



INTERIM REPORT 2017 ON THE 3RD QUARTER

GROWING CASHFLOWS

TAG
Immobilien AG

GROUP FINANCIALS

in EUR m	01/01 – 09/30/2017	01/01 – 09/30/2016
Income statement key figures		
Rental income	218.0	205.2
EBITDA (adjusted)	148.1	128.3
Consolidated net income	93.6	174.1
FFO I	93.2	69.9
FFO I per share in EUR	0.64	0.52
AFFO	63.6	35.0
AFFO per share in EUR	0.43	0.26
Balance sheet key figures		
	09/30/2017	12/31/2016
Total assets	4,328.2	4,016.8
Equity	1,426.7	1,365.6
Equity ratio in %	33.0	34.0
LTV in %	57.0	57.1
EPRA NAV per share in EUR	11.85	11.53
Portfolio data		
	09/30/2017	12/31/2016
Units	83,022	79,754
Real estate volume	4,045.1	3,856.6
Vacancy in % (total)	6.0	6.5
Vacancy in % (residential units)	5.3	6.1
I-f-I rental growth in %	1.9	2.0
I-f-I rental growth in % (incl. vacancy reduction)	3.0	3.7
Capital market data		
Market cap at 09/30/2017 in EUR m		2,083.2
Share capital at 09/30/2017 in EUR		146,498,765
WKN/ISIN		830350/DE0008303504
Number of shares at 09/30/2017 (issued)		146,498,765
Number of shares at 09/30/2017 (outstanding)		146,438,765
Free Float in %		100.0
Index		MDAX/EPRA

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FOREWORD

FOREWORD

Dear Shareholders, Ladies and Gentlemen,

There is no question that the German residential real estate market is booming. Steadily rising rents and purchase prices are a familiar phenomenon of recent years. And yet, all too often the discussion is limited to major cities like Berlin, Hamburg, Frankfurt and Munich, overlooking the fact that this has long since been a nationwide trend. In our view, eastern German cities in particular are undervalued in public perception. The trend in the years immediately after German reunification, when many people moved from east to west causing a population drain in the east, is probably still too strong in the public memory.

In fact, eastern Germany has long undergone a turnaround – not just in showcase cities like Potsdam and Jena, but also in places like Greifswald and Waren an der Müritz. Populations and birth rates are rising in many areas, while unemployment rates have fallen sharply in some cases. There are jobs to be had again, the quality of life is improving, and the population is getting younger and younger. These positive developments are clearly shown in the TAG Housing Market Report Eastern Germany 2017 we published in October, which examined the data on demographic and economic development, rental and purchase prices, returns, and the proportion of income households spend on housing, for 27 eastern and central German towns and cities. For us as owners of major real-estate portfolios in eastern Germany, the positive trends identified are a clear confirmation of our strategy.

But positive market reports are one thing; good results another. And here, too, there is good news to report for the third quarter of 2017. For instance, we were able to increase our funds from operations (FFO I not including net revenues from sales) to EUR 33.9 million at 30 September 2017. This represents substantial increases, both in comparison with the previous quarter (EUR 30.9 million) and year-on-year (EUR 25.0 million). A cumulative look at the first nine months of the 2017 financial year shows that FFO increased by more than 33%, from EUR 69.9 million to EUR 93.2 million, and by more than 23% on a per-share basis, from EUR 0.52 to EUR 0.64.

The reason for this strong upward trend is the very positive development in rent and vacancy. Based on like-for-like portfolios, total rental growth in the Group's residential units for the last 12 months to 30 September 2017 was 3.0%, compared to 3.8% on 30 September 2016. We continued to make significant progress with vacancy in our residential portfolio, which is now at 5.3% compared to 6.7% a year ago.

External growth was also successful in 2017. Including a purchase of 330 residential units in Chemnitz that was signed in October 2017, we have already acquired nearly 4,500 residential units this year. The average gross initial yield of these acquisitions is 8.2% p.a., ensuring attractive returns. On the disposal side, we sold a total of approximately 1,600 residential units up until and including October 2017. The sales in Freiburg and Berlin in particular show that we remained true to our strategy of capital recycling, i.e. seizing sales opportunities in high-priced regions and reinvesting the sales proceeds in high-yield properties in TAG core regions.

Finally, we made significant savings on the financing side. After already reporting the refinancing of bank loans originally totalling EUR 416.9 million to a new total amount of EUR 560.7 million in our Q2 2017 results, the third quarter saw us take the next step. In August 2017, we were able to place a new EUR 262.0 million convertible bond with a maturity of five years on the capital market. The interest coupon on this convertible bond is just 0.625% p.a., despite an effective conversion premium of more than 50% on the reference price of EUR 13.79 per share at the issue date. We immediately used the funds raised from this issue to repurchase the corporate bond due in August 2018, with an original volume of EUR 310.0 million and an effective interest rate of 4.83% p.a. In September 2017, a EUR 116.1 million tranche of this corporate bond was repurchased, so that the outstanding total volume is currently at EUR 193.9 million.

Both of these refinancing moves will lead to significant interest savings in the future. The annual interest owed to banks, based on the original loan amount of EUR 416.9 million, has been reduced by approximately EUR 7.4 million. With regard to the refinancing of the corporate bond, the annual interest savings in relation to the volume of the new convertible bond, EUR 262.0 million, is around EUR 11.0 million p.a. These interest rate reductions will have a positive impact on the result in 2017 and especially in 2018.

Consequently, based on the positive operating rental and vacancy development, the acquisitions already made in the 2017 financial year, and the refinancing that has now been implemented, we can forecast a significant increase in FFO and dividend for the 2018 financial year:

- FFO 2018: EUR 135-137 million (forecast 2017: EUR 119-121 million)
- FFO per share 2018: EUR 0.93 (forecast 2017: EUR 0.82)
- Dividend per share for 2018: EUR 0.70 (forecast for 2017: EUR 0.62)

Thus for our FFO and dividend, we are again expecting significant year-on-year increases of +13% and +11%, respectively, in 2017/2018. This is in line with our business model, where a high-yield portfolio makes growing cash flows and attractive dividends possible.

We would like to thank you, our shareholders, for your confidence in us, and look forward to continuing on our successful path together in 2018 as well!



Claudia Hoyer
COO



Martin Thiel
CFO



Dr Harboe Vaagt
CLO



Riesa (Saxony)

REPORT

GROUP INTERIM MANAGEMENT REPORT FOR THE FIRST NINE 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 30 September 2017 TAG managed around 83,000 residential units. TAG shares are listed in the MDAX of the Frankfurt Stock Exchange; TAG's market capitalisation at 30 September 2017 was EUR 2.1bn.

TAG's business model is the long-term letting of flats. All functions essential to property management are carried out by the Group's own employees. In many inventories, the company also delivers caretaker services and – increasingly since 2015 – craftsmen services. It specialises in inexpensive housing that appeals to broad sections of the population.

In the 2016 financial year, the existing business model was expanded by two fields. The founding of a multimedia company within the Group will improve the provision of multimedia to tenants, expanding the range on offer as part of real estate management. In addition, energy management was pooled into a subsidiary, and the Group entered into the supply of commercial heating for 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 growth potential and opportunities for profit there. Newly acquired portfolios regularly have higher vacancy rates, which are then reduced following the acquisition through targeted investments and proven asset management concepts. Investments are made exclusively in regions where TAG already manages properties so as to use existing administrative structures. In addition, local market knowledge is indispensable when buying up new portfolios.

In addition to long-term portfolio management, the Group selectively takes advantage of sales opportunities in high-priced markets in order to reinvest the realised capital appreciation and liquidity in new portfolios with higher yields. With this strategy of 'capital recycling', TAG is also responding to the now intense competition for German residential properties. After years of strong growth, the Group is now focussing on per-share returns, to which sales activities also make a contribution. Growth in absolute orders of magnitude is no longer at the forefront of the corporate strategy. Rather, the aim is to offer tenants affordable housing through sustained and active portfolio management and investors growing cash flows through attractive dividends.

II. Business report

a) The overall economy

The upswing in the German economy since 2013 is gaining strength and breadth. The ifo Institute expects real gross domestic product to grow by 1.8% in the current year and by 2.0% next year. As in previous years, economic development is dominated by lively consumer demand from private households and dynamic construction activity. Exports are making an increasing contribution to the upswing, benefiting from the economic outlook that has improved in Europe and just about worldwide.

In their Joint Economic Forecast (Autumn 2017) for the German Government at the end of September 2017, the leading economic research institutes (DIW Berlin, ifo Institute, IfW, IWH and RWI) confirm the positive trend for Germany. All in all, overall capacity utilisation is rising and economic output should be above production potential. Gross domestic product should rise by 1.9% by year-end 2017 and by up to 2.2% next year, adjusted for the calendar year.

