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TAUBMAN CENTERS INC

FORM 10-Q
(Quarterly Report)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended: June 30, 1997
Commission File No. 1-11530

Taubman Centers, Inc.

(Exact name of registrant as specified in its charter)

Michigan	38-2033632
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 East Long Lake Road, Suite 300, P.O. Box 200, Bloomfield Hills, Michigan

(Address of principal executive offices)	48303-0200
	(Zip Code)

(248) 258-6800
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X . No .

As of August 12, 1997, there were outstanding 50,736,035 shares of the Company's common stock, par value $0.01 per share.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements.

The following financial statements of Taubman Centers, Inc. (the Company) are provided pursuant to the requirements of this item. The financial statements of The Taubman Realty Group Limited Partnership (TRG) are also provided.

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TAUBMAN CENTERS, INC.

BALANCE SHEET
(in thousands, except share data)

	December 31 1996	June 30 1997
Assets:		
Investment in TRG (Note 2)	$ 369,131	$ 358,509
Cash and cash equivalents	9,388	9,156
Other assets	8	85
	$ 378,527	$ 367,750
Liabilities:		
Accounts payable and accrued liabilities	$ 351	$ 391
Dividends payable	11,666	11,669
	$ 12,017	$ 12,060
Commitments and Contingencies (Note 3)		
Shareowners' Equity (Note 3):		
Common Stock $0.01 par value, 250,000,000 shares authorized, 50,720,358 and 50,736,035 issued and outstanding at December 31, 1996 and June 30, 1997	$ 507	$ 507
Additional paid-in capital	468,590	468,766
Dividends in excess of net income	(102,587)	(113,583)
	$ 366,510	$ 355,690
	$ 378,527	$ 367,750

See notes to financial statements.

TAUBMAN CENTERS, INC.

STATEMENT OF OPERATIONS
(in thousands, except share data)

	Three Months Ended June 30	
	1996	1997
Income:		
Equity in TRG's net income (Note 2)	$4,583	$6,088
Interest and other	65	78
	$4,648	$6,166
Operating Expenses:		
General and administrative	$ 188	$ 190
Management fee	62	62
	$ 250	$ 252
Net Income	$4,398	$5,914
Net Income per common share	$ .10	$ .12
Cash dividends declared per common share	$ .22	$ .23
Weighted average number of common shares outstanding	44,098,113	50,724,665

See notes to financial statements.

TAUBMAN CENTERS, INC.

STATEMENT OF OPERATIONS
(in thousands, except share data)

	Six Months Ended June 30	
	1996	1997
Income:		
Equity in TRG's net income (Note 2)	$ 9,997	$12,694
Interest and other	133	151
	$10,130	$12,845
Operating Expenses:		
General and administrative	$ 363	$ 381
Management fee	125	125
	$ 488	$ 506
Net Income	$ 9,642	$12,339
Net Income per common share	$ .22	$ .24
Cash dividends declared per common share	$ .44	$ .46
Weighted average number of common shares outstanding	44,104,672	50,722,523

See notes to financial statements.

TAUBMAN CENTERS, INC.

STATEMENT OF CASH FLOWS
(in thousands)

	Six Months Ended June 30	
	1996	1997
Cash Flows From Operating Activities:		
Net income	$ 9,642	$ 12,339
Adjustments to reconcile net income items to net cash provided by operating activities:		
Increase in accounts payable and other liabilities	69	40
Increase in other assets	(162)	(77)
Net Cash Provided By Operating Activities	$ 9,549	$ 12,302
Cash Flows Provided by Investing Activities - Distributions from TRG in excess of net income	$ 10,400	$ 10,797
Cash Flows From Financing Activities:		
Cash dividends	$(19,411)	$(23,331)
Purchases of stock	(347)	
Net Cash Used in Financing Activities	$(19,758)	$(23,331)
Net Increase (Decrease) In Cash	$ 191	$ (232)
Cash and Cash Equivalents at Beginning of Period	7,886	9,388
Cash and Cash Equivalents at End of Period	$ 8,077	$ 9,156

See notes to financial statements.

Note 1 - Interim Financial Statements

The unaudited interim financial statements should be read in conjunction with the audited financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial statements for the interim periods have been made. The results for interim periods are not necessarily indicative of the results for a full year.

Note 2 - Investment in TRG

The Company's investment in TRG at December 31, 1996 and June 30, 1997 consists of a 36.68% and 36.69%, respectively, managing general partnership interest. Net income and distributions are allocable to the general and limited TRG partners in accordance with their percentage ownership. In June 1997, the Company's ownership changed from 36.68% to 36.69% as a result of the Company's exchange of common shares for TRG units of partnership interest newly issued in connection with the exercise of incentive options (Note 3). The Company's average ownership percentage in TRG for the three and six month periods ended June 30, 1996 was 35.10%. The Company's average ownership percentage in TRG for the three and six month periods ended June 30, 1997 was 36.68%.

The excess of the Company's cost of its investment in TRG over its proportionate share of TRG's accumulated deficiency in assets at December 31, 1996 and June 30, 1997 was $476.3 million and $472.3 million, respectively. The Company's proportionate share of TRG's net income for the three months ended June 30, 1996 and 1997 was $6.5 million and $8.1 million, respectively, reduced by $1.9 million and $2.0 million, respectively, representing adjustments arising from the Company's additional basis in TRG's net assets. The Company's proportionate share of TRG's net income for the six months ended June 30, 1996 and 1997 was $13.8 million and $16.8 million, respectively, reduced by $3.8 million and $4.1 million, respectively, representing adjustments arising from the Company's additional basis in TRG's net assets.

TRG's summarized balance sheet and results of operations information (in thousands) are presented below, followed by information about TRG's beneficial interest in the operations of its unconsolidated joint ventures. Beneficial interest is calculated based on TRG's ownership interest in each of the joint ventures.

	December 31 1996	June 30 1997
Assets:		
Properties	$1,126,873	$1,181,476
Accumulated depreciation and amortization	234,030	249,258
	$ 892,843	$ 932,218
Other assets	76,440	66,008
	$ 969,283	$ 998,226
Liabilities:		
Unsecured notes payable	$ 786,705	$ 786,786
Mortgage notes payable	159,703	159,472
Other notes payable	54,997	104,249
Capital lease obligation	39,849	49,642
Accounts payable and other liabilities	84,505	85,227
Distributions in excess of net income of unconsolidated joint ventures	135,662	123,097
	$1,261,421	$1,308,473
Accumulated deficiency in assets	(292,138)	(310,247)
	$ 969,283	$ 998,226

	Three Months Ended June 30		Six Months Ended June 30	
	1996	1997	1996	1997
Revenues	$59,817	$72,700	$119,549	$145,242
Operating costs other than interest and depreciation and amortization	$28,449	$37,458	$ 55,252	$ 71,527
Interest expense	17,238	17,330	34,340	34,614
Depreciation and amortization	8,378	10,232	16,700	20,334
	$54,065	$65,020	$106,292	$126,475
Equity in net income of unconsolidated joint ventures	12,748	14,490	26,111	26,987
Net Income	$18,500	$22,170	$ 39,368	$ 45,754

	Three Months Ended June 30		Six Months Ended June 30	
	1996	1997	1996	1997
TRG's beneficial interest in unconsolidated joint ventures' operations:				
Revenues less recoverable and other operating expenses	$22,434	$23,838	$ 45,751	$ 45,637
Interest expense	(6,762)	(6,640)	(13,934)	(13,229)
Depreciation and amortization	(2,924)	(2,708)	(5,706)	(5,421)
Net Income	$12,748	$14,490	$ 26,111	$ 26,987

Note 3 - Commitments and Contingencies

At the time of the Company's initial public offering (IPO) and acquisition of its interest in TRG, the Company entered into an agreement with A. Alfred Taubman and the General Motors Hourly-Rate Employes Pension Trust and the General Motors Salaried Employes Pension Trust (the GM Trusts), each of whom indirectly owns an interest in TRG, whereby each has the annual right to tender to the Company units of partnership interest in TRG (provided that the aggregate value is at least $50 million) and cause the Company to purchase the tendered interests at a purchase price based on a market valuation of the Company on the trading date immediately preceding the date of the tender (the Cash Tender Agreement). The Company will have the option to pay for these interests from available cash, borrowed funds or from the proceeds of an offering of the Company's common stock. Generally, the Company expects to finance these purchases through the sale of new shares of its stock. The tendering partners will bear the costs of sale. Any proceeds of the offering in excess of the purchase price will be for the sole benefit of the Company. At A. Alfred Taubman's election, his family and Robert C. Larson and his family may participate in tenders. The GM Trusts will be entitled to receive from TRG an amount (not to exceed $10.9 million in the aggregate over the term of the Partnership) equal to 5.5% of the amounts that the Company pays to the GM Trusts under the Cash Tender Agreement.

