

TAG Tegernsee
Immobilien- und Beteiligungs-Aktiengesellschaft

WKN 830 350, WKN A0J CY 6
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Report for the quarter ending March 31, 2006

- **Improvement in the equity ratio to 24.3 % compared to 19.1 % at December 31, 2005**
- **Increase in revenues and higher EBITDA**
- **Significant improvement in consolidated net income in the first quarter, from EUR -0.7 million last year to EUR 0.6 million**
- **Successful placement of a cash capital increase of EUR 21.3 million in March 2006**



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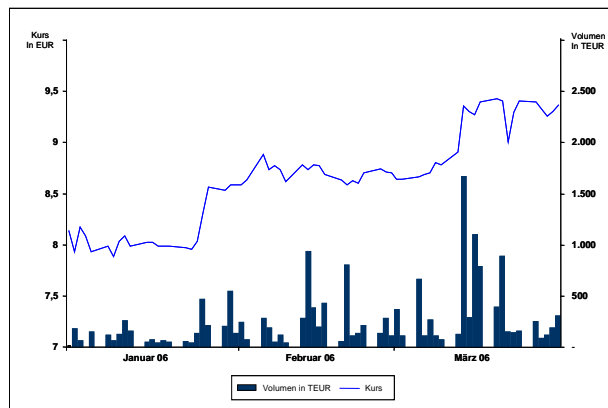
TAG

Dear shareholders and business associates,

TAG started out fiscal 2006 successfully, with a very positive first-quarter result. In the period under review, TAG increased its key income components on a year-on-year basis. Strong interest, largely on the part of institutional investors, resulted in a successful placement of two capital increases at TAG and Bau-Verein zu Hamburg, a company in which TAG holds a majority interest. These capital measures have given TAG additional scope for action, allowing it to seize existing market opportunities and acquire small and medium-sized property portfolios. Against this background, TAG has already initiated extensive talks and negotiations with respect to suitable acquisition targets.

TAG stock

TAG stock recorded a pleasing performance in the period under review, with a share price advance of approximately 15%, from EUR 8.13 to EUR 9.36, and a year-on-year increase in trading volume of about 95%. TAG used the strong investor demand to place a clearly oversubscribed capital increase in March 2006, mainly with international institutional investors. Within the framework of this capital increase, the share capital was raised from 10,004,901 to 12,556,364 TAG shares. On the basis of an issue price of EUR 8.50, TAG received a cash inflows in the order of EUR 21.3 million, which will be primarily used for the acquisition of suitable property portfolios. This capital measure has resulted in a further internationalization of the shareholder base, allowing the company to attract experienced real estate investors.



Bau-Verein zu Hamburg AG Group

In the period under review, Bau-Verein recorded favorable business performance, as documented by a price advance of nearly 30% of Bau-Verein stock.

In the first quarter of 2006, Bau-Verein increased its revenues by EUR 0.8 million, to EUR 11.0 million, versus EUR 10.2 million in the comparable prior-year period. Personnel expenses remained unchanged at EUR 1.3 million. Active asset management and the increase in the number of investment properties resulted in the generation of revaluation income of EUR 3.4 million. Net borrowing costs improved from EUR -2.8 million in the previous year to EUR -2.2 million. A consolidated profit of EUR 1.8 million was generated (previous year: EUR -0.8 million).

The total assets of the Bau-Verein subgroup contracted to EUR 347.1 million, down from EUR 361.2 million at the end of 2005. Fixed assets were increased in order to strengthen the company's portfolio-holding activities, while current assets were simultaneously reduced. Liabilities due to banks declined from EUR 199.3 million at yearend 2005 to EUR 188.7 million. The equity ratio improved to 25.2 %, up from 23.7 % at December 31, 2005. The capital increase completed in April 2006 will be taken into account in the second quarter of 2006.

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Like TAG, Bau-Verein zu Hamburg used the bullish capital market environment to implement a capital increase, by 4,000,000 shares to 20,939,994 shares. Within the framework of this capital increase, Bau-Verein received approximately EUR 19 million, which are intended for the acquisition of property portfolios in western German metropolitan areas and Berlin. In addition, TAG sold 1,500,000 Bau-Verein shares from its own shareholdings to an institutional investor. These capital measures reduced TAG's stake in Bau-Verein from about 91 % to approximately 70 %, which, in turn, resulted in an increase in the free float of Bau-Verein stock from 9 % to roughly 30 %. The value of Bau-Verein stock was enhanced further by its inclusion in the Prime Standard of the Frankfurt Stock Exchange. TAG and Bau-Verein expect this inclusion in the Prime Standard and the increase in free float to enhance investors' interest, with corresponding favorable stimuli for the stock's price performance.