According to forecasts, the upswing will continue, and the number of reported jobs in the labour market will increase further. Gross wages are also expected to rise at almost unchanged rates, while consumer-level inflation will likely be moderate. The working population is expected to grow by 1.5% this year and the trend is expected to continue in 2018 with an increase of 1.1%. One reason for this is continued immigration. The unemployment rate is projected to reach 5.7% by year-end 2017, and is expected to be just 5.5% next year.

b) The German residential real-estate market

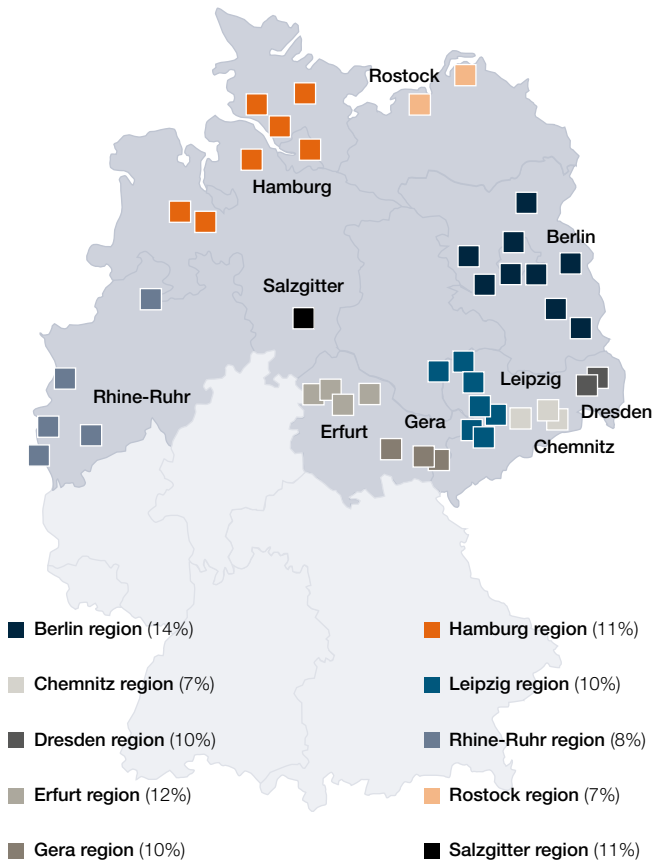
Germany remains an attractive location and investment market for real estate. The purchase of German residential properties is classified as a comparatively low-risk investment. In the first nine months of 2017, the transaction volume (measured above a magnitude of 50 residential units) was around EUR 9.5bn, exceeding the previous year's volume by more than a quarter. The country's seven 'A' cities (Berlin, Munich, Hamburg, Stuttgart, Düsseldorf, Cologne and Frankfurt) still account for about 45% of all investments. However, there is also a growing dynamism in 'B' cities where the transaction volume increased by 57% as higher yields can be achieved here at comparatively low prices. Moreover, there is now a shortage of supply in major cities. With around EUR 2.7bn of invested capital, foreign investors represent about a quarter of all buyers.

The fourth quarter of the year is likely to see a continued high level of activity on the residential investment market. Jones Lang LaSalle and Savills forecast a transaction volume of around EUR 15bn to 17bn for the full year 2017.

c) Development of the TAG property portfolio and the individual regions

Overview

At the end of the third quarter of 2017, the TAG property portfolio comprised approximately 83,000 units. The focus is on the management of attractive yet affordable housing, with great awareness of our social responsibility towards our tenants. The regional focus remains mainly on northern and eastern Germany.



% acc.: proportional IFRS book value real estate volume

Portfolio	as of 09/30/2017	as of 12/31/2016
Units	83,022	79,754
Rentable area in sqm	5,048,927	4,878,022
Real estate volume in EUR m	4,045.1	3,856.6
Annualised current net cold rent in EUR m	300.6	286.4
Current net cold rent in EUR/sqm/month (total portfolio)	5.28	5.23
Current net cold rent in EUR/sqm/month (residential units)	5.17	5.11
Vacancy in % (total portfolio)	6.0	6.5
Vacancy in % (residential units)	5.3	6.1
L-f-I rental growth in % (y-o-y)	1.9	2.0
L-f-I rental growth in % (incl. vacancy reduction, y-o-y)	3.0	3.7

Acquisitions in the 2017 financial year

In the first nine months of 2017, 4,138 residential units were acquired for a total purchase price of EUR 147.8m. An average purchase multiplier of 12.1 on the current annual net rent was paid, which corresponds to an annual gross initial yield of 8.3%. Vacancy in the purchased portfolios averaged 11.1%, and thus again offers development opportunities for active asset management within the Group.

Shortly after the end of the reporting period, a further acquisition was made in Saxony in October 2017 at a purchase price of EUR 11.25m. The portfolio comprises 328 residential units in Chemnitz with a current annual net rent of EUR 0.77m. Vacancy is currently 31.4% and thus offers great potential for value creation. With this in mind, a purchase price of 14.6 times the current annual net rent was paid. The transfer of ownership rights, benefits and obligations is expected on 31 December 2017.

The following table gives a summary of the purchases recorded in the financial year 2017 to date:

	Brandenburg Feb. 2017	Saxony- Anhalt Mar. 2017	Saxony-Anhalt, Lower Saxony, Thuringia Jun. 2017	Total Q1-Q3 2017	Saxony Oct. 2017
Units	1,441	1,252	1,445	4,138	328
Current net cold rent EUR/sqm/month	4.77	4.82	4.78	4.79	4.91
Vacancy in %	19.3	7.2	6.3	11.1	31.4
Purchase price in EUR m	41.9	42.9	63.0	147.8	11.3
Current net cold rent EUR m p. a.	3.42	3.47	5.34	12.23	0.8
Location	Brandenburg an der Havel	Halle an der Saale	Various Locations (e.g. Halle an der Saale, Goslar, Meiningen)	–	Chemnitz, Glauchau
Closing	Jun. 2017	Jun. 2017	Jun. 2017 (mainly)	–	Dec. 2017
Multiples	12.3x	12.4x	11.8x	12.1x	14.6x

Sales in the 2017 financial year

TAG is primarily a long-term portfolio holder. However, sales of smaller residential portfolios are also part of our strategy, whether that means to optimise the overall portfolio or to capitalise on favourable market opportunities. Particularly in the current market environment, a high degree of capital discipline is becoming increasingly important. Why? Because in some segments and regions, purchase prices have already reached levels where long-term-oriented management is no longer attractive in relation to the equity capital costs. That is why we seize sales opportunities in locations where purchase prices for residential properties are growing much faster than rents – though only after a meticulous, expert review of each project, of course. The equity released by sales enables us to reinvest in properties in TAG's core regions with a higher initial yield. This is the principle of capital recycling.

Sales of 1,359 residential units were recorded in the first nine months of 2017. In addition to the ongoing smaller-scale sales business, including privatisations, which totalled 367 residential units, the sale of a portfolio of 457 units in Freiburg was negotiated for a selling price of 22.1 times the annual net rent. Another sale of 535 residential units in Brandenburg an der Havel took place as part of a swap with the seller of the 1,441 residential units shown under acquisitions at the same location. The sales price of EUR 5.5m – or purchase price of EUR 41.9m – shown in the table corresponds to the underlying price

in the negotiations. Because exchange transactions are subject to special accounting rules based on fair value, the items shown on the balance sheet deviate from this. In this connection, sales revenues of EUR 9.4m, which yielded a net sales result of EUR 0.1m and a purchase price of EUR 45.8m, which after the revised estimate of the transaction costs led to a valuation loss of EUR 4.0m, were recorded.

In October 2017, after the balance sheet date, a further 267 residential units were sold in Berlin for a price of around EUR 36.1m, which resulted in a book profit (before the effects from the next revaluation of the portfolio as at 31 December 2017) of EUR 1.8m. The selling price corresponds to a multiplier of 31.1 times the current annual net rent. The net cash proceeds from the sale (purchase price minus repayment of bank financing) will be around EUR 30.3m. The transfer of ownership rights, benefits and obligations is expected on 31 March 2018.