Based on a market value at December 31, 1996 and June 30, 1997 of $12.875 and $13.25 per common share, the aggregate value of interests in TRG which may be tendered under the Cash Tender Agreement was approximately $954 million and $982 million, respectively. Purchase of these interests at June 30, 1997 would result in the Company owning an additional 53% interest in TRG.

The Company has made a continuing, irrevocable offer to all present holders (other than certain excluded holders, including A. Alfred Taubman and the GM Trusts), assignees of all present holders, those future holders of partnership interests in TRG as the Company may, in its sole discretion, agree to include in the continuing offer, and all existing and future optionees under TRG's incentive option plan (described below) to exchange shares of common stock for partnership interests in TRG (the Continuing Offer). The number of shares of common stock to be exchanged is based on a market valuation of the Company on the trading date immediately preceding the date of exchange. The offer is subject to certain restrictions relating to the minimum value of interest exchanged and ownership limitations.

Shares of common stock that were acquired by the GM Trusts and the AT&T Master Pension Trust in connection with the IPO may be sold through a registered offering. Pursuant to a registration rights agreement with the Company, the owners of these shares have the annual right to cause the Company to register and publicly sell their shares of common stock (provided that the shares have an aggregate value of at least $50 million and subject to certain other restrictions). The annual right is deemed to be exercised if they initiate or participate in a sale pursuant to the Cash Tender Agreement, as described above. All expenses of such a registration are to be borne by the Company, other than the underwriting discounts or selling commissions, which will be borne by the exercising party.

Currently, 4,500 units of partnership interest may be issued under TRG's incentive option plan for employees of The Taubman Company Limited Partnership (the Manager). The Manager, which is approximately 99% beneficially owned by TRG, provides various administrative, management, accounting, shareowner relations, and other services to the Company and TRG. The exercise price of all outstanding options is equal to market value on the date of grant. Incentive options generally become vested to the extent of one-third of the units on each of the third, fourth and fifth anniversaries of the date of grant. Options expire ten years from the date of grant. Under the Continuing Offer, one unit of partnership interest would be exchangeable for approximately 2,000 shares of the Company's common stock at June 30, 1997.

During the first six months of 1997, options for 51 units were issued at an exercise price of $26.0 thousand per unit, options for eight units were exercised with a weighted average exercise price of $22.0 thousand per unit, and options for six units were canceled with a weighted average exercise price of $21.2 thousand per unit. As of June 30, 1997, there were outstanding options for 3,573 units with a weighted average exercise price of $22.2 thousand. As of June 30, 1997, options for 2,054 units were vested with a weighted average exercise price of $22.4 thousand.

THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEET

(in thousands)

	December 31 1996	June 30 1997
Assets:		
Properties	$1,126,873	$1,181,476
Accumulated depreciation and amortization	234,030	249,258
	$ 892,843	$ 932,218
Cash and cash equivalents	7,902	1,702
Accounts and notes receivable, less allowance for doubtful accounts of $393 and $256 in 1996 and 1997	20,751	18,320
Accounts receivable from related parties	6,293	5,869
Deferred charges and other assets	41,494	40,117
	$ 969,283	$ 998,226
Liabilities:		
Unsecured notes payable	$ 786,705	$ 786,786
Mortgage notes payable	159,703	159,472
Other notes payable	54,997	104,249
Capital lease obligation	39,849	49,642
Accounts payable and other liabilities	84,505	85,227
Distributions in excess of net income of unconsolidated Joint Ventures (Note 3)	135,662	123,097
	$1,261,421	$1,308,473
Commitments and Contingencies (Note 5)		
Accumulated deficiency in assets	(292,138)	(310,247)
	$ 969,283	$ 998,226
Allocation of accumulated deficiency in assets:		
General Partners	$ (226,242)	$ (240,274)
Limited Partners	(65,896)	(69,973)
	$ (292,138)	$ (310,247)

See notes to financial statements.

THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP

CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except units data)

	Three Months Ended June 30	
	1996	1997
Revenues:		
Minimum rents	$34,760	$42,416
Percentage rents	1,425	1,709
Expense recoveries	18,653	23,480
Other	3,074	3,081
Revenues from management, leasing and development services	1,905	2,014
	$59,817	$72,700
Operating Costs:		
Recoverable expenses	$15,430	$20,293
Other operating	6,375	9,746
Management, leasing and development services	1,124	1,005
General and administrative	5,520	6,414
Interest expense	17,238	17,330
Depreciation and amortization	8,378	10,232
	$54,065	$65,020
Income before equity in net income of unconsolidated Joint Ventures	$ 5,752	$ 7,680
Equity in net income of unconsolidated Joint Ventures (Note 3)	12,748	14,490
Net Income	$18,500	$22,170
Allocation of Net Income:		
General Partners	$14,803	$17,169
Limited Partners	3,697	5,001
	$18,500	$22,170
Net Income per Unit of Partnership Interest	$ 291	$ 317
Weighted Average Number of Units of Partnership Interest Outstanding	63,521	70,000

See notes to financial statements.

THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP

CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except units data)

	Six Months Ended June 30	
	1996	1997
Revenues:		
Minimum rents	$ 69,523	$ 85,266
Percentage rents	2,452	3,163
Expense recoveries	38,260	46,185
Other	5,608	7,005
Revenues from management, leasing and development services	3,706	3,623
	$119,549	$145,242
Operating Costs:		
Recoverable expenses	$ 31,016	$ 39,291
Other operating	11,594	18,238
Management, leasing and development services	2,369	1,928
General and administrative	10,273	12,070
Interest expense	34,340	34,614
Depreciation and amortization	16,700	20,334
	$106,292	$126,475
Income before equity in net income of unconsolidated Joint Ventures	$ 13,257	$ 18,767
Equity in net income of unconsolidated Joint Ventures (Note 3)	26,111	26,987
Net Income	$ 39,368	$ 45,754
Allocation of Net Income:		
General Partners	$ 31,501	$ 35,434
Limited Partners	7,867	10,320
	$ 39,368	$ 45,754
Net Income per Unit of Partnership Interest	$ 620	$ 654
Weighted Average Number of Units of Partnership Interest Outstanding	63,521	69,999

See notes to financial statements.

THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Six Months Ended June 30	
	1996	1997
Cash Flows From Operating Activities:		
Net Income	$ 39,368	$ 45,754
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,700	20,334
Provision for losses on accounts receivable	1,025	474
Amortization of deferred financing costs	1,141	1,181
Other	371	294
Gain on sale of land	(322)	(316)
Increase (decrease) in cash attributable to changes in assets and liabilities:		
Receivables, deferred charges and other assets	(1,360)	(1,206)
Accounts payable and other liabilities	(10,095)	722
Net Cash Provided By Operating Activities	$ 46,828	$ 67,237
Cash Flows From Investing Activities:		
Purchase of interest in Center	$(37,196)	
Additions to properties	(10,609)	$(46,860)
Proceeds from sale of land	686	830
Contributions to unconsolidated Joint Ventures	(4,187)	(16,254)
Distributions from unconsolidated Joint Ventures in excess of net income	5,613	3,689
Net Cash Used In Investing Activities	$(45,693)	$(58,595)
Cash Flows From Financing Activities:		
Debt proceeds	$ 55,663	$ 49,252
Debt payments	(227)	(231)
Issuance of units of partnership interest (Note 5)		176
Cash distributions	(58,113)	(64,039)
Net Cash Used In Financing Activities	$ (2,677)	$(14,842)
Net Decrease In Cash	$ (1,542)	$ (6,200)
Cash and Cash Equivalents at Beginning of Period	16,836	7,902
Cash and Cash Equivalents at End of Period	$ 15,294	$ 1,702

Interest on mortgage notes and other loans paid during the six months ended June 30, 1996 and 1997, net of amounts capitalized of $2,294 and $4,337, was $32,506 and $32,811, respectively.

See notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Six months ended June 30, 1997

Note 1 - Interim Financial Statements

The Taubman Realty Group Limited Partnership (TRG) engages in the ownership, operation, management, leasing, acquisition, development, redevelopment, expansion, financing and refinancing of regional retail shopping centers (Taubman Shopping Centers) and interests therein. Taubman Centers, Inc. is the managing general partner of TRG. GMPTS Limited Partnership, TG Partners Limited Partnership and Taub-Co Management, Inc. are also general partners.

The unaudited interim financial statements should be read in conjunction with the audited financial statements and related notes included in TRG's Annual Report on Form 10-K for the year ended December 31, 1996. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial statements for the interim periods have been made. The results for interim periods are not necessarily indicative of the results for a full year.

Note 2 - Great Lakes Crossing

In the second quarter of 1997, TRG entered into a partnership agreement to develop, own and operate Great Lakes Crossing, a value super-regional mall presently under construction in Auburn Hills, Michigan. The accounts of the partnership are consolidated in these financial statements since TRG, the managing and sole general partner, has a controlling 80% interest in the venture. The Center is expected to open in the fall of 1998.