JUS AG Group

The JUS Group generated revenues of EUR 3.1 million in the first quarter of 2006, up from EUR 1.4 million in the comparable prior-year quarter.

Personnel expenses declined by EUR 0.3 million (previous year: EUR 0.5 million). Other operating expenses were lowered from EUR 1.2 million to EUR 0.3 million.

Net borrowing costs were nearly unchanged; they amounted to EUR – 1.0 million (previous year: EUR – 0.9 million). The JUS AG subgroup sustained a net loss of EUR -0.8 million (previous year: EUR - 0.5 million) in the period under review .

Total assets amounted to EUR 99.8 million, down from EUR 137.0 million in the previous year. At December 31, 2005, total assets had stood at EUR 98.6 million. JUS AG will continue

to focus its activities on the services sector and intends to position itself in the marketplace as a real-estate service provider in the long term. Developer business already held under current assets will be commenced in the second quarter and sold and completed in a timely manner.

Assets

The TAG Group's total assets amount to EUR 500.1, up from EUR 482.7 million at the end of 2005. With equity standing at EUR 121.8 million, this translates into an equity ratio of 24.3%. At December 31, 2006, the equity ratio had stood at 19.1 %. This already takes account of the capital increase of EUR 21.34 million, which was entered in the Commercial Register in March 2006. Liabilities due to banks were reduced to EUR 232.4 million, down from EUR 238.2 million at December 31, 2005.

Revenues and earnings

The revenues of the TAG Group increased from EUR 12.0 million in the previous year, to EUR 14.6 million. The share accounted for by Bau-Verein in the TAG Group's total revenues amounted to 75 % in the first quarter of 2006. Other operating income increased by EUR 0.6 million, to EUR 0.8 million, which was to some extent due to the income generated by AGP in previous years on account of an interest adjustment. The strengthened of portfolio-holding activities at Bau-Verein resulted in an increase in fixed assets accompanied by a reduction in current assets. Net borrowing costs dropped from EUR -4.2 million to EUR –3.6 million. Consolidated net income in the first quarter of 2006 came to EUR 0.6 million, compared to a consolidated net loss of EUR –0.7 million in the first quarter of 2005.

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Employees

On March 31, 2006, the TAG Group had 150 employees, up from 143 one year earlier.

Outlook

On the basis of the successful business performance in the period under review, TAG is optimistic that it will be able to continue this favorable trend in fiscal 2006 as a whole, in particular since experience has shown that earnings in the property sector tend to increase noticeably in subsequent quarters.

TAG intends to acquire further property portfolios at attractive underlying framework conditions. For this purpose, TAG is evaluating potential acquisition targets and conducting concrete negotiations. To seize the currently available market opportunities and lay the foundation for the acquisition of larger property portfolios, too, TAG intends to prepare the ground for a major capital increase at its annual shareholders' meeting. Sustained strong demand on the part of investors makes TAG optimistic that it will be able to implement a corresponding capital measure.

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CONSOLIDATED BALANCE SHEET

ASSETS

		03/31/2006	12/31/2005
		EUR 000s	EUR 000s
A.	<u>Fixed assets</u>		
I.	Investment properties	132,343	119,004
II.	Tangible assets	4,887	4,907
III.	Intangible assets	42	39
IV.	Goodwill	0	0
V.	Financial assets		
	Shares in associated companies	4,272	4,313
	Other financial assets	4,291	1,896
		<u>8,563</u>	<u>6,209</u>
B.	<u>Deferred taxes</u>	0	209
C.	<u>Current assets</u>		
I.	Land available for sale and other inventories		
	Properties and leasehold rights with finished buildings and unfinished buildings	250,518	249,680
	Other inventories	5,093	6,069
		<u>255,611</u>	<u>255,749</u>
II.	Receivables and other assets		
	Trade accounts receivable	52,449	66,934
	Receivables from construction orders	1,429	1,108
	Other assets	7,884	12,636
		<u>61,762</u>	<u>80,680</u>
III.	Cash and cash equivalents	37,615	15,737
D.	<u>Prepaid expenses</u>	137	133
		<u>500,960</u>	<u>482,667</u>