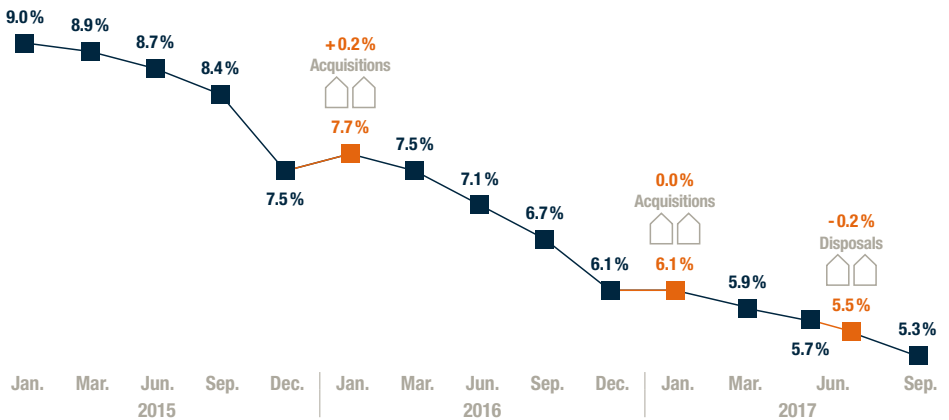
The following table gives a summary of the sales recorded in financial year 2017 to date:

	Brandenburg Feb. 2017	Freiburg Jun. 2017	Ongoing disposals Q1-Q3 2017	Total/ weighted average Q1-Q3 2017	Berlin Oct. 2017
Units	535	457	367	1,359	267
Current net cold rent EUR/sqm/month	3.61	6.21	–	–	6.65
Vacancy in %	33.4	0.0	–	–	3.5
Selling price in EUR m	5.5	59.0	13.4	77.9	36.1
Current net cold rent m p. a.	0.96	2.67	0.9	4.53	1.16
Net cash proceeds in EUR m	0.0	ca. 41.2	11.5	ca. 52.7	ca. 30.3
Book profit in EUR m	0.1	13.5 (before revaluation to selling price at 30 Jun. 2017)	3.2	16.8	1.8 (before revaluation to selling price at Dec. 2017)
Location	Brandenburg an der Havel	Freiburg	Various locations (e.g Berlin, Hamburg, Gera)	–	Berlin Zehlendorf
Closing	Jun. 2017	Nov. 2017 (expected)	2017	–	Mar. 2018 (expected)
Multiples	5.7x	22.1x	14.9x	17.2x	31.1x

Vacancy

In the first three quarters of 2017, we recorded significant further progress in reducing vacancy in the residential units of the portfolio. For instance, the vacancy rate was reduced from 6.1% in January 2017 to 5.3% in September 2017. In the overall portfolio, the vacancy rate fell to 6.0% in September 2017 after 6.5% at the beginning of the year.

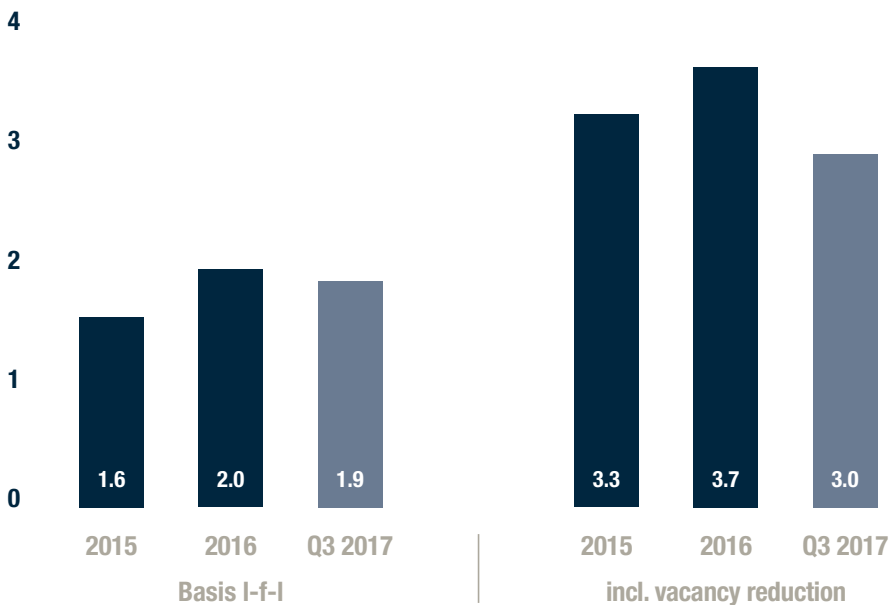
The following table illustrates the positive development of vacancy in the Group's residential units in the financial years 2015 to 2017:



Rental growth

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 in the previous twelve months) at 30 September 2017, after 2.0% in the 2016 financial year. If one includes the effects of the vacancy reduction, total rental growth on a like-for-like basis amounted to 3.0% (3.7% in FY 2016). The following chart shows the rental growth in the Group's residential units in financial years 2015 to 2017:

in %



This attractive rental growth is still being achieved with only moderate investment requirements and without extensive modernisation programmes in already-rented residential units. For instance, total investments in the first nine months of 2017 amounted to EUR 11.02 per sqm (recognised maintenance expenses of EUR 4.75 per sqm and capitalised modernisation costs of EUR 6.27 per sqm). Annualised over a full financial year, this results in a value of EUR 14.69 per sqm after EUR 15.41 per sqm in 2016 and EUR 15.15 per sqm in 2015.

The portfolio in detail

The following table shows further details of the TAG property portfolio, by region as of 30 September 2017:

Region	Units	Rentable area sqm	IFRS BV EUR m	In-place yield %	Vacancy Sep. 2017 %	Vacancy Dec. 2016 %
Berlin	9,264	533,554	518.8	6.4	5.0	5.1
Chemnitz	7,336	423,674	268.3	8.2	10.3	11.8
Dresden	6,190	402,014	394.2	6.5	3.4	3.8
Erfurt	9,359	527,642	457.7	6.9	2.2	2.5
Gera	9,668	562,630	385.2	7.7	9.1	9.6
Hamburg	7,119	435,896	394.9	6.9	4.2	4.3
Leipzig	8,849	524,268	385.1	7.9	4.2	4.6
Rhine-Ruhr	4,959	323,149	316.7	6.3	3.6	3.4
Rostock	5,467	324,950	269.1	7.3	4.6	4.4
Salzgitter	9,176	563,079	412.7	7.8	5.5	7.5
Total residential units	77,387	4,620,856	3,802.7	7.1	5.3	5.8
Acquisitions	4,215	233,425	149.7	7.8	12.5	–
Commercial units within residential portfolio	1,232	155,368	–	–	17.2	17.5
Total residential portfolio	82,834	5,009,649	3,952.4	7.5	6.0	6.4
Other*	188	39,278	92.7	5.6	10.0	11.5
Grand total	83,022	5,048,927	4,045.1	7.4	6.0	6.5

* 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 (9 months)	Capex EUR/sqm (9 months)
5.47	6.09	3.3	3.5	4.50	4.83
4.80	4.85	0.9	3.3	7.91	12.99
5.50	5.64	2.0	2.6	3.07	4.09
5.08	5.56	2.1	2.8	3.35	5.34
4.85	5.17	2.1	3.2	3.70	6.50
5.41	5.69	2.5	2.7	5.25	2.83
5.06	5.28	2.4	3.2	3.37	4.04
5.37	5.62	1.5	1.8	6.98	4.11
5.32	5.51	1.0	1.2	4.45	4.87
5.05	5.30	1.1	4.8	5.98	11.54
5.17	5.45	1.9	3.0	4.75	6.27
4.77	–	–	–	0.00	0.00
7.77	–	–	–	–	–
5.23	–	–	–	4.38	5.78
12.29	–	–	–	7.02	14.99
5.28	–	–	–	4.40	5.85

**Incl. an effect from changes in vacancy

d) Revaluation of the portfolio at 30 September 2017 and revised estimate of future transaction costs (change in valuation method)

For the first time, TAG's real estate assets were completely revalued – by the independent assessor CBRE GmbH – as at 30 June of this year. Until now, the valuation was carried out as at 30 September of a given year and was then adjusted with an update at 31 December of that year in the event of major developments regarding individual properties.

The 2017 financial year will see two valuations – the valuation that was carried out at 30 June 2017, and another full valuation at 31 December 2017. Besides the associated increase in transparency, the main reason for reducing the interval between valuations is the price dynamic currently observed in German residential real estate, which is also clearly evident in the areas where TAG operates.

For instance, as at 30 June 2017, there was a valuation gain – before the revaluation of transaction costs – of EUR 296.2m, after EUR 163.8m in the last full revaluation of the portfolio as at 30 September 2016. This valuation gain was initially attributable to better operating performance than in the last valuation (effect amounted to approx. EUR 86.4m, after approx. EUR 93.3m at 30 September 2016), but also, and to a significant extent, to 'yield compression', i.e. lower capitalisation rates due to lower yield requirements on the part of potential purchasers, with a volume of around EUR 209.8m. (30 September 2016: approx. EUR 70.5m).

However, besides revaluation gains outlined, the valuation result as at 30 June 2017 still contained a negative effect of EUR 256.7m from the reassessment of transaction costs as part of the portfolio valuation, resulting in an overall valuation result of EUR 39.3m. In past financial years, including the reports as at 31 December 2016 and 31 March 2017, transaction costs for the valuation of investment properties were determined depending on the respective relevant market, taking into account the asset deal market as well as the share deal market in which applicable tax legislation allows for avoiding property transfer tax if the transaction is structured accordingly. Therefore, the share deal market, being the most favourable market, was taken as the basis for transactions in the former East Germany except Berlin and for Lower Saxony, and the market-specific transaction costs of a potential buyer were estimated at 0.2%. The transaction costs deducted for all other federal states averaged 8.3%.