Note 3 - Investments in Joint Ventures

Certain Taubman Shopping Centers are partially owned through joint ventures that are not controlled by TRG (Joint Ventures). TRG is generally the managing general partner of these Joint Ventures. TRG's interest in each Joint Venture is as follows:

Joint Venture	Taubman Shopping Center	TRG's % Ownership as of June 30, 1997
Arizona Mills, L.L.C.	Arizona Mills (under construction)	37%
Fairfax Associates	Fair Oaks	50
Lakeside Mall Limited Partnership	Lakeside	50
Rich-Taubman Associates	Stamford Town Center	50
Taubman-Cherry Creek Limited Partnership	Cherry Creek	50
Taubman MacArthur Associates Limited Partnership	MacArthur Center (under construction)	70
Twelve Oaks Mall Limited Partnership	Twelve Oaks Mall	50
West Farms Associates	Westfarms	79
Woodfield Associates	Woodfield	50
Woodland	Woodland	50

TRG reduces its investment in Joint Ventures to eliminate intercompany profits on sales of services that are capitalized by the Joint Ventures. As a result, the carrying value of TRG's investment in Joint Ventures is less than TRG's share of the deficiency in assets reported in the combined balance sheet of the Joint Ventures by $8.6 million and $8.8 million at December 31, 1996 and at June 30, 1997, respectively. These differences are amortized over the useful lives of the related assets.

Combined balance sheet and results of operations information are presented below (in thousands) for the Joint Ventures, followed by TRG's beneficial interest in the combined information. Beneficial interest is calculated based on TRG's ownership interest in each of the Joint Ventures.

	December 31 1996	June 30 1997
Assets:		
Properties, net	$ 461,658	$ 517,051
Other assets	71,278	69,471
	$ 532,936	$ 586,522
Liabilities and partners' accumulated deficiency in assets:		
Debt	$ 724,162	$ 781,280
Capital lease obligations	5,000	6,699
Other liabilities	53,817	41,658
TRG accumulated deficiency in assets	(127,097)	(114,319)
Joint Venture Partners' accumulated deficiency in assets	(122,946)	(128,796)
	$ 532,936	$ 586,522
TRG accumulated deficiency in assets (above)	$(127,097)	$(114,319)
Elimination of intercompany profit	(8,565)	(8,778)
Distributions in excess of net income of unconsolidated Joint Ventures	$(135,662)	$(123,097)

	Three Months Ended June 30		Six Months Ended June 30	
	1996	1997	1996	1997
Revenues	$68,680	$64,452	$138,712	$125,133
Recoverable and other operating expenses	$27,444	$23,233	$ 54,929	$ 45,590
Interest expense	13,607	12,505	27,457	24,872
Depreciation and amortization	6,226	5,333	11,899	10,617
Total operating costs	$47,277	$41,071	$ 94,285	$ 81,079
Net Income	$21,403	$23,381	$ 44,427	$ 44,054
Net income attributable to TRG	$11,073	$12,394	$ 23,114	$ 23,800
Realized intercompany profit	1,675	2,096	2,997	3,187
Equity in net income of unconsolidated Joint Ventures	$12,748	$14,490	$ 26,111	$ 26,987

	Three Months Ended June 30		Six Months Ended June 30	
	1996	1997	1996	1997
TRG's beneficial interest in unconsolidated Joint Ventures' operations:				
Revenues less recoverable and other operating expenses	$22,434	$23,838	$ 45,751	$ 45,637
Interest expense	(6,762)	(6,640)	(13,934)	(13,229)
Depreciation and amortization	(2,924)	(2,708)	(5,706)	(5,421)
Net Income	$12,748	$14,490	$ 26,111	$ 26,987

Note 4 - Beneficial Interest in Debt and Interest Expense

TRG's beneficial interest in the debt (excluding capital lease obligations), capitalized interest, and interest expense (net of capitalized interest) of TRG, its consolidated subsidiaries and its unconsolidated Joint Ventures is summarized as follows:

	TRG's Share of Joint Ventures	TRG's Joint Ventures	TRG's Consolidated Subsidiaries	Beneficial Interest
Debt as of:				
December 31, 1996	$724,162	$396,962	$1,001,405	$1,398,367
June 30, 1997	781,280	423,268	1,050,506	1,473,774
Capitalized interest:				
Six months ended June 30, 1996	$ 2,222	$ 1,545	$ 2,294	$ 3,839
Six months ended June 30, 1997	4,547	2,830	4,337	7,167
Interest expense (Net of capitalized interest):				
Six months ended June 30, 1996	$ 27,457	$ 13,934	$ 34,340	$ 48,274
Six months ended June 30, 1997	24,872	13,229	34,614	47,843

Note 5 - Incentive Option Plan

TRG has an incentive option plan for employees of the Manager. Currently, 4,500 units of partnership interest may be issued under the plan. The exercise price of all outstanding options is equal to market value on the date of grant. Incentive options generally become vested to the extent of one-third of the units on each of the third, fourth and fifth anniversaries of the date of grant. Options expire ten years from the date of grant.

During the first six months of 1997, options for 51 units were issued at an exercise price of $26.0 thousand per unit, options for eight units were exercised with a weighted average exercise price of $22.0 thousand per unit, and options for six units were canceled with a weighted average exercise price of $21.2 thousand per unit. As of June 30, 1997 there were outstanding options for 3,573 units with a weighted average exercise price of $22.2 thousand. As of June 30, 1997, options for 2,054 units were vested with a weighted average exercise price of $22.4 thousand.

Note 6 - Subsequent Event

In July 1997, TRG entered in an agreement to acquire for cash Regency Square shopping center located in Richmond, Virginia. The transaction is contingent upon completion of due diligence and receipt of necessary consents and approvals. TRG has agreed with the seller not to disclose the purchase price until after closing, which is expected to be completed before year end. TRG intends to use existing lines of credit to pay for the acquisition, which is expected to have an immaterial effect on net income in 1997.

Also in July 1997, TRG issued $55 million of unsecured 10-year notes under its medium-term note program at a coupon rate of seven percent. The net proceeds were used to pay down floating rate debt under its revolving credit facilities.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the accompanying Financial Statements of Taubman Centers, Inc. and the Notes thereto and the Consolidated Financial Statements of The Taubman Realty Group Limited Partnership and the Notes thereto.

General Background and Performance Measurement

The Company, through its interest in and as managing general partner of TRG, participates in TRG's Managed Businesses. TRG's Managed Businesses include: (i) Taubman Shopping Centers that TRG controls by ownership or contractual agreement, development projects for future regional shopping centers (Development Projects) and The Taubman Company Limited Partnership (the Manager), (collectively, the Consolidated Businesses); and (ii) Taubman Shopping Centers partially owned through joint ventures that are not controlled (Joint Ventures). The Joint Ventures are accounted for under the equity method in TRG's Consolidated Financial Statements.

Certain aspects of the performance of the Managed Businesses are best understood by measuring their performance as a whole, without regard to TRG's ownership interest. For example, mall tenant sales and shopping center occupancy trends fit this category and are so analyzed below. In addition, trends in certain items of revenue and expense are often best understood in the same fashion and the discussions following take this approach when appropriate. When relevant, these items are also discussed separately with regard to the Consolidated Businesses and the Joint Ventures.

Seasonality

The regional shopping center industry is seasonal in nature, with mall tenant sales highest in the fourth quarter due to the Christmas season, and with lesser, though still significant, sales fluctuations associated with the Easter holiday and back-to-school events. While minimum rents and recoveries are generally not subject to seasonal factors, most leases are scheduled to expire in the first quarter, and the majority of new stores open in the second half of the year in anticipation of the Christmas selling season. Accordingly, revenues and occupancy levels are generally highest in the fourth quarter.

The following table summarizes certain quarterly operating data for TRG's Managed Businesses for 1996 and the first and second quarters of 1997:

	1st Quarter 1996	2nd Quarter 1996	3rd Quarter 1996	4th Quarter 1996	Total 1996	1st Quarter 1997	2nd Quarter 1997
				(in thousands)			
Mall tenant sales	$591,677	$617,821	$627,791	$989,956	$2,827,245	$600,709	$629,906
Revenues	129,764	128,497	129,730	138,250	526,241	130,322	134,429
Occupancy							
Average Occupancy	87.8%	87.3%	86.8%	87.6%	87.4%	86.5%	86.8%
Ending Occupancy	87.7%	87.3%	86.8%	88.0%	88.0%	86.4%	87.1%
Leased Space	89.5%	88.2%	87.6%	89.0%	89.0%	88.7%	89.5%

Because the seasonality of sales contrasts with the generally fixed nature of minimum rents and recoveries, mall tenant occupancy costs (the sum of minimum rents, percentage rents and expense recoveries) relative to sales are considerably higher in the first three quarters than they are in the fourth quarter. The following table summarizes occupancy costs, excluding utilities, for mall tenants as a percentage of sales for 1996 and the first and second quarters of 1997:

1st 2nd 3rd 4th 1st 2nd Quarter Quarter Quarter Quarter Total Quarter Quarter

	1996	1996	1996	1996	1996	1997	1997
Minimum rents	12.3%	11.7%	11.7%	7.6%	10.4%	12.6%	11.8%
Percentage rents	0.3	0.3	0.3	0.3	0.3	0.2	0.3
Expense recoveries	5.6	5.0	4.6	3.5	4.5	5.2	5.1
Mall tenant occupancy costs	18.2%	17.0%	16.6%	11.4%	15.2%	18.0%	17.2%

Rental Rates

Average base rent per square foot for all mall tenants at the 18 Centers owned and open for at least five years was $38.49 for the twelve months ended June 30, 1997, compared to $37.12 for the twelve months ended June 30, 1996.