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CONSOLIDATED BALANCE SHEET

		EQUITY AND LIABILITIES	
		03/31/2006	12/31/2005
		EUR 000s	EUR 000s
A.	<u>Shareholders' equity</u>		
	Shareholders' equity allocable to parent company shareholders		
I.	Subscribed capital	12,556	10,045
II.	Capital reserve	95,413	76,663
III.	Revenue reserves	6,689	6,689
IV.	Accumulated deficit	-8,848	-9,399
	Minority interests	16,003	8,038
		<u>121,813</u>	<u>92,036</u>
B.	<u>Long-term liabilities</u>		
	Liabilities due to banks	87,763	88,147
	Pension provisions	2,331	2,329
	Other long-term liabilities	425	426
		<u>90,519</u>	<u>90,902</u>
C.	<u>Short-term liabilities</u>		
	Liabilities due to banks	232,390	238,151
	Trade accounts payable	16,203	16,951
	Tax provisions	968	983
	Other short-term liabilities	38,316	43,591
		<u>287,877</u>	<u>299,676</u>
D.	<u>Deferred taxes</u>	701	0
E.	<u>Deferred income</u>	50	53
		<u>500,960</u>	<u>482,667</u>

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CONSOLIDATED INCOME STATEMENT

	Q1 2006 EUR 000s	Q1 2005 EUR 000s
Revenues	14,594	12,038
Other operating income	910	232
Other internally produced and capitalized assets	572	25
Cost of materials	-9,579	-7,140
Personnel expenses	-1,995	-2,161
Other operating expenses	-1,985	-1,877
EBITDA	2,517	1,117
Depreciation and amortization excluding goodwill amortization	-122	-126
Revaluation of investment properties	3,689	2,650
EBITA	6,084	3,641
Goodwill amortization	0	0
EBIT	6,084	3,641
Net income from investments	-76	163
Net income from associated companies	-45	0
Net income from financial assets	-3,588	-4,249
EBT	2,375	-445
Income taxes	-1,296	-202
Other taxes	-187	-202
Minority shareholders' profit and loss share	-341	155
Consolidated net income	551	-694
Earnings per share (EUR), undiluted	0.05	-0.11

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Q1 2006 EUR 000s	Q1 2005 EUR 000s
Consolidated net income	551	-694
Depreciation and amortization	122	126
Income from associated companies	45	0
Depreciation/appreciation of properties held as investments	-3,689	-2,650
Change in other long-term liabilities	841	-779
Change in deferred taxes	1,224	194
Cash flow in accordance with DVFA/SG	-906	-3,803
Profit/loss from the sale of fixed assets	53	9
Increase/decrease in receivables and other assets	22,093	6,074
Change in short-term and other liabilities	-8,699	1,810
Cash flow from operating activities	12,541	4,090
Proceeds from sale of properties held as investments	795	0
Payments for investments in intangible and tangible assets	-24	-43
Payments for investments in tangible assets	-62	0
Proceeds from sale of shares held in associated companies	7,125	0
Payments for investments in financial assets	-4	0
Payments for acquisition of shares in consolidated companies	-2,375	0
Payments for acquisition of consolidated companies	-84	0
Cash flow from investing activities	5,371	-43
Proceeds received from capital increases	21,261	0
Proceeds from/payments for liabilities due to banks	-14,698	-4,954
Raising/repayment of other debt	-2,930	2,250
Cash flow from financing activities	3,633	-2,704
Net change in cash and cash equivalents	21,545	1,343
Consolidation-related change in cash and cash equivalents	333	0
Cash and cash equivalents at the beginning of the period	15,737	4,795
Cash and cash equivalents at the end of the period	37,615	6,138