Effective 30 June 2017, a change in the estimate of expected future transaction costs was made, whereby from now on the asset deals market is always taken as the basis for estimating transaction costs, in all markets, and thus all transaction costs incurred in asset deals are deducted in the valuation. This change in estimate was made largely due to growing uncertainty about the future admissibility under tax law of transfer tax-neutral property transfers by structuring them as a share deal. For this reason, as of 30 June 2017, the transaction costs deducted for all properties amounted to 7.8% on average. The valuation change (revised estimate of future transaction costs) resulted in this one-time valuation loss of EUR 256.7m at 30 June 2017.

In the third quarter of 2017 there were only minor valuation effects, mainly from subsequent acquisition costs for residential units acquired in the first half of 2017, which led to a valuation loss of EUR 0.2m. The next full portfolio valuation will be carried out as at 31 December 2017.

With an average book value of still merely around EUR 800.00 per sqm and a valuation factor of 13.5 times the current annual net rent (corresponding to a 7.4% gross initial annual interest rate), we feel that the valuation remains at a level that offers clear potential for further value increases.

e) Early refinancing of bank loans, and 'Investment Grade' rating

From June to August 2017, bank loans with a total nominal value of EUR 416.9m, an average interest rate of 3.3% p.a. and a remaining fixed-interest period averaging 0.9 years were refinanced ahead of schedule, significantly reducing the interest charge on these loans to currently 1.7% p.a. At the same time, this refinancing was made long term, which means the new average maturity and period of interest rate fixation of these loans is now 9.1 years. This results in future interest savings of approximately EUR 7.4m per annum vis-à-vis the original nominal amount, which won't be fully reflected in consolidated net profit, however, until the 2018 financial year.

In the course of the refinancing, the total nominal value of these renegotiated bank loans was increased significantly to EUR 560.7m. Minus the expected breakage fees of EUR 7.5m this generated additional liquidity of around EUR 136.3m, which can be used for further acquisitions or the repayment of loans subject to a higher interest rate.

As of 30 September 2017, these prematurely refinanced bank loans, with the exception of a loan of EUR 105.0m, will result in additional liquidity from the revaluation of the loan amount of approximately EUR 48.9m. This loan will probably not be repaid until December 2017 to minimise the breakage fee resulting from the refinancing. However, the loan agreement was already signed in August 2017 and the interest terms secured.

In August 2017, the ratings agency Moody's published an issuer rating for TAG with the grade 'Baa3' and a stable outlook. This Investment Grade rating underscores TAG's strong operating performance and stable financing structure. At the same time, it increases TAG's future flexibility in matters of financing, and supports the Group's strategy of continuously optimising the financing structure.

f) Issuance of new convertible bond 2017/2022 and the partial repurchase of corporate bond 2013/2018

Immediately after refinancing the bank loans and receiving the Investment Grade rating, another major step towards reducing TAG's future financing costs was taken in August 2017: A new convertible bond was issued on the capital market with a total nominal value of EUR 262m and a maturity of five years to September 2022. It can be converted into approximately 14.6m TAG shares, or repaid in cash. The coupon of the convertible bond is 0.625% p.a.

The initial conversion price amounts to EUR 17.93, which corresponds to an effective conversion premium of approximately 50% above the reference price (as at emission EUR 13.79), as the conversion price will only be adjusted due to dividend payments if the dividend paid exceeds EUR 0.57 per share.

Also in August 2017, to further optimise the capital and financing structure, the creditors of the corporate bond issued in 2013 with a total nominal value of EUR 310.0m and an interest coupon of 5.125% p.a. (effective interest rate of 4.83% p.a.), which matures in August 2018, were offered an early repurchase of the corporate bond against a cash payment. The offer was accepted in the amount of EUR 116.1m of the nominal value, so that as at the balance sheet date, EUR 193.9m was still outstanding.

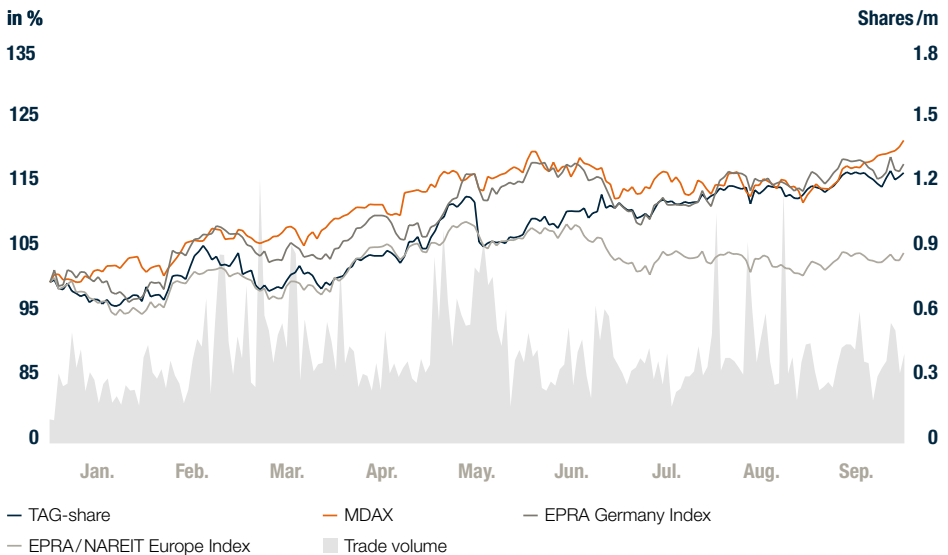
Based on the total nominal value of the new convertible bond of EUR 262.0m, the annual interest savings, at 0.625% p.a. compared with 4.83% p.a. for the still-outstanding corporate bond, amounts to approximately EUR 11.0m per year. This interest savings will become fully effective in August 2018, when the remaining balance of the corporate bond is repaid.

g) The TAG share and the capital market

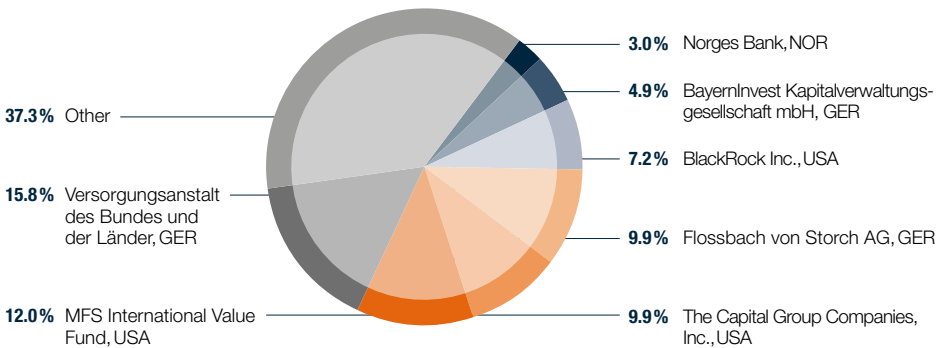
Share performance

In the first three quarters of 2017, the price of the MDAX-listed TAG share saw significant increases, closing at EUR 14.22 (+13%) on 30 September 2017 after a closing price of EUR 12.56 at the end of 2016. Taking into account the dividend of EUR 0.57 per share paid out in May 2017, the overall performance of the TAG share was 18% for the first nine months of FY 2017.

The MDAX also improved by 17% in the first nine months of 2017, and EPRA Germany, the index of Germany's key listed real estate companies, showed a similar increase, rising by 14%. EPRA Europe remained virtually unchanged in the reporting period, increasing by a mere 3%.



The share capital and number of shares at the balance sheet date, at 146,498,765, remained unchanged compared to the end of 2016. TAG's market capitalisation was EUR 2.1bn at 30 September 2017. The majority of TAG shareholders are, as ever, national and international investors with a predominantly long-term investment strategy, as the following chart (as at: 31 Oct 2017) shows.



Placement of 4.1m 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, which represented a 2.0% discount on the last XETRA closing price and an 8.2% premium on the Net Asset Value (NAV) per share of EUR 11.53 per share as of 31 December 2016. These were the last remaining shares of those originally repurchased in October 2014 for EUR 9.30. This transaction led to gross proceeds of EUR 51.1m for the Company.

Dividend payment in May 2017

TAG lets its shareholders participate substantially in the company's success by paying an attractive dividend. At the Company's Annual General Meeting on 16 May 2017, a dividend of EUR 0.57 per share for the 2016 financial year was approved and subsequently paid out. To establish the share as an attractive dividend stock into the future, we plan to again increase the dividend payment for the 2017 financial year to EUR 0.62 per share, which corresponds to a pay-out ratio of 75% of FFO.

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

Results of operations

In the first nine months of 2017, the Group increased its rental income by 5.4% year-on-year, from EUR 136.0m to EUR 143.3m. The main reasons for the increase in rental income were the portfolios acquired at the end of the 2016 financial year, and the good operational growth in rents.

The rental profit, i. e. rental income net of expenses for property management, amounted to EUR 183.6m (previous year: EUR 164.9m). This corresponds to a margin of 84% for the first nine months of 2017 (previous year: 80%). Rental income for the third quarter of 2017 was EUR 63.5m (previous year: EUR 56.5m), which corresponds to a further improved margin of 85% (previous year: 82%). This was underpinned by the growing volume of services provided by TAG for tenants.