As leases have expired in the Taubman Shopping Centers, TRG has generally been able to rent the available space, either to the existing tenant or a new tenant, at rental rates that are higher than those of the expired leases. In a period of increasing sales, rents on new leases will tend to rise as tenants' expectations of future growth become more optimistic. In periods of slower growth or declining sales, rents on new leases will grow more slowly or will decline for the opposite reason. However, Center revenues nevertheless increase as older leases roll over or are terminated early and replaced with new leases negotiated at current rental rates that are usually higher than the average rates for existing leases.

The annual spread between average annualized base rent of stores opening and closing, excluding renewals, has ranged between six and eleven dollars per square foot during the past five years. TRG anticipates that the spread between opening and closing rents for the 1997 fiscal year will narrow from the nine dollars per square foot achieved in 1996. This statistic is difficult to predict in part because TRG's leasing policies and practices may result in early lease terminations with actual average closing rents which may vary from the average rent per square foot of scheduled lease expirations. In addition, the opening or closing of large tenant spaces, which generally pay a lower rent per square foot, can significantly change the spread in a given year.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 1997 to the Three and Six Months Ended June 30, 1996

Taubman Centers, Inc.

The Company is the managing general partner of TRG and shares in TRG's financial performance to the extent of its ownership percentage. The Company's average ownership of TRG was 36.68% for the six months ended June 30, 1997, and 35.10% for the six months ended June 30, 1996. In June 1997, the Company's ownership changed from 36.68% to 36.69% as a result of the Company's exchange of common shares for TRG units of partnership interest newly issued in connection with the exercise of incentive options. As of June 30, 1997 the Company had 50.7 million shares outstanding, up from 44.1 million at June 30, 1996.

For the three months ended June 30, 1997, equity in income of TRG consisted of the Company's $8.1 million proportionate share of TRG's net income, compared to $6.5 million for the same period in 1996. These amounts were reduced by $2.0 million and $1.9 million for the three months ended June 30, 1996 and 1997, respectively, representing adjustments arising from the Company's additional basis in TRG's net assets. Net income for the three months ended June 30, 1997 was $5.9 million, or $0.12 per share, compared to $4.4 million, or $0.10 per share, for the same period in 1996.

For the six months ended June 30, 1997, equity in income of TRG consisted of the Company's $16.8 million proportionate share of TRG's net income, compared to $13.8 million for the same period in 1996. These amounts were reduced by $4.1 million and $3.8 million for the six months ended June 30, 1997 and 1996, respectively, representing adjustments arising from the Company's additional basis in TRG's net assets. Net income for the six months ended June 30, 1997 was $12.3 million, or $0.24 per share, compared to $9.6 million, or $0.22 per share, for the same period in 1996.

TRG

1996 Transactions

During 1996, TRG completed the following acquisitions: Paseo Nuevo in June, the remaining 75% interest in Fairlane Town Center (Fairlane) previously held by a Joint Venture Partner in July, and La Cumbre Plaza (La Cumbre) in December.

Also during 1996, TRG issued new units of partnership interest to the former Joint Venture Partner of Fairlane in connection with TRG's acquisition of Fairlane, and to the Company in connection with an offering of the Company's common stock and the exercise of incentive options. The net proceeds from the issuances were used to repay short term borrowings and to acquire La Cumbre.

In November 1996, TRG entered into an agreement to lease Memorial City Mall (Memorial City) while TRG investigates the redevelopment opportunities of the center (See Liquidity and Capital Resources -- Capital Spending). As a development project, Memorial City has been excluded from all operating statistics in this report, and Memorial City's results of operations have been presented as a net line item in the following tabular presentations of TRG's results of operations for the second quarter and first six months of 1997 compared to 1996.

Occupancy and Mall Tenant Sales

The average occupancy rate in the Taubman Shopping Centers was 86.8% for the three months ended June 30, 1997 compared to 87.3% for the comparable period in 1996. For the six months ended June 30, 1997 average occupancy was 86.7% compared to 87.6% for the same period in 1996. TRG expects that it will not achieve year over year increases in average occupancy before the fourth quarter of 1997. The ending occupancy rate for the Taubman Shopping Centers at June 30, 1997 was 87.1% versus 87.3% at the same date in 1996. Leased space at June 30, 1997 was 89.5% compared to 88.2% at the same date in 1996.

Total sales for Taubman Shopping Center mall tenants in the three months ended June 30, 1997 were $629.9 million, a 2.0% increase from $617.8 million in the second quarter of 1996. Tenant sales increased 1.7% to $1.23 billion for the six months ended June 30, 1997 from $1.21 billion for the comparable period in 1996. Mall tenant sales per square foot increased 0.4% in both the three and six months ended June 30, 1997 over the compared periods in 1996. Mall tenant sales for centers owned and open for all of the first six months of 1997 and 1996 (which excludes Paseo Nuevo and La Cumbre) were $605.1 million and $1,183.4 million in the second quarter and the first six months of 1997, a 2.1% decrease and a 2.2% decrease, respectively, from the comparable periods of 1996. Sales statistics for the first half of 1997 were negatively affected by new competition near certain centers. TRG expects that the effect of the competition on sales will moderate late in 1997 after the anniversary date of the opening of the competing centers. In addition, sales in the first quarter of 1996 were favorably impacted as most retailers reported five weeks of sales for January (this extra week occurs every five to six years). The compound annual growth rate on sales per square foot for the two year period ending June 30, 1997 was 3.2%.

Comparison of the Three Months Ended June 30, 1997 to the Three Months Ended June 30, 1996

The following table sets forth operating results for TRG's Managed Businesses for the three months ended June 30, 1996 and June 30, 1997, showing the results of the Consolidated Businesses and Joint Ventures:

	Three Months Ended June 30, 1996			Three Months Ended June 30, 1997		
	TRG CONSOLIDATED BUSINESSES	JOINT VENTURES(1)	TOTAL: MANAGED BUSINESSES	TRG CONSOLIDATED BUSINESSES(2)	JOINT VENTURES(1)	TOTAL: MANAGED BUSINESSES
	(in millions of dollars)			(in millions of dollars)		
REVENUES:						
Minimum rents	34.8	40.5	75.3	40.5	37.0	77.5
Percentage rents	1.4	0.8	2.2	1.6	0.8	2.4
Expense recoveries	18.6	25.0	43.7	22.8	21.3	44.0
Other	5.0	2.3	7.3	5.0	5.5	10.5
Total revenues	59.8	68.7	128.5	69.8	64.6	134.4
OPERATING COSTS:						
Recoverable expenses	15.4	21.5	36.9	19.4	18.2	37.5
Other operating	6.4	4.6	11.0	7.8	3.4	11.2
Management, leasing and development	1.1		1.1	1.0		1.0
General and administrative	5.5		5.5	6.4		6.4
Interest expense	17.2	13.5	30.7	17.3	12.6	30.0
Depreciation and amortization	8.4	5.9	14.3	10.2	5.1	15.3
Total operating costs	54.1	45.5	99.5	62.0	39.4	101.4
Net results of Memorial City (2)				(0.1)		(0.1)
	5.8	23.3	29.0	7.7	25.2	32.9
Equity in net income of Joint Ventures	12.7			14.5		
NET INCOME	18.5			22.2		
SUPPLEMENTAL INFORMATION (3)						
EBITDA contribution	31.4	22.4	53.8	35.2	23.8	59.1
TRG's Beneficial Interest Expense	(17.2)	(6.8)	(24.0)	(17.3)	(6.6)	(24.0)
Non-real estate depreciation	(0.5)		(0.5)	(0.5)		(0.5)
Distributable Cash Flow contribution	13.7	15.7	29.3	17.4	17.2	34.6

(1) With the exception of the Supplemental Information, amounts represent 100% of Joint Ventures. Amounts are net of intercompany profits.
(2) The results of operations of Memorial City are presented net in this table. TRG expects that Memorial City's net operating income will approximate the ground rent payable under the lease for the immediate future.
(3) EBITDA, TRG's Beneficial Interest Expense and Distributable Cash Flow are defined and discussed in Liquidity and Capital Resources - Distributions.
(4) Amounts in the table may not add due to rounding.

