007 to 31.9 percent as of 30 September 2008 as a result of the increase in total assets. At EUR 124 million, however, equity capital is unchanged despite the changes caused by the dividend payment and the hedge account reserve.

Interest exposure hedged

As a matter of principle, extensive hedging instruments are used to minimise interest risks in connection with loan contracts.


Zehlendorf, Berlin

TAG Gewerbeimmobilien-Aktiengesellschaft

Revenues – rental income doubled over the year-ago period

Revenues in the period from January through September 2008 increased to EUR 21.4 million, up from EUR 10.8 million in the same period one year earlier, thanks to extensions to the portfolio in the second half of 2007.

Earnings before taxes (EBT)

TAG Gewerbeimmobilien AG was unable to repeat the previous year's EBT of EUR 11.3 million in 2008. Instead, earnings before taxes came to only EUR 2.0 million, this being solely due to the significantly lower fair-value remeasurement gains of EUR 2.6 million in the first nine months of 2008, down from EUR 13.7 million in the year-ago period.

Further increase in borrowing costs

Net borrowing costs widened from EUR 8.0 million to EUR 15.1 million due to additional borrowing to finance the extensions to the portfolio.

Bank borrowings

The loan-to-value (LTV) ratio for TAG Gewerbeimmobilien-AG stands at 71 percent as of 30 September 2008, a further improvement compared with the figure of 78 percent recorded as of 31 December 2007 and 73 percent recorded as of 30 June 2008. Liabilities to banks were lowered from EUR 290 million as of 30 June 2008 to EUR 277 million. Current liabilities to banks dropped to EUR 37 million in the third quarter.

Equity capital virtually unchanged

At EUR 25.1 million on 30 September 2008, equity capital remained virtually unchanged compared with 31 December 2007 (EUR 25.4 million) thanks to the growth in operating profit despite the market-induced reduction in the hedge accounting reserve (EUR -1.0 million).

Forecast, opportunities, risks

Over the past few weeks and months, the turmoil afflicting the financial markets around the world has evolved into an economic crisis spreading to all sectors and affecting all parts of the German economy. The effects can be felt in all areas. The already difficult conditions in the credit markets and the mounting liquidity shortfalls in the entire financial system are being further exacerbated by German banks' expected lending restraint. This has the potential for causing more difficult conditions for all companies, not least of all those in the real estate sector. That said, the crisis in the financial market will also result in a new appreciation of tangible assets and, hence, the rediscovery of real estate as an investment, particularly in the case of properties situated in good urban locations. Private investors with plenty of equity are returning to the German market and showing interest in small properties in good locations. On the other hand, it is currently almost impossible to arrange large-scale portfolio sales on account of the lending restraint for financial investors.

Demand for commercial and residential rental real estate remained unabated in the period under review, resulting in further rental increases. This year should also see a further increase in rentals, particularly in the residential segment. Looking forward, the decline in new construction activity in metropolitan regions may result in higher rental levels in attractive urban locations. The extent to which the economic consequences of the crisis in the financial market place a damper on this development remains to be seen.

Against this backdrop, the TAG Group was able to further improve its operating earnings in the first nine months of the year. It must be assumed that the crisis in the financial market and the consequences which it has for the German economy will also leave traces on TAG's business performance and future real estate sales as well as the fair value of individual properties. Given this strong uncertainty, it is necessary for TAG to adjust its earnings forecast for 2008. At this stage, the TAG Group expects to break even at the EBT level.

Despite the adjusted revenue and earnings forecasts for 2008, the Company is optimistic that it will be able to face up the challenges arising from the crisis in the medium to long term thanks to the very consistent and sustained increase in rental income, its solid financial structure and the focus on the German real estate market with properties good urban locations.

Hamburg, 11 November 2008

The Management Board

Consolidated balance sheet

ASSETS in TEUR	09/30/2008	12/31/2007
Non-current assets		
Investment properties	623,063	556,702
Goodwill	1,727	0
Other intangible assets	1,118	83
Property, plant and equipment	2,018	2,130
Investments in associates	3,327	3,831
Other financial assets	2,218	1,536
	633,471	**564,282**
Current assets		
Land with unfinished and finished buildings	217,956	204,610
Other inventories	11,601	10,969
Trade receivables	14,375	65,685
Income tax refund claims	445	458
Other current assets	25,724	26,485
Cash and cash equivalents	6,983	14,114
	277,084	**322,321**
	910,555	**886,603**