The Group generated revenues of EUR 37.6m (previous year: EUR 40.8m) from property sales during the reporting period. The net result from sales in the first nine months of 2017 was EUR 0.9m (previous year: EUR 1.8m).

The result from changes in the fair value of investment properties and from the valuation of properties held for sale amounted to EUR 39.3m for the first nine months of the 2017 financial year. This revaluation includes the negative one-off effect of EUR 256.7m, described earlier, from a revised estimate of the transaction costs to be included in the property valuation. By contrast, the value of the property portfolio increased by EUR 296.0m as a result of the regularly scheduled valuation at the reporting date and valuations of purchases. In the same period of the previous year, the effect from the revaluation was EUR 163.6m.

Personnel expenses in the first nine months of 2017 increased to EUR 30.6m (previous year: EUR 28.2m), due to the Group's continued expansion of its activities in the fields of small repair services, in-house caretaker and maintenance services, multimedia, and energy management.

Other operating expenses amounted to EUR 12.7m for the first nine months of 2017 (previous year: EUR 13.3m). They were primarily due to legal, consulting and audit costs, rental costs for leased business premises, IT costs, car and travel expenses, and communications costs.

In 2017, the reduction in financing costs achieved over the past few quarters continued to have a positive impact compared with the previous year. The net financial result, which represents the balance of financial income and financial expenses, improved to EUR -67.9m in the first nine months of 2017 (previous year: EUR -70.7m). The cash interest income, adjusted for one-offs, which is used in determining FFO, improved to EUR -51.5m for the first nine months of 2017 (previous year: EUR -57.8m).

Overall, TAG generated pre-tax earnings (EBT) of EUR 117.8m in the first nine months of the 2017 financial year (previous year: EUR 220.0m) and after income taxes of EUR 24.1m (previous year: EUR 45.9m) – most of which was deferred taxes – consolidated net income amounted to EUR 93.6m (previous year: EUR 174.1m).

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 third quarter and in the first nine months of 2017 in comparison to the same period of the previous year:

in EUR m	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016
Consolidated net income	19.6	134.0	93.6	174.1
Income taxes	4.5	40.6	24.1	45.9
Net financial result	26.4	27.4	67.9	70.7
EBIT	50.5	202.0	185.6	290.7
Adjustments				
Net revenue from sales	0.2	-159.2	-39.3	-163.6
Depreciation	0.9	0.7	2.7	2.1
Project costs and one-offs for personnel	0.0	0.1	0.0	0.9
Valuation result	-0.3	-0.1	-0.9	-1.8
EBITDA (adjusted)	51.3	43.5	148.1	128.3
EBITDA margin in %	68.7	62.9	67.9	62.5
Net financial result (cash, after one-offs)	-16.5	-18.0	-51.5	-57.8
Income taxes paid	-0.7	-0.5	-2.8	-0.6
Guaranteed dividend to minority shareholders	-0.2	0.0	-0.6	0.0
FFO I	33.9	25.0	93.2	69.9
Capitalised maintenance	-5.6	-2.7	-9.2	-7.0
AFFO (before modernisation capex)	28.3	22.3	84.0	62.9
Modernisation capex	-6.2	-10.9	-20.4	-27.9
AFFO	22.1	11.4	63.6	35.0
Net revenue from sales	0.3	0.1	0.9	1.8
FFO II (FFO I + net revenue from sales)	34.2	25.1	94.1	71.7
Weighted average number of shares outstanding (in thousands)	146,439	140,853	145,464	133,423
FFO I per share in EUR	0.23	0.18	0.64	0.52
AFFO per share in EUR	0.15	0.08	0.43	0.26

FFO I during the reporting period 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

Total assets at 30 September 2017 increased to EUR 4,328.2m after EUR 4,016.8m at 31 December 2016. The book value of the entire property portfolio was EUR 4,045.1m (31 December 2016: EUR 3,856.6m), of which EUR 3,925.6m (31 December 2016: EUR 3,777.8m) were investment properties.

In the first nine months of 2017, there was an increase in equity that was also driven – besides the positive quarterly result – by the placement of 4.1m treasury shares so that equity at 30 September 2017 rose to EUR 1,426.7m (31 December 2016: EUR 1,365.6m), after payment of a dividend of EUR 83.5 m. The equity ratio at the balance sheet date was 33.0% (31 December 2016: 34.0%).

The following table shows the calculation of Net Asset Value (NAV) at the balance sheet date:

in EUR m	09/30/2017	12/31/2016
Equity (without minority shareholders)	1,409.9	1,350.9
Deferred taxes on investment properties and derivative financial instruments	305.9	287.1
Fair values of derivative financial instruments	7.5	4.0
Difference between fair value and book value for properties valued at cost	12.0	0.0
EPRA NAV	1,735.3	1,642.0
Lump sum deduction of transaction costs	0.0	-225.4
EPRA NAV (after lump sum deduction of transaction costs)	1,735.3	1,416.6
Number of relevant shares (in thousands)	146,439	142,344
EPRA NAV per share in EUR (before flat-rate transaction cost deduction)	11.85	11.53
EPRA NAV per share in EUR (after lump sum deduction of transaction costs)	11.85	9.95

The increase in the NAV per share in EUR mainly results from the positive consolidated net profit, which overcompensated for the NAV reduction caused by the dividend payment.

The loan-to-value (LTV) ratio at 30 September 2017 is calculated as follows:

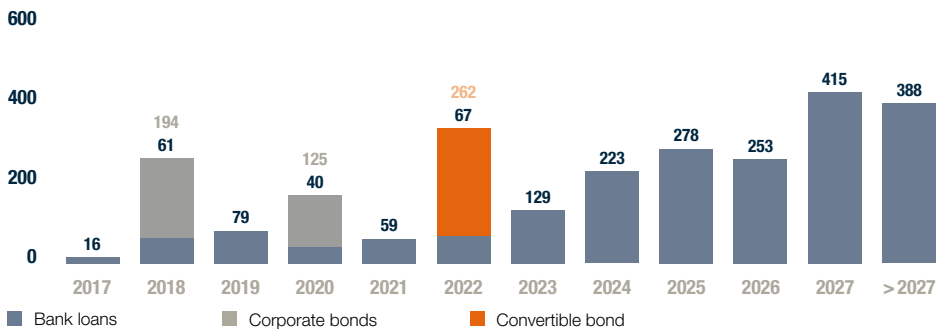
in EUR m	09/30/2017	12/31/2016
Non-current and current liabilities to banks	1,927.1	1,826.5
Non-current and current liabilities from corporate bonds	322.0	443.7
Non-current and current liabilities from convertible bonds	255.5	0.0
Cash and cash equivalents	-194.3	-74.5
Net financial debt	2,310,3	2,195,7
Book value of investment properties	3,925.6	3,777.8
Book value of property reported under property, plant and equipment	9.9	10.1
Book value of property held as inventory	47.7	51.7
Book value of property reported under non-current assets held for sale	61.9	17.0
Real estate volume	4,045.1	3,856.6
Book value of property for which purchase price has already been received in advance	-0.9	-9.0
Difference between fair value and book value for properties valued at cost	12.0	0.0
Relevant real estate volume for LTV calculation	4,056.2	3,847.6
LTV	57.0%	57.1%

In FY 2017, in accordance with the recommendations of the European Public Real Estate Association (EPRA), the NAV and LTV ratios for the first time include dormant reserves relating to property, plant and equipment and properties held as inventory that were not reported at fair value. An adjustment of the previous year's figures was waived for reasons of materiality.

As at 30 September 2017, the average interest rate of the bank loans was 2.24% (31 December 2016: 2.82%). The average interest rate on total interest expense, i.e. taking convertible bond as well as corporate bonds into account, amounted to 2.34% (31 December 2016: 3.15%).

The following table shows the maturity of all financial liabilities as of 30 September 2017.

in EUR Mio.





Luebeck (Schleswig-Holstein)

i) HR report (employees)

The number of people employed by TAG is shown in the following table:

	09/30/2017	12/31/2016
Employees in operations	528	489
Administration and central functions	109	98
Caretakers	296	219
Craftsmen	51	27
Total	984	833

III. Material events after the reporting date

Apart from the acquisition of a residential portfolio in Chemnitz and the sale of a residential portfolio in Berlin already described in the 'Business report - Development of the TAG property portfolio' section, there were no material events after the reporting date.

IV. Outlook, opportunities and risks

Its business activities expose TAG to various operational and economic opportunities and risks. Please refer to the detailed remarks in the 'Opportunities and Risk Report' section of the Group Management Report for the 2016 fiscal year. Since 1 January 2017, no significant developments have occurred or become apparent that would lead to a different assessment.

We had already raised our forecasts for the 2017 financial year in February and August of this year due to the very positive operating performance in Q4 2016, as well as the acquisitions made at the end of 2016.