TRG --Consolidated Businesses

Total revenues for the three months ended June 30, 1997 were $69.8 million, a $10.0 million or 16.7% increase over the comparable period in 1996. Minimum rents increased $5.7 million, of which $5.1 million was caused by the Fairlane, Paseo Nuevo, and La Cumbre acquisitions. The results of Fairlane have been consolidated in TRG's results subsequent to the acquisition date in July 1996 (prior to that date Fairlane was accounted for under the equity method as a Joint Venture). The increase in expense recoveries was primarily due to Fairlane, Paseo Nuevo, and La Cumbre.

Total operating costs increased $7.9 million, or 14.6%, to $62.0 million. Recoverable, other operating, and depreciation and amortization expenses increased primarily due to the Fairlane, Paseo Nuevo, and La Cumbre acquisitions. General and administrative expense increased by $0.9 million primarily due to increases in compensation (including the continuing phase-in of the long-term compensation plan), recruiter fees and relocation charges, travel, and training.

Revenues and expenses as presented in the preceding table differ from the amounts shown in TRG's consolidated statement of operations by the amounts representing Memorial City's revenues and expenses, which are presented in the preceding table as a net amount.

Joint Ventures

Total revenues for the three months ended June 30, 1997 were $64.6 million, a $4.1 million, or 6.0%, decrease from the comparable period of 1996, of which $6.7 million was caused by the change of Fairlane from a Joint Venture to a Consolidated Business offset by increases at other Centers. The decrease in minimum rents was primarily due to Fairlane, offset by increases at other Centers. The decrease in expense recoveries was due to Fairlane and a decrease in recoverable expenses. Other income increased by $3.2 million primarily due to gains on peripheral land sales.

Total operating costs decreased by $6.1 million, or 13.4%, to $39.4 million for the three months ended June 30, 1997 including a $4.7 million decrease due to Fairlane. Recoverable expenses decreased $3.3 million primarily due to Fairlane and decreases in utilities and property taxes. Other operating costs decreased primarily due to Fairlane and a decrease in bad debt expense. Interest expense decreased $0.9 million primarily due to a decrease in debt related to Fairlane and an increase in capitalized interest, partially offset by an increase in debt used to finance capital expenditures. Operating costs as presented in the preceding table differ from the amounts shown in the combined, summarized financial statements of the unconsolidated Joint Ventures (Note 3 to TRG's financial statements) by the amount of intercompany profit.

As a result of the foregoing, net income of the Joint Ventures increased by $1.9 million, or 8.2%, to $25.2 million. TRG's equity in net income of the Joint Ventures was $14.5 million, a 14.2% increase from the comparable period in 1996.

Net Income

As a result of the foregoing, net income for the second quarter of 1997 was $22.2 million, a 20.0% increase from the comparable period in 1996.

Comparison of the Six Months Ended June 30, 1997 to the Six Months Ended June 30, 1996

The following table sets forth operating results for TRG's Managed Businesses for the six months ended June 30, 1996 and June 30, 1997, showing the results of the Consolidated Businesses and Joint Ventures:

	Six Months Ended June 30, 1996			Six Months Ended June 30, 1997		
	TRG CONSOLIDATED BUSINESSES	JOINT VENTURES(1)	TOTAL: MANAGED BUSINESSES	TRG CONSOLIDATED BUSINESSES(2)	JOINT VENTURES(1)	TOTAL: MANAGED BUSINESSES
	(in millions of dollars)			(in millions of dollars)		
REVENUES:						
Minimum rents	69.5	81.5	151.1	81.3	74.7	156.0
Percentage rents	2.4	1.6	4.0	2.9	1.2	4.1
Expense recoveries	38.3	51.4	89.6	44.7	42.8	87.5
Other	9.3	4.2	13.5	10.5	6.7	17.2
Total revenues	119.5	138.7	258.3	139.5	125.3	264.8
OPERATING COSTS:						
Recoverable expenses	31.0	44.0	75.0	37.4	36.4	73.8
Other operating	11.6	7.8	19.4	14.3	6.1	20.4
Management, leasing and development	2.4		2.4	1.9		1.9
General and administrative	10.3		10.3	12.1		12.1
Interest expense	34.3	27.5	61.8	34.6	25.2	59.8
Depreciation and amortization	16.7	11.4	28.1	20.2	10.2	30.4
Total operating costs	106.3	90.6	197.0	120.5	77.9	198.4
Net results of Memorial City (2)				(0.3)		(0.3)
	13.3	48.1	61.4	18.8	47.3	66.1
Equity in net income of Joint Ventures	26.1			27.0		
NET INCOME	39.4			45.8		
SUPPLEMENTAL INFORMATION (3)						
EBITDA contribution	64.3	45.7	110.0	73.7	45.6	119.4
TRG's Beneficial Interest Expense	(34.3)	(13.9)	(48.3)	(34.6)	(13.2)	(47.8)
Non-real estate depreciation	(0.9)		(0.9)	(1.1)		(1.1)
Distributable Cash Flow contribution	29.0	31.8	60.8	38.0	32.4	70.5

(1) With the exception of the Supplemental Information, amounts represent 100% of Joint Ventures. Amounts are net of intercompany profits.
(2) The results of operations of Memorial City are presented net in this table. TRG expects that Memorial City's net operating income will approximate the ground rent payable under the lease for the immediate future.
(3) EBITDA, TRG's Beneficial Interest Expense and Distributable Cash Flow are defined and discussed in Liquidity and Capital Resources - Distributions.
(4) Amounts in the table may not add due to rounding.

TRG --Consolidated Businesses

Total revenues for the six months ended June 30, 1997 were $139.5 million, a $20.0 million or 16.7% increase over the comparable period in 1996. Minimum rents increased $11.8 million, of which $10.6 million was caused by the Fairlane, Paseo Nuevo, and La Cumbre acquisitions. The results of Fairlane have been consolidated in TRG's results subsequent to the acquisition date in July 1996 (prior to that date Fairlane was accounted for under the equity method as a Joint Venture). The increase in expense recoveries was primarily due to Fairlane, Paseo Nuevo, and La Cumbre, offset by decreases at certain other Centers. Other revenue increased $1.2 million primarily due to an insurance recovery and a litigation settlement, partially offset by a decrease in lease cancellation revenue.

Total operating costs increased $14.2 million, or 13.4%, to $120.5 million. Recoverable, other operating, and depreciation and amortization expenses increased primarily due to the Fairlane, Paseo Nuevo, and La Cumbre acquisitions. General and administrative expense increased by $1.8 million primarily due to increases in compensation (including the continuing phase-in of the long-term compensation plan), recruiter fees and relocation charges, travel, and training.

Revenues and expenses as presented in the preceding table differ from the amounts shown in TRG's consolidated statement of operations by the amounts representing Memorial City's revenues and expenses, which are presented in the preceding table as a net amount.

Joint Ventures

Total revenues for the six months ended June 30, 1997 were $125.3 million, a $13.4 million, or 9.7%, decrease from the comparable period of 1996, of which $13.7 million was caused by the change of Fairlane from a Joint Venture to a Consolidated Business, offset by increases at other Centers. The decrease in minimum rents was primarily due to Fairlane, offset by increases at other Centers. The decrease in expense recoveries was due to Fairlane and a decrease in recoverable expenses. Other income increased by $2.5 million primarily due to gains on peripheral land sales, partially offset by a decrease in interest income.

Total operating costs decreased by $12.7 million, or 14.0%, to $77.9 million for the six months ended June 30, 1997 including a $9.3 million decrease due to Fairlane. Recoverable expenses decreased $7.6 million primarily due to Fairlane and decreases in utilities and maintenance costs. Other operating costs decreased primarily due to Fairlane and a decrease in bad debt expense. Interest expense decreased $2.3 million primarily due to a decrease in debt related to Fairlane and an increase in capitalized interest, partially offset by an increase in debt used to finance capital expenditures. Operating costs as presented in the preceding table differ from the amounts shown in the combined, summarized financial statements of the unconsolidated Joint Ventures (Note 3 to TRG's financial statements) by the amount of intercompany profit.

As a result of the foregoing, net income of the Joint Ventures decreased by $0.8 million, or 1.7%, to $47.3 million. TRG's equity in net income of the Joint Ventures was $27.0 million, a 3.4% increase from the comparable period in 1996.

Net Income

As a result of the foregoing, net income for the six months ended June 30, 1997 was $45.8 million, a 16.2% increase from the comparable period in 1996.

Liquidity and Capital Resources

Taubman Centers, Inc.

As of June 30, 1997, the Company had a cash balance of $9.2 million, the source of which was primarily TRG's distributions, and had incurred no indebtedness. During the first six months of 1997 and 1996, the Company received distributions from TRG of $23.5 million and $20.4 million, respectively. On June 9, 1997, the Company declared a quarterly dividend of $0.23 per common share payable July 18, 1997 to shareholders of record June 30, 1997.