EQUITY AND LIABILITIES in TEUR	09/30/2008	12/31/2007
Equity		
Equity holders of the parent		
Subscribed capital	32,566	32,566
Share premium	219,606	219,606
Other reserves	–1,114	–208
Unappropriated surplus	18,664	20,049
Minority interests	34,549	34,500
	304,271	**306,513**
Non-current liabilities		
Bank borrowings	433,432	295,580
Retirement benefit provisions	1,960	1,962
Other non-current liabilities	8	8
Deferred taxes	10,137	8,352
	445,537	**305,902**
Current liabilities		
Other provisions	12,686	22,148
Income tax liabilities	1,939	4,190
Liabilities to banks	106,273	217,378
Trade payables	23,514	20,166
Other current liabilities	16,335	10,306
	160,747	**274,188**
	910,555	**886,603**

Consolidated income statement

in TEUR	01/01/–09/30/2008	01/01/–09/30/2007	07/01/–09/30/2008	07/01/–09/30/2007
Revenues	80,105	58,338	29,003	23,990
a) Sale of properties	30,754	12,851	7,970	4,102
b) Rental income	38,173	26,454	16,351	10,345
c) Property management and others	11,178	19,033	4,682	9,543
Other operating income	2,587	1,859	1,045	298
Fair-value remeasurement of investment properties	10,635	23,225	0	4,385
Cost of goods and services purchased	–48,874	–38,604	–17,015	–15,489
a) Sale of properties	–29,353	–9,572	–7,260	–3,901
b) Rental income	–12,476	–8,019	–6,751	–2,597
c) Property management and others	–7,045	–21,012	–3,004	–8,991
Gross profit	**44,453**	**44,818**	**13,033**	**13,184**
Personnel expenses	–7,890	–6,826	–2,109	–2,551
Depreciation/amortisation	–408	–1,499	–156	–94
Other operating expenses	–8,786	–7,946	–2,955	–3,025
EBIT	**27,369**	**28,547**	**7,813**	**7,514**
Share of profit of associates	–478	–373	273	–197
Net borrowing costs	–20,193	–12,346	–8,076	–5,781
EBT	**6,698**	**15,828**	**10**	**1,536**
Income taxes	–2,514	–6,147	180	108
Other taxes	–1,208	–801	–606	–373
Consolidated net profit before minorities	**2,976**	**8,880**	**–416**	**1,271**
Minorities	–758	–1,843	278	–755
Consolidated net profit after minorities	**2,218**	**7,037**	**–138**	**516**
Earnings per share (EUR), basic	0.07	0.19	0.00	0.02

Consolidated cash flow statement

in TEUR	01/01/–09/30/2008	01/01/–09/30/2007
Consolidated net profit	**2,218**	**7,037**
Depreciation/amortisation	408	1,499
Share of profit of associates	478	373
Fair-value remeasurement of investment properties	–10,635	–23,225
Changes in deferred taxes	1,785	5,162
Changes in provisions	–9,464	–2,605
Losses from deconsolidation	0	202
Changes in receivables and other assets	38,099	–1,342
Changes in payables and other liabilities	6,301	–44,172
Cash flow from operating activities	**29,190**	**–57,071**
Payments made for investment properties	–55,726	–194,715
Payments received from the disposal of investment properties	0	12,147
Payments made for investments in intangible assets and property, plant and equipement	–260	–632
Payments made for the acquisition of joint ventures (net of cash and cash equivalents acquired)	–2,492	0
Payments made for the acquisition of other financial assets	–682	0
Payments received/made for investments in consolidated companies	0	34
Cash flow from investing activities	**–59,160**	**–183,166**
Dividends paid to shareholders	–3,256	0
Payments received from new bank loans	187,287	126,009
Payments made to repay bank loans	–160,540	0
Cash flow from financing activities	**23,491**	**126,009**
Cash changes in cash and cash equivalents	–6,479	–114,228
Cash and cash equivalents at the beginning of the period	11,887	124,571
Cash and cash equivalents at the end of the period	**5,408**	**10,343**