The new forecast for the 2018 financial year in relation to FFO (here as FFO I excluding net result from sales) and dividends is as follows:

- FFO: between EUR 135m and EUR 137m
(2017 forecast: between EUR 119m and 121m, expected year-on-year increase therefore 13%)
- FFO: per share: EUR 0.93
(2017 forecast: EUR 0.82, based on 146.4m outstanding number of shares, expected year-on-year increase therefore 13%)
- Dividend per share: EUR 0.70
(2017 forecast: EUR 0.62, corresponding 75% of the FFO, hence expected year-on-year increase of 11%)

The main drivers of the forecast FFO increase of around EUR 16.0m are rents that are higher by about EUR 10.5m, and FFO-effective financing costs that are lower by around EUR 11.5m. Countering this, around EUR 3.0m in higher maintenance expenses and around EUR 2.5m in increased income tax charges are expected.

The forecast at the reporting date of 30 September 2017 is based on TAG's existing property portfolio, also taking into account the acquisitions and sales recorded up until October 2017. In addition, as for the previous year's forecast, small-scale sales totalling approximately 500 residential units were assumed for the 2018 financial year. Likewise, any other purchases and sales are not included in this year's forecast either.

Hamburg, 7 November 2017



Claudia Hoyer
COO



Martin Thiel
CFO



Dr Harboe Vaagt
CLO

CONSOLIDATED BALANCE SHEET

Assets in TEUR	09/30/2017	12/31/2016
Non-current assets		
Investment properties	3,925,576	3,777,757
Intangible assets	1,421	2,256
Property, plant and equipment	23,068	16,996
Investments in associates	96	103
Other financial assets	7,242	7,626
Deferred taxes	36,439	38,795
	3,993,842	3,843,533
Current assets		
Property held as inventory	47,702	51,690
Other inventories	118	280
Trade receivables	10,778	14,642
Income tax receivables	3,647	4,000
Derivative financial instruments	1	5
Other current assets	15,911	11,081
Cash and cash equivalents	194,326	74,487
	272,483	156,185
Non-current assets held for sale	61,850	17,049
	4,328,175	4,016,767

Equity and liabilities in TEUR	09/30/2017	12/31/2016
Equity		
Subscribed capital	146,439	142,344
Share premium	783,001	736,964
Other reserves	-248	-617
Retained earnings	480,690	472,227
Attributable to the equityholders of the parent company	1,409,882	1,350,918
Attributable to non-controlling interests	16,829	14,650
	1,426,711	1,365,568
Non-current liabilities		
Liabilities to banks	1,832,794	1,675,758
Liabilities from corporate bonds	319,314	434,962
Liabilities from convertible bonds	255,396	0
Derivative financial instruments	7,212	2,938
Retirement benefit provisions	5,855	6,132
Other non-current liabilities	7,705	7,478
Deferred taxes	291,466	272,334
	2,719,742	2,399,602
Current liabilities		
Liabilities to banks	94,272	150,683
Liabilities from corporate bonds	2,727	8,764
Liabilities from convertible bonds	136	0
Derivative financial instruments	328	1,017
Income tax liabilities	9,718	7,244
Other provisions	17,632	21,521
Trade payables	18,970	11,857
Other current liabilities	37,939	50,511
	181,722	251,597
	4,328,175	4,016,767

CONSOLIDATED INCOME STATEMENT

	01/01 – 09/30/2017	01/01 – 09/30/2016 (adjusted)	07/01 – 09/30/2017	07/01 – 09/30/2016 (adjusted)
in TEUR				
Rental income	218,022	205,174	74,673	69,158
Rental expense	-34,410	-40,295	-11,167	-12,702
Net rental income	183,612	164,879	63,506	56,456
Revenues from the sale of real estate	37,554	40,846	5,897	3,827
Expenses on the sale of real estate	-36,658	-39,058	-5,585	-3,702
Sales result	896	1,788	312	125
Other operating income	7,793	3,938	2,594	830
Fair value changes in investment properties and valuation of properties held as inventory	39,341	163,649	-173	159,274
<i>thereof due to changes in expected transaction costs</i>	-256,660	0	0	0
<i>thereof due to changes in other input factors</i>	296,001	163,649	-173	159,274
Personnel expense	-30,598	-28,182	-10,466	-9,533
Depreciation/ amortisation	-2,712	-2,131	-940	-692
Other operating expenses	-12,720	-13,258	-4,394	-4,489
EBIT	185,612	290,683	50,439	201,971
Net income from investments	169	169	56	56
Share of profit or loss of associates	-7	-3	-2	-1
Impairments of financial assets	-261	0	0	0
Interest income	1,613	2,287	504	721
Interest expense	-69,339	-73,128	-26,847	-28,176
EBT	117,787	220,008	24,150	174,571
Income taxes	-24,145	-45,889	-4,542	-40,566
Consolidated net income	93,642	174,119	19,608	134,005
<i>attributable to non-controlling interests</i>	1,709	6,584	283	5,469
<i>attributable to equityholders of the parent company</i>	91,933	167,535	19,325	128,536
Earnings per share (in EUR)				
Basic earnings per share	0.64	1.26	0.14	0.91
Diluted earnings per share	0.63	1.26	0.14	0.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	01/01 – 09/30/2017	01/01 – 09/30/2016	07/01 – 09/30/2017	07/01 – 09/30/2016
Net income as shown in the income statement	93,642	174,119	19,608	134,005
Unrealised gains and losses from hedge accounting	478	2,721	68	310
Deferred taxes on unrealised gains and losses	-109	-488	-16	-74
Other comprehensive income after taxes	369	2,233	52	236
Total comprehensive income	94,011	176,352	19,660	134,241
<i>attributable to non-controlling interests</i>	<i>1,709</i>	<i>6,584</i>	<i>283</i>	<i>5,469</i>
<i>attributable to equityholders of the parent company</i>	<i>92,302</i>	<i>169,768</i>	<i>19,377</i>	<i>128,772</i>

CONSOLIDATED CASHFLOW STATEMENT

in TEUR	01 / 01 – 09 / 30 / 2017	01 / 01 – 09 / 30 / 2016
Consolidated net income	93,642	174,119
Net interest income/expense through profit and loss	67,726	70,841
Current income taxes through profit and loss	2,766	629
Depreciation/amortisation on intangible assets and property, plant and equipment	2,973	2,131
Share of profit or loss of associated companies and other financial assets	-162	-166
Fair value changes in investment properties and valuation of properties held as inventory	-39,341	-163,754
Gains/losses from the disposal of investment properties	-442	-556
Impairments rent receivables	3,331	3,655
Changes to deferred taxes	21,379	45,260
Changes in provisions	-4,166	-1,176
Interest received	1,142	2,223
Interest paid	-58,817	-60,199
Income tax payments	60	1,693
Changes in receivables and other assets	-4,728	2,949
Changes in payables and other liabilities	5,382	7,972
Cashflow from operating activities	90,745	85,621
Payments received from the disposal of minority interests	0	14,513
Payments received from the disposal of investment properties (less selling costs)	19,643	32,144
Payments made for investments in investment properties including prepayments	-175,857	-76,585
Payments made for investments in intangible assets and property, plant and equipment	-7,949	-1,257
Payments received from other financial assets	292	5,499
Cashflow from investing activities	-163,871	-25,686
Proceeds from the issuance of treasury shares (net, after costs)	50,417	56,881
Proceeds from the issuance of convertible bonds	259,229	0
Purchase of treasury shares	0	-780
Purchase of non-controlling interests	-53	0
Dividends paid	-83,470	-72,875
Proceeds from new bank loans	1,258,976	102,482
Payments made for repaying liabilities to banks	-1,170,679	-96,551
Payments made for the repayment of corporate bonds	-121,022	0
Payments made for the repayment of convertible bonds	0	-9,438
Cashflow from financing activities	193,398	-20,281
Net change in cash and cash equivalents	120,272	39,654
Cash and cash equivalents at the beginning of the period	67,046	95,910
Cash and cash equivalents at the end of the period	187,318	135,564

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					
Amount on 01/01/2017	142,344	736,964	46	-663	472,227	1,350,918	14,650	1,365,568	
Consolidated net income	0	0	0	0	91,933	91,933	1,709	93,642	
Other comprehensive income	0	0	0	369	0	369	0	369	
Total comprehensive income	0	0	0	369	91,933	92,302	1,709	94,011	
Colonia compensation offer	0	-566	0	0	0	-566	0	-566	
Issuance of treasury shares	4,095	46,322	0	0	0	50,417	0	50,417	
Share based compensation	0	281	0	0	0	281	0	281	
Dividends paid	0	0	0	0	-83,470	-83,470	0	-83,470	
Initial consolidation of real estate asset companies	0	0	0	0	0	0	470	470	
Amount on 09/30/2017	146,439	783,001	46	-294	480,690	1,409,882	16,829	1,426,711	
Amount on 01/01/2016	125,469	618,317	46	-2,446	343,735	1,085,121	35,431	1,120,552	
Consolidated net income	0	0	0	0	167,535	167,535	6,584	174,119	
Other comprehensive income	0	0	0	2,233	0	2,233	0	2,233	
Total comprehensive income	0	0	0	2,233	167,535	169,768	6,584	176,352	
Disposal of minority interests	0	838	0	0	0	838	9,308	10,146	
Colonia settlement offer	0	-1,295	0	0	0	-1,295	-18,234	-19,529	
Colonia compensation offer	2,032	14,055	0	0	0	16,087	-16,088	-1	
Purchase of treasure shares	-60	-720	0	0	0	-780	0	-780	
Issuance of treasure shares	5,000	51,881	0	0	0	56,881	0	56,881	
Conversion of bonds	9,903	61,088	0	0	0	70,991	0	70,991	
Dividends paid	0	0	0	0	-72,875	-72,875	0	-72,875	
Initial consolidation of real estate asset companies	0	0	0	0	0	0	152	152	
Amount on 09/30/2016	142,344	744,164	46	-213	438,395	1,324,736	17,153	1,341,889	