The Company pays regular quarterly dividends to its shareowners. The Company's ability to pay dividends is affected by several factors, most importantly, the receipt of distributions from TRG (see Distributions below). Dividends by the Company are at the discretion of the Board of Directors and depend on the cash available to the Company, its financial condition, capital and other requirements, and such other factors as the Board of Directors deems relevant.

The tax status of total 1997 dividends declared and to be declared, assuming continuation of a $0.23 per common share quarterly dividend, is estimated to be approximately 35% return of capital, and approximately 65% of ordinary income. The Taxpayer Relief Act of 1997 has been considered in arriving at this estimate. The Company does not believe the new tax provisions will have any material effect on the tax status of the 1997 dividends. This is a forward-looking statement and certain significant factors could cause the actual results to differ materially, including: 1) the amount of dividends declared; 2) changes in the Company's share of anticipated taxable income of TRG due to the actual results of TRG; 3) changes in the number of the Company's outstanding shares; 4) property acquisitions or dispositions; 5) financing transactions, including refinancing of existing debt; and 6) changes in the Internal Revenue Code or its application.

As of June 30, 1997, the Company had 50.7 million shares outstanding compared to 44.1 million at June 30, 1996.

TRG

As of June 30, 1997, TRG had a cash balance of $1.7 million. In March 1997, TRG completed the renegotiation of the terms of its unsecured revolving credit facility available for general partnership purposes. The new terms increased the facility to $300 million from $200 million, reduced the current contractual interest rate by 60 basis points to LIBOR plus 90 basis points and extended the maturity until March 2000. Included in the credit facility is a competitive bid option program, which allows TRG to hold auctions among the banks participating in the facility for short term borrowings of up to $150 million. Borrowings under this facility at June 30, 1997 were $15 million. TRG also has available an unsecured bank line of credit of up to $30 million with borrowings of $14.4 million at June 30, 1997. This line expires in August 1998. TRG also has available a secured commercial paper facility of up to $75 million, all of which had been issued at June 30, 1997. Commercial paper is generally sold with a 30 day maturity. This facility is supported by a line of credit facility, which is renewable quarterly for a twelve month period.

Proceeds from short term borrowings provided $49.3 million of funding for the first half of 1997 compared to $55.7 million in 1996 (including $37 million for the acquisition in June 1996 of the Paseo Nuevo shopping center). Proceeds in both 1997 and 1996 were also used to fund capital expenditures for the Consolidated Businesses and contributions to Joint Ventures for construction costs of new centers.

TRG has a medium-term note program under TRG's $500 million shelf registration statement. There were no medium-term note issuances in the first six months of 1997 and 1996. During July 1997, TRG issued $55 million of unsecured 10-year notes at a coupon rate of 7 percent. The net proceeds were used to pay down floating rate debt under TRG's revolving credit facilities. Including the issuance in July 1997, TRG has issued a total of $342 million of notes since the program's inception in 1995.

In January 1997, Arizona Mills, L.L.C. closed on a secured $145 million construction facility maturing in 2002. The loan bears interest at one month LIBOR plus 1.3%. The loan is hedged until maturity at a one month LIBOR cap rate of 9.5%. The payment of the principal and interest is guaranteed by each of the owners of Arizona Mills, L.L.C. to the extent of its respective ownership percentage. The loan agreement provides for the reduction of the amount guaranteed as certain center performance and valuation criteria are met. Proceeds totaling $13.1 million were distributed to the owners as reimbursement for amounts previously expended on construction costs, of which TRG's share was $4.8 million. Borrowings on the facility at June 30, 1997 were $45.3 million. TRG owns a 37% interest in Arizona Mills, L.L.C.

At June 30, 1997, TRG's debt and its beneficial interest in the debt of its Joint Ventures (excluding $53.4 million of capital lease obligations) totaled $1,473.8 million. As shown in the following table, there was no unhedged floating rate debt at June 30, 1997. Interest rates shown do not include amortization of debt issuance costs and interest rate hedging costs. These items are reported as interest expense in TRG's results of operations. In the aggregate, these costs added 0.4% to the effective rate of interest on TRG's beneficial interest in debt at June 30, 1997. Included in TRG's beneficial interest in debt at June 30, 1997 is debt used to fund development and expansion costs. TRG's beneficial interest in assets on which interest is being capitalized totaled $234.9 million as of June 30, 1997. TRG's beneficial interest in capitalized interest was $3.9 million and $7.2 million for the three and six months ended June 30, 1997, respectively.

	Beneficial Interest in Debt				
	Amount (In millions of dollars)	Interest Rate at 6/30/97	LIBOR Cap Rate	Frequency of Rate Resets	LIBOR at 6/30/97
Total beneficial interest in fixed rate debt	1,112.7(1)	7.55%(2)			
Floating rate debt hedged via interest rate caps:					
Through January 1998	100.0	6.26(2)	6.50	Monthly	5.72
Through January 1998	65.0	6.44	6.50	Monthly	5.72
Through July 1998	65.0	6.26(2)	8.35	Monthly	5.72
Through October 1998	39.3	6.32	6.00	Three Months	5.81
Through October 2001	25.0	6.14	8.55	Monthly	5.72
Through January 2002	23.4	6.78(2)	9.50	Monthly	5.72
Through July 2002	43.4	6.66(2)	6.50	Monthly	5.72
Total beneficial interest in debt	1,473.8	7.26(2)			

(1) Includes TRG's $100 million floating rate notes due in November 1997, which were swapped to a fixed rate of 6.15% until maturity. The interest rate on the refinancing of this debt is hedged via an interest rate cap for the period November 1997 to December 1998 at a three month LIBOR cap rate of 6.5%.
(2) Denotes weighted average interest rate.

TRG's loan agreements and indenture contain various restrictive covenants, including limitations on the amount of secured and unsecured debt and minimum debt service coverage ratios, the latter being the most restrictive. TRG is in compliance with all of such covenants.

Distributions

A principal factor considered by TRG in deciding upon distributions to partners is an amount, which TRG defines as Distributable Cash Flow, equal to EBITDA less TRG's Beneficial Interest Expense and non-real estate depreciation and amortization. This measure of performance is influenced not only by operations but also by capital structure. EBITDA is defined as TRG's beneficial interest in revenues, less operating costs before interest, depreciation and amortization, meaning TRG's pro rata share of this result for each of the Managed Businesses, after recording appropriate intercompany eliminations. TRG's Beneficial Interest Expense is defined as 100% of the interest expense of TRG's Consolidated Businesses and TRG's pro rata share of the interest expense on the debt of the Joint Ventures. Funds from Operations is calculated by adding the Company's beneficial interest in TRG's Distributable Cash Flow to the Company's other income, less the Company's operating expenses. EBITDA, Distributable Cash Flow and Funds from Operations do not represent cash flows from operations, as defined by generally accepted accounting principles, and should not be considered to be an alternative to net income as an indicator of operating performance or to cash flows from operations as a measure of liquidity. However, the National Association of Real Estate Investment Trusts suggests that Funds from Operations is a useful supplemental measure of operating performance for REITs.

The following table summarizes TRG's Distributable Cash Flow and the Company's Funds from Operations for the three months ended June 30, 1996 and 1997:

	Three months ended June 30, 1996			Three months ended June 30, 1997		
	TRG Consolidated Businesses	Joint Ventures(1)	Total	TRG Consolidated Businesses	Joint Ventures(1)	Total
	(in millions of dollars)					
TRG's Net Income(2)			18.5			22.2
Depreciation and Amortization(3)(4)			11.3			12.9
TRG's Beneficial Interest Expense(3)			24.0			24.0
EBITDA	31.4	22.4	53.8	35.2	23.8	59.1
TRG's Beneficial Interest Expense(3)	(17.2)	(6.8)	(24.0)	(17.3)	(6.6)	(24.0)
Non-real estate depreciation	(0.5)		(0.5)	(0.5)		(0.5)
Distributable Cash Flow	13.7	15.7	29.3	17.4	17.2	34.6
The Company's share of Distributable Cash Flow			10.3			12.7
Other income/ expenses, net			(0.2)			(0.2)
Funds from Operations			10.1			12.5

(1) Amounts represent TRG's beneficial interest in the operations of its Joint Ventures.
(2) Includes TRG's share of gains on peripheral land sales of $0.3 million and $1.8 million for the three months ended June 30, 1996 and 1997, respectively.
(3) Amounts represent TRG's and TRG's beneficial interest in the Joint Ventures' depreciation and amortization and interest expense.
(4) Includes $0.8 million and $0.9 million of mall tenant allowance amortization in the second quarter of 1996 and 1997, respectively.
(5) Amounts may not add due to rounding.