Statement of changes in consolidated equity

in TEUR	Subscribed capital	Share premium	Retained earnings	Hedge accounting reserve	Unappropriated surplus	Total	Minority interests	Total equity
Balance on 01/01/2007	**32,566**	**219,714**	**527**	**−107**	**3,582**	**256.282**	**31,728**	**288,010**
Changes in hedge accounting reserve	0	0	0	−1,175	0	−1,175	0	−1,175
Consolidated net profit/loss	0	0	0	0	7,037	7,037	1,843	8,880
Balance on 09/30/2007	**32,566**	**219,714**	**527**	**−1,282**	**10,619**	**262,144**	**33,571**	**295,715**
Consolidated net profit/loss	0	0	0	0	9,430	9,430	978	10,408
Cost of equity issue	0	141	0	0	0	141	0	141
Changes in hedge accounting reserve	0	0	0	547	0	547	0	547
Total revenues and expenses	0	141	0	547	9,430	10,118	978	11,096
Business combination without change of status	0	−249	0	0	0	−249	0	−249
Other changes in minorities	0	0	0	0	0	0	−49	−49
Balance on 12/31/2007	**32,566**	**219,606**	**527**	**−735**	**20,049**	**272,013**	**34,500**	**306,513**
Consolidated net profit	0	0	0	0	2,218	2,218	758	2,976
Changes in hedge accounting reserve	0	0	0	−906	0	−906	−38	−944
Total revenues and expenses	0	0	0	−906	2,218	1,312	720	2,032
Changes in consolidation group	0	0	0	0	−347	−347	3	−344
Dividends paid to shareholders	0	0	0	0	−3,256	−3,256	0	−3,256
Other changes in minorities	0	0	0	0	0	0	−674	−674
Balance on 09/30/2008	**32,566**	**219,606**	**527**	**−1,641**	**18,664**	**269,722**	**34,549**	**304,271**

Segment report

in TEUR	Residential real estate 01/01/– 09/30/2008	Commercial real estate 01/01/– 09/30/2008	Services 01/01/– 09/30/2008	Reconciliation 01/01/– 09/30/2008	Group 01/01/– 09/30/2008
Total revenues	46,530	22,730	13,720	– 2,875	80,105
previous year	43,153	11,882	9,670	−6,367	58,338
• of which external revenues	45,716	22,730	13,720	−2,061	80,105
previous year	43,153	11,882	3,319	−16	58,338
• of which external revenues	815	0	0	– 815	0
previous year	0	0	6,351	−6,351	0
Segment earnings (EBIT)	12,792	17,318	2,709	−5,451	27,369
previous year	12,823	15,833	3,461	−3,571	28,547
• of which non-cash impairment losses on properties and receivables	−198	0	0	0	−198
previous year	– 117	−1,228	0	−609	−1,954
Segment assets	590,676	440,975	24,987	−146,528	910,110
previous year	436,940	428,010	11,935	9,260	886,145
• of which shares in associates	3,327	0	0	0	3,327
previous year	3,831	0	0	0	3,831
Segment liabilities	424,311	411,525	18,918	−260,545	594,208
previous year	286,855	378,306	15,101	−112,714	567,548
Segment investments	34,296	22,325	2,539	0	59,160
previous year	10,382	184,965	0	0	195,347

Hofmannstraße, Munich

Notes on the interim financial statements as of 30 September 2008

General information

The interim consolidated financial statements of TAG Immobilien AG (hereinafter referred to as the “Company” or “TAG”) have been prepared in accordance with the provisions contained in Section 37x (3) of the German Securities Trading Act pertaining to interim financial reporting. The period under review is the first nine months of the 2008 financial year. The comparison figures refer to 31 December 2007 with respect to the consolidated balance sheet and otherwise the first nine months of the 2007 financial year. In addition, the consolidated income statement contain figures pertaining to the third quarter of 2008 (1 July through September 30, 2008) together with the corresponding comparison figures for the previous year. The figures reported in the interim financial statements are mostly denominated in TEUR (thousands of euros). This may result in rounding differences between the individual parts of the financial statements.

The interim financial report has been prepared on a consolidated basis in accordance with the International Financial Reporting Standards (IFRS) endorsed by the EU concerning interim reporting (IAS 34 – Interim Reporting). In addition, allowance has been made for the provisions contained in German Accounting Standard No. 16 (DRS 16 – Interim Reporting).

The recognition and measurement principles as well as the notes and explanations on the interim consolidated financial statements are fundamentally based on the recognition and measurement principles applied to the consolidated financial statements for the year ending 31 December 2007.

For more details concerning the recognition and measurement principles applied, please refer to the consolidated financial statements for the year ending 31 December 2007 compiled pursuant to IFRS, which in accordance with IAS 34 form the material basis for these interim financial statements.