CONSOLIDATED SEGMENT REPORT

For the time period from 1 January to 30 September 2017

in TEUR		Segment by LIM Region					
		Berlin	Chemnitz	Dresden	Erfurt	Gera	Hamburg
Segment revenues (Rental income)	Q3 2017	27,849	16,685	19,814	25,066	23,170	22,215
	Q3 2016	26,516	16,121	19,313	21,652	22,161	21,700
Segment expenses	Q3 2017	-5,268	-6,234	-3,145	-4,920	-5,829	-4,042
	Q3 2016	-4,622	-5,535	-3,234	-4,356	-5,723	-3,771
Rental expenses	Q3 2017	-730	-582	-566	-1,010	-1,253	-903
	Q3 2016	-719	-592	-738	-896	-1,577	-680
Investment costs	Q3 2017	-4,404	-5,559	-2,559	-3,729	-4,377	-2,874
	Q3 2016	-3,781	-4,792	-2,422	-3,122	-4,045	-2,808
Impairment losses on receivables	Q3 2017	-343	-185	-132	-303	-296	-480
	Q3 2016	-212	-172	-161	-434	-131	-255
Other income/ expenses	Q3 2017	209	92	112	122	97	215
	Q3 2016	90	21	87	96	30	-28
Segment result I	Q3 2017	22,581	10,451	16,669	20,146	17,341	18,173
	Q3 2016	21,894	10,586	16,079	17,296	16,438	17,929
Personnel expenses (LIM region)	Q3 2017	-1,615	-1,132	-843	-1,041	-1,717	-1,028
	Q3 2016	-1,521	-1,076	-796	-900	-1,624	-940
Other operating expenses (LIM region)	Q3 2017	-312	-219	-153	-278	-215	-197
	Q3 2016	-260	-162	-183	-177	-86	-171
Segment result II	Q3 2017	20,654	9,100	15,673	18,827	15,409	16,948
	Q3 2016	20,113	9,348	15,100	16,219	14,728	16,818
Segment assets	09/30/2017	564,101	268,314	398,891	465,779	388,587	425,885
	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
25,066	16,242	15,220	24,330	3,118	-753	218,022
22,631	15,621	14,822	22,979	2,344	-686	205,174
-4,233	-4,449	-3,278	-8,854	-767	2,415	-48,604
-4,127	-5,240	-3,213	-8,266	-594	596	-48,085
-815	-972	-504	-913	-596	539	-8,305
-784	-1,106	-567	-940	-397	488	-8,508
-3,412	-3,077	-2,584	-7,750	-160	1,987	-38,498
-3,387	-3,632	-2,301	-6,650	-121	511	-36,550
-130	-587	-288	-574	-13	0	-3,331
-132	-498	-361	-695	-99	-400	-3,550
124	187	98	383	2	-111	1,530
176	-4	16	19	23	-3	523
20,833	11,793	11,942	15,476	2,351	1,662	169,418
18,504	10,381	11,609	14,713	1,750	-90	157,089
-1,380	-609	-874	-1,557	-364	0	-12,160
-1,244	-570	-775	-1,418	-339	0	-11,203
-206	-184	-165	-391	-58	720	-1,658
-187	-172	-151	-197	-48	344	-1,450
19,247	11,000	10,903	13,528	1,929	2,382	155,600
17,073	9,639	10,683	13,098	1,363	254	144,436
450,187	327,634	276,711	412,687	66,278	0	4,045,054
399,097	295,333	272,806	407,632	68,637	0	3,856,571

NOTES

SELECTED EXPLANATORY NOTES ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2017

General information

These condensed interim consolidated interim financial statements of TAG Immobilien AG (hereinafter referred to as '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 nine months of 2017. The comparison figures refer to 31 December 2016 with respect to the consolidated balance sheet, and otherwise to the first nine months of 2016. In addition, the income statement and the consolidated statement of comprehensive income contain figures pertaining to the third quarter of 2017 together with the corresponding comparison figures for the same period of the previous year.

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, the amended standards have not yet been applied. The standards which were new or revised as of the reporting date (IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases) are not applicable until after the reporting date and were not adopted early on a voluntary basis. The effects of the future application on the consolidated financial statements and the consolidated interim financial statements are currently being reviewed.

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 measurement 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 includes the parent company TAG and all companies which are controlled by TAG. If shares in subsidiaries are considered to be of subordinate significance from the Group's perspective, they are recognised as available-for-sale financial instruments. The subsidiary's assets and liabilities are consolidated for the duration of such control.

There were no material changes in the consolidation group as of 30 September 2017. In the year to date, only two real estate asset entities established in connection with acquisitions have been added.

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:

Investment properties in TEUR	2017	2016
Amount on 1 January	3,777,757	3,531,108
Additions as a result of acquisitions	155,604	39,500
Capex and subsequent acquisition costs	28,824	37,086
Transfers to available-for-sale assets	-61,763	-18,005
Sales	-16,747	-10,822
Change in market value	41,901	163,754
Amount on 30 September	3,925,576	3,742,621

The fair value of all of the Group's real estate assets was last measured by CBRE GmbH as an independent expert effective 30 June 2017.

The adoption of the new valuation method (re-appraisal of future transaction costs uniformly based on asset deal markets) resulted in a non-recurring fair value valuation loss of EUR 256.5 million as of 30 June 2017 in regard of investment properties. On the other hand, ongoing revaluation of the investment properties resulted in fair value revaluation gains of EUR 298.4 million. Accordingly, a fair value revaluation gain of EUR 41.9 million has been recognised.



Brandenburg an der Havel (Brandenburg)

Cash and cash equivalents

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

Cash and cash equivalents in TEUR	09/30/2017	12/31/2016
Cash and cash equivalents as reported on the balance sheet	194,326	74,487
Cash at banks subject to drawing restrictions	-7,008	-7,441
Cash and cash equivalents	187,318	67,046

Deferred income tax assets and liabilities

Deferred income tax assets break down as follows:

Deferred tax assets in TEUR	09/30/2017	12/31/2016
Tax losses carried forward	53,327	56,021
Derivative financial instruments	226	330
Other (including offsetting)	-17,114	-17,556
	36,439	38,795

The following table sets out the deferred income tax liabilities:

Deferred tax liabilities in TEUR	09/30/2017	12/31/2016
Investment properties	306,101	288,303
Other (including offsetting)	-14,635	-15,969
	291,466	272,334

Equity

TAG placed 4,095,124 treasury shares at a price of EUR 12.48 each in March 2017. Net of issuance costs, this resulted in an increase of EUR 50.4 million in the Company's equity. In addition, a dividend of EUR 0.57 per share was paid.

Liabilities from convertible bonds

TAG issued a convertible bond with a nominal value of EUR 262 million in September 2017. It has a term of five years and a coupon of 0.625% p.a. The initial conversion price is EUR 17.9331.

The convertible bond does not contain any equity component due to the cash settlement option held by TAG. Instead, the conversion right existing alongside the underlying instrument is separated as an embedded derivative and recognised as a financial liability at fair value through profit and loss. This derivative had a value of EUR 3.9 million on the date of issue.