The following table summarizes TRG's Distributable Cash Flow and the Company's Funds from Operations for the six months ended June 30, 1996 and 1997:

	Six months ended June 30, 1996			Six months ended June 30, 1997		
	TRG Consolidated Businesses	Joint Ventures(1)	Total	TRG Consolidated Businesses	Joint Ventures(1)	Total
	(in millions of dollars)					
TRG's Net Income(2)			39.4			45.8
Depreciation and Amortization(3)(4)			22.4			25.8
TRG's Beneficial Interest Expense(3)			48.3			47.8
EBITDA	64.3	45.7	110.0	73.7	45.6	119.4
TRG's Beneficial Interest Expense(3)	(34.3)	(13.9)	(48.3)	(34.6)	(13.2)	(47.8)
Non-real estate depreciation	(0.9)		(0.9)	(1.1)		(1.1)
Distributable Cash Flow	29.0	31.8	60.8	38.0	32.4	70.5
The Company's share of Distributable Cash Flow			21.4			25.8
Other income/ expenses, net			(0.4)			(0.4)
Funds from Operations			21.0			25.5

(1) Amounts represent TRG's beneficial interest in the operations of its Joint Ventures.
(2) Includes TRG's share of gains on peripheral land sales of $0.3 million and $1.9 million for the six months ended June 30, 1996 and 1997, respectively.
(3) Amounts represent TRG's and TRG's beneficial interest in the Joint Ventures' depreciation and amortization and interest expense.
(4) Includes $1.6 million and $1.8 million of mall tenant allowance amortization for the six months ended June 30, 1996 and 1997, respectively.
(5) Amounts may not add due to rounding.

During the second quarter of 1997, EBITDA and Distributable Cash Flow were $59.1 million and $34.6 million, compared to $53.8 million and $29.3 million for the same period in 1996. TRG distributed $32.0 million to its partners in the second quarter of 1997, compared to $29.1 million in the same period of 1996. The Company's Funds from Operations for the second quarter of 1997 was $12.5 million, compared to $10.1 million for the same period in 1996.

During the first half of 1997, EBITDA and Distributable Cash Flow were $119.4 million and $70.5 million, compared to $110.0 million and $60.8 million for the same period in 1996. TRG distributed $64.0 million and $58.1 million to its partners in the six month periods ended June 30, 1997 and 1996, respectively. The Company's Funds from Operations for 1997 was $25.5 million, compared to $21.0 million for the same period in 1996.

The Partnership Committee of TRG makes an annual determination of appropriate distributions for each year. The determination is based on anticipated Distributable Cash Flow, as well as financing considerations and such other factors as the Partnership Committee considers appropriate. Further, the Partnership Committee has decided that the growth in distributions will be less than the growth in Distributable Cash Flow for the immediate future.

Except under unusual circumstances, TRG's practice is to distribute equal monthly installments of the determined amount of distributions throughout the year. Due to seasonality and the fact that cash available to TRG for distributions may be more or less than net cash provided from operating activities plus distributions from Joint Ventures during the year, TRG may borrow from unused credit facilities (described in Liquidity and Capital Resources -- TRG above) to enable it to distribute the amount decided upon by TRG's Partnership Committee.

Distributions by each Joint Venture may be made only in accordance with the terms of its partnership agreement. TRG acts as the managing partner in each case and, in general, has the right to determine the amount of cash available for distribution from the Joint Venture. In general, the provisions of these agreements require the distribution of all available cash (as defined in each partnership agreement), but most do not allow borrowing to finance distributions without approval of the Joint Venture Partner.

As a result, distribution policies of many Joint Ventures will not parallel those of TRG. While TRG may not, therefore, receive as much in distributions from each Joint Venture as it intends to distribute with respect to that Joint Venture, the Company does not believe this will impede TRG's intended distribution policy because of TRG's overall access to liquid resources, including borrowing capacity.

Any inability of TRG or its Joint Ventures to secure financing as required to fund maturing debts, capital expenditures and changes in working capital, including development activities and expansions, may require the utilization of cash to satisfy such obligations, thereby possibly reducing distributions to partners of TRG and funds available to the Company for the payment of dividends.

In addition, if the GM Trusts exercise their rights under the Cash Tender Agreement (see Liquidity and Capital Resources -- Cash Tender Agreement below), TRG will be required to pay the GM Trusts $10.9 million and may borrow to finance such expenditures.

Capital Spending

Capital spending for routine maintenance of the Taubman Shopping Centers is generally recovered from tenants. Excluding acquisitions, planned capital spending by the Managed Businesses not recovered from tenants for 1997 is summarized in the following table:

	1997		
	Consolidated Businesses	Joint Ventures(1)	TRG's Share of Joint Ventures(1)
	(in millions of dollars)		
Development, renovation, and expansion	126.5(2)	225.1(3)	120.3
Mall tenant allowances	5.8	3.7	2.2
Pre-construction development and other	10.7(4)	1.0	0.6
Total	143.0	229.8	123.1

(1) Costs are net of intercompany profits.
(2) Includes costs related to leasehold improvements at The Mall at Tuttle Crossing; excludes capital lease assets. Also includes TRG's share of construction costs for Great Lakes Crossing.
(3) Includes costs related to expansion projects at Westfarms and Cherry Creek. Also includes construction costs for MacArthur Center and Arizona Mills.
(4) Includes the costs to evaluate the redevelopment of Memorial City and required property expenditures under the terms of the lease.

An expansion at Westfarms includes approximately 135 thousand square feet of mall GLA, which opened approximately 85% leased in August 1997, and Nordstrom as an anchor which will open in early September 1997. The expansion cost approximately $100 million. An expansion at Cherry Creek will include a newly constructed Lord & Taylor store, which will open in November of 1997, and the addition of 132 thousand square feet of mall GLA, which will open in the fall of 1998. The expansion is expected to cost approximately $50 million. TRG has a 79% and 50% ownership interest in Westfarms and Cherry Creek, respectively.

A project is now under construction to add approximately 48 thousand square feet of new mall tenant space in the building vacated when Saks Fifth Avenue moved to the I. Magnin site at Biltmore. The new space is completely leased and will be fully open in the fall of 1997. The project is expected to cost approximately $8 million.

The Mall at Tuttle Crossing, a 980 thousand square foot Center in northwest Columbus, Ohio, opened in July 1997, anchored by Marshall Field's, Lazarus, JCPenney and Sears. TRG is leasing the land and mall buildings from Tuttle Holding Co., which owns the land on which the Center is located. TRG will make ninety annual minimum lease payments of $4.4 million beginning in July 1997. Substantially all of each payment in the first ten years of operation will be recognized as interest expense. TRG will also pay additional rent based on achieved levels of net operating income, a measure of operating performance before rent payments, as defined in the agreement (NOI); 100% of the portion of NOI which is over $11.6 million but less than or equal to $14.4 million, 30% of the portion of NOI between $14.4 million and $18.3 million, and 50% of the portion of NOI over $18.3 million. TRG estimates this additional rent, which will be recognized as other operating expense, will approximate $2 million to $3 million annually beginning in 1999. Substantially all of the Center's mall GLA has been leased. The Center is expected to cost approximately $115 million, including capital lease assets of $55 million.

Arizona Mills, an enclosed value super-regional mall in Tempe, Arizona, will open in November 1997. Leases on approximately 88% of the in-line tenant space are signed or out for signature. The 1.2 million square foot value-oriented mall is expected to cost approximately $180 million. TRG has a 37% ownership interest in Arizona Mills.

In May 1997, TRG began construction on Great Lakes Crossing, an enclosed value super-regional mall in Auburn Hills, Michigan, owned by a partnership in which TRG has an 80% controlling interest. The 1.7 million square foot Center is expected to have approximately 1.4 million square feet of GLA and is scheduled to open in the fall of 1998. The cost of building this Center will approximate $210 million.

MacArthur Center, a new Center being developed by TRG in Norfolk, Virginia, is expected to open in the spring of 1999. The Center is expected to open with 930 thousand square feet and will initially be anchored by Nordstrom and Dillard's. This Center is owned by a joint venture in which TRG has a 70% interest and is projected to cost approximately $150 million.

In 1996, TRG entered into an agreement to lease Memorial City Mall, a 1.4 million square foot shopping center located in Houston, Texas. Memorial City is anchored by Sears, Foley's, Montgomery Ward and Mervyn's. TRG has the option to terminate the lease after the third full year by paying $2 million to the lessor. TRG is using this option period to evaluate the redevelopment opportunities of the Center. Under the terms of the lease, TRG has agreed to invest a minimum of $3 million during the three year option period. If the redevelopment proceeds, TRG is required to invest an additional $22 million in property expenditures not recoverable from tenants during the first 10 years of the lease term.

TRG's share of costs for development and expansion projects currently under construction and scheduled to be completed in 1998 and 1999 is anticipated to be as much as $165 million in 1998 and $19 million in 1999. TRG generally does not provide estimates of capital expenditures on individual projects until the total project cost has been approved and construction is underway or imminent.

TRG's estimates regarding capital expenditures presented above are forward-looking statements and certain significant factors could cause the actual results to differ materially, including but not limited to: 1) actual results of negotiations with anchors, tenants and contractors; 2) changes in the scope of projects; 3) cost overruns; 4) timing of expenditures; and 5) actual time to complete projects.