Consolidation group

The consolidation group as of 30 September 2008 includes TAG and, as a matter of principle, all companies in which TAG directly or indirectly holds a majority of the voting capital. With the exception of the acquisitions described in the following section, there was no change in the consolidated group as of 30 September 2008 compared with 31 December 2007. If shares in subsidiaries are considered to be of subordinate significance from the Group's perspective, they are recognised as financial instruments in accordance with IAS 39.

Acquisitions

LARUS Asset Management GmbH (formerly known as "B.u.P Projektmanagement GmbH"), a joint venture with HSH Real Estate AG established by TAG, acquired all the shares in Pateon 1. Verwaltungs GmbH, Hamburg, effective 1 January 2008. Pateon is a service company which engages solely in the management and administration of commercial real estate and whose purpose is to extend the joint venture's business activities.

The proportionate purchase price of this investment attributable to TAG stood at TEUR 2,504. Via this transaction, cash and cash equivalents of TEUR 25 were acquired. Since being consolidated, Pateon 1. Verwaltungs GmbH has contributed proportionate revenues of TEUR 407 and a balanced result.

With the exception of an order backlog for the management and administration of commercial real estate (proportionate fair value TEUR 1,148; carrying amount EUR 0), Pateon 1. Verwaltungs GmbH did not have any material assets or liabilities as of the date of acquisition. Deferred tax liabilities of TEUR 371 (carrying amount EUR 0) were recognised in connection with the recognition of the order backlog at its fair value. The acquisition resulted in goodwill of TEUR 1,727 (purchase price less the fair value of the order backlog plus deferred tax liabilities).

TAG Beteiligungs GmbH & Co. KG, Hamburg, which had previously not been consolidated for materiality reasons, was consolidated as a subsidiary for the first time effective 1 July 2008. The effects of first-time consolidation were included within equity.

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

In the first half of 2008, fair-value accounting resulted in gains of TEUR 10,635 (previous year TEUR 18,840) in the carrying amounts of investment properties. As of 30 September, there was no change in the value of the investment properties.

In addition, a commercial property in Nuremburg with a carrying amount of around EUR 20 million was placed on the balance sheet on the level of the subsidiary TAG Gewerbeimmobilien-Aktiengesellschaft (TAG Gewerbe) in the first quarter of 2008. This reflects the receipt of the benefits and obligations arising from a commercial real estate portfolio acquired in the previous year.

In the second quarter of 2008, the subsidiary Bau-Verein zu Hamburg Aktien-Gesellschaft (Bau-Verein) acquired a portfolio of around 1,250 residential units. These properties generate attractive cash flows and offer considerable development potential and are primarily located in Hamburg, Berlin and the Rhine/Main region. One of these properties comprising 50 units was sold and transferred to the new owner on 15 October 2008.

Trade receivables contracted primarily as a result of payments received by Bau-Verein and TAG Gewerbe towards purchase price obligations. Accordingly, bank borrowings also dropped following the repayment of property finance loans.

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

Deferred tax assets net of deferred tax liabilities stand at EUR 10,137 (previous year TEUR 8,352). Deferred tax assets primarily come from unused tax losses. Deferred tax liabilities chiefly relate to the differences in the values of the investment properties and their tax bases.

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

At the annual general meeting held on 20 June 2008, a resolution was passed approving a dividend of EUR 0.10 per share. The total dividend paid to the shareholders thus stands at TEUR 3,256 (previous year EUR 0).

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

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

Material transactions with related persons

Revenues of TEUR 8,010 (previous year TEUR 18,155) were generated from construction management business with the associated company GAG Grundstücksverwaltungs-Aktiengesellschaft in the first nine months of 2008. These sales were offset by expenses in almost the same amount to non-group companies. In addition, miscellaneous services, e.g. facility management and accounting, valued at TEUR 557 (previous year TEUR 396) were provided for GAG Grundstücksverwaltungs-Aktiengesellschaft.

Other details

There has been no material change in the Group's contingent liabilities since 31 December 2007.

On 30 September 2008, the TAG Group had 179 employees, compared with 174 as of 30 September 2007.

Parkstraße, Leipzig

Basis of reporting

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

Hamburg, 11 November 2008

The Management Board

TAG`s Financial calender

4 March 09	HSBC Real Estate Conference, Frankfurt
March 09	preliminary figures for 2008
April 09	Annual Report 2008
May 09	Interim Report – 1st quarter of 2009
19 June 09	Shareholder meeting, Hamburg

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