Rental expenses

Rental expenses break down as follows:

Rental expenses in TEUR	01/01–09/30/2017	01/01–09/30/2016
Maintenance expenses	21,713	19,048
Non-recoverable charges and results from settlement of service charges	2,046	7,939
Operating costs for vacant real estate	7,320	9,758
Impairments of rental receivables	3,331	3,550
Total	34,410	40,295

Net income from sales

Net income from sales breaks down as follows:

Net income from sales in TEUR	01/01–09/30/2017	01/01–09/30/2016
Revenues from the sale of investment properties	34,855	35,866
Expenses on the sale of investment properties	-34,413	-35,310
Net revenues from the sale of investment properties	442	556
Revenues from the sale of portfolio real estate	2,699	4,870
Expenses on the sale of portfolio real estate	-2,245	-3,748
Net revenues from the sale of portfolio real estate	454	1,232
Total	896	1,788

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

This item comprises gains and losses from the fair value 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:

Fair value valuation of real estate in TEUR	01/01–09/30/2017	01/01–09/30/2016
Investment properties		
Valuation losses on portfolio real estate	48,135	161,854
<i>thereof due to changes in expected transaction costs</i>	-256,496	0
<i>thereof due to changes in other input factors</i>	304,631	161,854
Valuation gains on real estate acquisitions	-6,234	1,900
	41,901	163,754
Properties held as inventories		
Impairments	-2,560	-105
<i>thereof due to changes in expected transaction costs</i>	-164	0
<i>thereof due to changes in other input factors</i>	-2,396	-105
Total	39,341	163,649

Other operating income

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

Other operating income in TEUR	01/01–09/30/2017	01/01–09/30/2016
Revenues from services	3,386	1,462
Reversal of provisions	1,090	785
Other out-of-period income (e. g. Income from impaired receivables)	1,502	1,263
Other	1,815	428
Total	7,793	3,938

Finance income and expenses

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

Net financial result in TEUR	01/01–09/30/2017	01/01–09/30/2016
Net income from investments	169	169
Share of profit or loss of associates	-7	-3
Impairments on financial assets	-261	0
Interest income	1,613	2,287
Interest expenses	-69,339	-73,128
Net financial result	-67,825	-70,675
Non-cash interest on convertible bonds	112	514
Non-cash interest on corporate bonds	525	546
Non-cash interest on derivative financial instruments	121	469
One-off (e. g. premature termination compensation) and other non-cash interest	15,592	11,336
Net finance income/expense (cash, without one-offs)	-51,475	-57,810

Income taxes

The table below analyses income taxes:

Income taxes in TEUR	01/01–09/30/2017	01/01–09/30/2016
Current income taxes in the current year	3,099	1,075
Current income taxes in prior years	-332	-446
Deferred income tax liabilities	21,378	45,260
Total	24,145	45,889

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 serviced apartments operated by the Group.

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

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

Segment earnings in TEUR	01/01–09/30/2017	01/01–09/30/2016 (adjusted)
Segment earnings II	155,600	144,436
Capitalized investment costs not deducted from segment earnings	17,593	16,285
Non-allocated vacancy expenses	-7,320	-9,758
Net gains/losses from sales	896	1,788
Net valuation gains/losses on real estate assets	39,341	163,754
Non-allocated staff costs	-18,439	-16,979
Depreciation and amortisation	-2,712	-2,131
Other non-allocated income and expenses	653	-6,712
Net financial result	-67,825	-70,675
EBT	117,787	220,008

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 on 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 in 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	09/30/2017	12/31/2016
Assets			
Investment properties	Level 3	3,925,576	3,777,757
Derivatives with no hedging relationship	Level 2	1	5
Equity and liabilities			
Derivatives with no hedging relationship	Level 2	7,043	2,701
Derivatives with a hedging relationship	Level 2	497	1,254

The fair values of the investment properties were measured by external valuers as of 30 June 2017 at last.

Derivative financial instruments are measured using established methods, the main inputs for which are derived from active markets.

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

30 September 2017	Book value TEUR	IAS 39 Category*	Fair value TEUR	Fair value hierarchy
Assets				
Other financial assets				
Investments	7,175	AfS	n/a	n/a
Other financial assets	67	LaR	67	Level 2
Trade receivables	10,778	LaR	10,778	Level 2
Other current assets	15,911	LaR	15,911	Level 2
Cash and cash equivalents	194,326	LaR	194,326	Level 2
Equity and liabilities				
Liabilities to banks	1,927,066	AmC	1,969,044	Level 2
Liabilities from corporate bonds	322,041	AmC	329,274	Level 2
Liabilities from convertible bonds	255,532	AmC	259,426	Level 2
Other non-current liabilities	7,705	AmC	7,705	Level 2
Trade payables	18,970	AmC	18,970	Level 2
Other current liabilities	37,939	AmC	37,939	Level 2
31 December 2016				
Assets				
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
Equity and liabilities				
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	11,857	AmC	11,857	Level 2
Other current liabilities	50,511	AmC	50,511	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 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 falling within the scope of IFRS 7). The fair value of non-current liabilities to banks and other non-current liabilities is calculated using the discounted cash flow method. The discount rate is based on an appropriate market interest rate.

Financial risk management

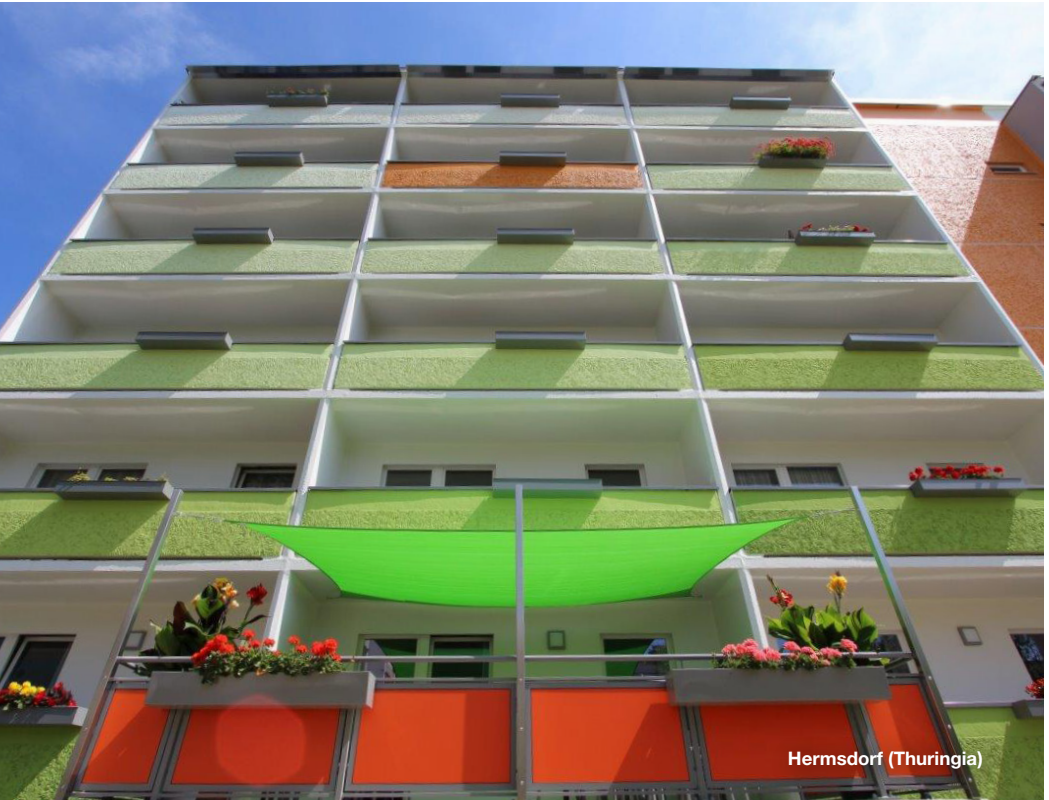
There were no material changes in the Group's financial risks (interest, default, liquidity and finance risk) in the period under review compared with 31 December 2016.

Other information

There was no material change in the Group's contingent liabilities compared with 31 December 2016.

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

A further purchase in Saxony at a price of EUR 11.25 million was completed in October 2017 shortly after the end of the period under review. The portfolio concerned is comprised of 328 residential units in Chemnitz with a current annual net rental of EUR 0.77 million. The vacancy rate currently stands at 31.4%. The ownership rights and obligations are expected to be transferred effective 31 December 2017.



In addition, 267 residential units in Berlin were sold for a price of EUR 36.1 million in October 2017 after the reporting date, generating a book profit (before effects from the next revaluation of the portfolio on 31 December 2017) of EUR 1.8 million. The selling price equals a multiple of 31.1 of the current net annual rent. The net cash proceeds from the sale (purchase price less repayment of bank loans) will come to around EUR 30.3 million. The ownership rights and obligations are expected to be transferred effective 31 March 2018.

Basis of reporting

The preparation of the abridged consolidated interim financial statements pursuant to IFRS requires the management boards and management staff of the consolidated companies to make assumptions and estimates influencing the assets and liabilities carried on the balance sheet, the disclosure of contingent liabilities on the balance-sheet date and the expenses and income reported during the periods under review. The actual amounts arising in future periods may differ from these estimates. Moreover, the abridged consolidated interim financial report includes statements which do not entail reported financial data or any other type of historical information. These forward-looking statements are subject to risk and uncertainty as a result of which the actual figures may deviate substantially from those stated in such forward-looking statements. Many of these risks and uncertainties are related to factors which 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, 7 November 2017



Claudia Hoyer
COO



Martin Thiel
CFO



Dr Harboe Vaagt
CLO

TAG FINANCIAL CALENDAR

PUBLICATION/EVENTS

22 February 2018	Publication of Preliminary Results 2017
22 March 2018	Publication of Annual Report 2017
26 April 2018	Publication of Interim Report Q1 2018
23 May 2018	Annual General Meeting, Hamburg
04 June 2018	Capital Markets Day
09 August 2018	Publication of Interim Report Q2 2018
30 October 2018	Publication of Interim Report Q3 2018



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