Planned Acquisition

In July 1997, TRG entered into an agreement to acquire for cash the Regency Square shopping center in Richmond, Virginia. The transaction is contingent upon the completion of due diligence and receipt of necessary consents and approvals. TRG has agreed with the seller not to disclose the purchase price until after closing, which is expected to be completed before year end. TRG plans to use existing lines of credit to pay for the acquisition, which is expected to be modestly accretive to Distributable Cash Flow and Funds from Operations, and immaterial to net income in 1997. The Center is anchored by Hecht's, JCPenney and Sears.

Capital Resources

TRG believes that its net cash provided by operating activities, together with distributions from the Joint Ventures, the unutilized portion of its credit facilities and its ability to generate cash from the issuance of medium-term notes under TRG's shelf registration statement, other securities offerings or mortgage financings, assure adequate liquidity to conduct its operations in accordance with its distribution and financing policies.

The financing of TRG is intended to maintain an investment grade credit rating for TRG and (i) minimize, to the extent practical, secured indebtedness encumbering TRG's wholly owned properties, (ii) mitigate TRG's exposure to increases in floating interest rates, (iii) assure that the amount of debt maturing in any future year will not pose a significant refinancing risk, (iv) provide for additional capital and liquidity resources, and (v) maintain average maturities for TRG's debt obligations of between five and ten years. TRG's intent to continue to minimize secured indebtedness is dependent on actions taken by credit rating agencies and market conditions.

TRG expects to finance its capital requirements, including development, expansions and working capital, with available cash, borrowings under its lines of credit and cash from future securities offerings under its medium-term note program, other securities offerings, or mortgage financings. TRG's acquisition activities are discretionary in nature, and will only be undertaken by TRG after arranging adequate financing on terms that are consistent with TRG's financing policies. TRG's Joint Ventures expect to finance development and expansion spending with secured debt to the extent it is available.

TRG's borrowings are not and will not be recourse to the Company without its consent.

Cash Tender Agreement

A. Alfred Taubman and the GM Trusts each have the annual right to tender to the Company units of partnership interest in TRG (provided that the aggregate value is at least $50 million) and cause the Company to purchase the tendered interests at a purchase price based on a market valuation of the Company on the trading date immediately preceding the date of the tender (the Cash Tender Agreement). The Company will have the option to pay for these interests from available cash, borrowed funds, or from the proceeds of an offering of the Company's common stock. Generally, the Company expects to finance these purchases through the sale of new shares of its stock. The tendering partners will bear all market risk if the market price at closing is less than the purchase price. Any proceeds of the offering in excess of the purchase price will be for the sole benefit of the Company. At A. Alfred Taubman's election, his family, and Robert C. Larson and his family may participate in tenders. The GM Trusts will be entitled to receive from TRG an amount (not to exceed $10.9 million in the aggregate over the term of the Partnership) equal to 5.5% of the amounts that the Company pays to the GM Trusts under the Cash Tender Agreement.

Based on a market value at December 31, 1996 and June 30, 1997 of $12.875 and $13.25 per common share, the aggregate value of interests in TRG that may be tendered under the Cash Tender Agreement was approximately $954 million and $982 million, respectively. Purchase of these interests at June 30, 1997 would have resulted in the Company owning an additional 53% interest in TRG.

Although certain partners in TRG have pledged, and other partners may pledge, their units of partnership interest, the Company is not aware of any present intention of any partner to sell its interest in TRG.

PART II

OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

On May 14, 1997, the Company held its annual meeting of shareholders. The matters on which shareholders voted were: the election of four directors to serve a three year term and the ratification of the Board's selection of Deloitte & Touche LLP as the Company's independent auditors for the year ending December 31, 1997. Graham T. Allison, Claude M. Ballard, Thomas E. Dobrowski and W. Allen Reed were re-elected at the meeting, and the seven remaining incumbent directors continued to hold office after the meeting. The shareholders ratified the selection of the independent auditors. The results of the voting are shown below:

ELECTION OF DIRECTORS

NOMINEES	VOTES FOR	VOTES WITHHELD
Graham T. Allison	46,429,055	10,475
Claude M. Ballard	46,429,095	10,435
Thomas E. Dobrowski	46,397,911	41,619
W. Allen Reed	46,394,612	44,918

RATIFICATION OF AUDITORS

46,414,433	Votes were cast for ratification;
4,729	Votes were cast against ratification; and
20,368	Votes abstained (including broker non-votes).

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

11 -- Statement Re: Computation of Per Share Earnings.

12 -- Statement Re: Computation of Ratios of Earnings to Fixed Charges.

27 -- Financial Data Schedule.

b) Current Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TAUBMAN CENTERS, INC.

Date: August 13, 1997

By: /s/ Lisa A. Payne

Lisa A. Payne
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit
Number

11 -- Statement Re: Computation of Per Share Earnings.

12 -- Statement Re: Computation of Ratios of Earnings to Fixed Charges.

27 -- Financial Data Schedule.

Exhibit 11

TAUBMAN CENTERS, INC.

Computation of Per Share Earnings
(in thousands, except share data)

	Three Months Ended		Six Months Ended	
	June 30, 1996	June 30, 1997	June 30, 1996	June 30, 1997
Primary				
Net income as reported	$4,398	$5,914	$9,642	$12,339
Effect of partnership units issuable under The Taubman Realty Group Limited Partnership's 1992 Incentive Option Plan	(3)	(60)	(6)	(134)
Net income for purposes of calculating primary earnings per share	$4,395	$5,854	$9,636	$12,205
Average number of shares outstanding	44,098,113	50,724,665	44,104,672	50,722,523
Primary earnings per share	$ .10	$ .12	$ .22	$ .24
Fully diluted				
Net income as reported	$4,398	$5,914	$9,642	$12,339
Effect of partnership units issuable under The Taubman Realty Group Limited Partnership's 1992 Incentive Option Plan	(8)	(65)	(16)	(135)
Net income for purposes of calculating fully diluted earnings per share	$4,390	$5,849	$9,626	$12,204
Average number of shares outstanding	44,098,113	50,724,665	44,104,672	50,722,523
Fully diluted earnings per share	$ .10	$ .12	$ .22	$ .24

Exhibit 12

THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP

Computation of Ratios of Earnings to Fixed Charges
(in thousands, except ratios)

	Six Months Ended June 30	
	1996	1997
Net Earnings from Continuing Operations	$39,368	$45,754
Add back:		
Fixed charges	55,052	59,255
Amortization of previously capitalized interest (1)	981	953
Distributions in excess of equity in net income of 25% owned Joint Venture	(250)	0
Deduct:		
Capitalized interest (1)	(3,839)	(7,167)
Earnings Available for Fixed Charges	$91,312	$98,795
Fixed Charges		
Mortgage notes and other	$34,340	$34,614
Capitalized interest	2,294	4,337
Interest portion of rent expense	2,508	3,749
Proportionate share of Joint Ventures' fixed charges	15,910	16,555
Total Fixed Charges	$55,052	$59,255
Ratio of earnings to fixed charges	1.7	1.7

(1) Amounts include TRG's pro rata share of capitalized interest and amortization of previously capitalized interest of the Joint Ventures.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE TAUBMAN CENTERS, INC. BALANCE SHEET AS OF JUNE 30, 1997 (UNAUDITED) AND THE TAUBMAN CENTERS, INC. STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1997 (UNAUDITED) AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0000890319

NAME: TAUBMAN CENTERS, INC.

MULTIPLIER: 1,000 [1]

CURRENCY: U.S. DOLLARS

PERIOD TYPE	6 MOS	
FISCAL YEAR END	DEC 31 1997	
PERIOD START	JAN 01 1997	
PERIOD END	JUN 30 1997	
EXCHANGE RATE	1	
CASH	9,156	
SECURITIES	0	
RECEIVABLES	0	
ALLOWANCES	0	
INVENTORY	0	
CURRENT ASSETS	0	[2]
PP&E	0	
DEPRECIATION	0	
TOTAL ASSETS	367,750	
CURRENT LIABILITIES	0	[2]
BONDS	0	
PREFERRED MANDATORY	0	
PREFERRED	0	
COMMON	507	
OTHER SE	355,183	
TOTAL LIABILITY AND EQUITY	367,750	
SALES	0	
TOTAL REVENUES	12,845	[3]
CGS	0	
TOTAL COSTS	0	
OTHER EXPENSES	125	
LOSS PROVISION	0	
INTEREST EXPENSE	0	
INCOME PRETAX	12,339	
INCOME TAX	0	
INCOME CONTINUING	12,339	
DISCONTINUED	0	
EXTRAORDINARY	0	
CHANGES	0	
NET INCOME	12,339	
EPS PRIMARY	.24	
EPS DILUTED	.24	

[1] EXCEPT FOR SHARE DATA.

[2] THE COMPANY HAS AN UNCLASSIFIED BALANCE SHEET.

[3] THE COMPANY'S PRIMARY ASSET IS AN EQUITY INVESTMENT IN THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP.

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