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Subscribed capital	Capital reserve	Revenue reserve	Net loss	Minority interests	Total
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
01/01/2005	6,229	83,180	6,689	-4,864	9,588	100,822
Consolidated net income				-694		-694
Change in minority interests					-262	-262
03/31/2005	6,229	83,180	6,689	-5,558	9,326	99,866
Consolidated net income				-34,771		-34,771
Cash capital increases	3,816	23,962				27,778
Withdrawal from capital reserve		-30,930		30,930		0
Sale of own shares		1,400				1,400
Cost of capital increases		-949				-949
Change in minority interests					-1,288	-1,288
12/31/2005	10,045	76,663	6,689	-9,399	8,038	92,036
Consolidated net income				551		551
Cash capital increases	2,511	18,836				21,347
Cost of capital increases		-86				-86
Change in minority interests					7,965	7,965
03/31/2006	12,556	95,413	6,689	-8,848	16,003	121,813

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SEGMENT REPORTING

	Railway infra- structure Q1 2006 EUR 000s	Building manage- ment Q1 2006 EUR 000s	Construc- tion activity Q1 2006 EUR 000s	Recon- ciliation Q1 2006 EUR 000s	Con- solidated Q1 2006 EUR 000s
External revenues	319	2,280	11,867	128	14,594
<i>Previous year</i>	299	2,341	9,418	-20	12,038
Intra-group revenues	0	121	384	-505	0
<i>Previous year</i>	0	268	281	-549	0
Revenues	319	2,401	12,251	-377	14,594
<i>Previous year</i>	299	2,609	9,699	-569	12,038
Segment earnings	99	4,387	-525	-1,586	2,375
<i>Previous year</i>	1,790	1,326	-1,935	-1,626	-445
- thereof earnings from associated companies	0	0	0	-45	-45
<i>Previous year</i>	0	0	0	0	0
- thereof depreciation/amortization	-14	-82	-22	-4	-122
<i>Previous year</i>	-14	-71	-33	-8	-126
- thereof interest income	0	720	217	-705	232
<i>Previous year</i>	0	755	93	-351	497
- thereof interest expenses	0	-1,703	2,491	374	-3,820
<i>Previous year</i>	0	-1,140	-3,676	70	-4,746
- thereof revaluation of investment properties	0	3,799	-110	0	3,689
<i>Previous year</i>	1,700	515	0	0	2,215
Segment debts	286	117,259	283,531	-21,929	379,147
<i>Previous year</i>	226	94,458	365,873	-925	459,632
Segment assets	5,343	225,537	315,598	-45,518	500,960
<i>Previous year</i>	5,070	199,578	395,781	-40,930	559,499
-thereof associated companies	0	0	3,692	580	4,272
<i>Previous year</i>	0	0	3,733	580	4,313
Segment investments	0	71	19	84	174
<i>Previous year</i>	7	24	12	0	43

EXPLANATORY NOTES FOR THE FIRST QUARTER OF 2006 OF TAG TEGERNSEE IMMOBILIEN- UND BETEILIGUNGS-AKTIENGESELLSCHAFT

General information

The interim consolidated financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, Tegernsee (TAG) for the quarter ending March 31, 2006, have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The standards already adopted and published and therefore binding have been applied.

The accounting and valuation principles as well as the notes to and explanations concerning the interim consolidated financial statements are based on the same accounting and valuation principles applied to the consolidated financial statements for the year ending December 31, 2005.

For more details about the accounting and valuation principles applied, please refer to the consolidated financial statements for the year ending December 31, 2005, compiled pursuant to IFRS, which, pursuant to IAS 34, form the material basis of these interim financial statements.

Consolidation group

The interim consolidated financial statements for the quarter ending March 31, 2006, include TAG and, as a general principle, all enterprises in which TAG is directly or indirectly entitled to exercise the majority of the respective company's voting rights.

At March 31, 2005, the consolidation group still included the shares held in GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg (sale of 75%, reduction in the shareholding to 25%), Adamshof Grundstücks GmbH, Berlin (sale of 74%, reduction in the shareholding to 6%) and Trinom Hausverwaltungs GmbH, Berlin (sale of 100% of the shares held), which were deconsolidated later in fiscal 2006.

Compared to December 31, 2005, the consolidation group was expanded by the acquisition of a further 74% of the shares in Fürstenberg'sche Häuser GmbH, Berlin. JUS Aktiengesellschaft für Grundbesitz already held a 20% stake in this company at December 31, 2005, and increased this shareholding to 94% effective January 1, 2006. This first-time consolidation did not have any effect on income. Assets worth EUR 6,019,000 and debt of EUR 6,583,000 were taken over. The difference resulting from first-time consolidation increased the book value of the acquired properties. No purchase price was payable. The pro-rata IFRS-compliant quarterly result of this company amounted to EUR -109,000.

In addition, the shareholding in AGP AG Allgemeine Gewerbebau und Projektentwicklungs AG, Tegernsee, was increased from 49.49% to 94% effective January 1, 2006. This company had previously been consolidated at equity, as an associated company. Assets worth EUR 7,978,000 and debt of EUR 7,510,000 were taken over. The acquisition costs of the shares amounted to

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EUR 84,000. First-time consolidation resulted in a negative difference of EUR 335,000, which was recognized under other operating income in the income statement. The pro-rata IFRS-compliant quarterly result of this company amounted to EUR 387,000.

In the course of the first quarter of this 2006, the shareholding in Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg, (Bau-Verein AG) was initially reduced from 89.88% to 81.02% through sale of 1,500,000 shares at a disposal price of EUR 7,125,000. The deconsolidation of these shares resulted in a loss of EUR 451,000, which was recognized under other operating expenses in the income statement. In the second quarter of 2006, a further 500,000 shares were purchased through participation in a cash capital increase. The capital increase of Bau-Verein AG took effect after the reporting cutoff date of March 31, 2006, upon entry in the Commercial Register on April 7, 2006. Following the completion of the capital increase, TAG holds a stake of 67.94% in Bau-Verein AG.

Adjustment of prior-year figures

In the interim consolidated financial statements as of March 31, 2006, other taxes are shown separately, below earnings before taxes (EBT). The prior-year figures for the period ending March 31, 2005, have been adjusted accordingly to ensure comparability.

Other material transactions

In the first quarter of fiscal 2006, a cash capital increase was implemented through issue of 2,511,463 new, non-par bearer shares. This transaction was entered in the Commercial Register on March 23, 2006. The issue price was EUR 8.50 per share. The cash capital increase resulted in a cash inflow of EUR 21,347,000 for TAG. Following the capital increase, TAG's share capital amounts to EUR 12,556,000 at present.

Material events after the close of the interim reporting period

Bau-Verein AG also implemented a capital increase in the first quarter of fiscal 2006, which, however, took effect only after the cutoff date of the interim consolidated financial statements, upon entry in the Commercial Register on April 7, 2006. The capital increase against cash contribution involved the issue of 4,000,000 new non-par bearer shares. The issue price was EUR 4.75 per share. The capital increase resulted in a cash inflow of EUR 19,000,000 for Bau-Verein AG. Following the capital increase, the company's share capital amounts to EUR 62,810,000 at present.

TAG's Management Board and Supervisory Board have proposed to the annual shareholders' meeting convened on June 30, 2006, to raise TAG's share capital from currently EUR 12,556,000 by up to EUR 25,113,000 to up to EUR 37,669,000 by means of a further capital increase against cash contribution through issue of new non-par bearer shares. The issue price shall not be below EUR 10.00 per share.

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Miscellaneous

There was no material change in the group's contingent liabilities compared with the consolidated financial statements at December 31, 2005.

In addition, the financing of the purchase agreements and the construction measures of the GAG portfolios located in Berlin-Zehlendorf and Hamburg-Langenhorn is being prepared. The conclusion of a loan agreement with a volume of approximately EUR 88 million is envisaged. GAG expects the financing to be in place before June 2006 has run its course. Within the framework of the negotiations, the bank has requested Bau-Verein AG and another shareholder to grant guarantees. First, a capital service guarantee will be required until the leasing of the dwelling units intended for modernization or construction has been achieved in full; second, the company must grant a guarantee for compliance with the construction costs. This guarantee will become extinct upon completion of the construction measures.

Effective January 1, 2006, Mr. Erhard Flint, Attorney, Hamburg, and Mr. Andreas Ibel, Engineer, Hamburg, were appointed members of the Management Board of TAG. Mr. Michael Haupt, Attorney, Berlin, resigned from the Management Board effective December 31, 2005.

At March 31, 2006, the number of employees in the TAG Group stood at 150. A total of 140 staff members had been employed at December 31, 2005.

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

Schedule of events

May 31/June 1, 2006

Kempen & Co., European Property Seminar,
Amsterdam

June 30, 2006

Annual shareholder meeting, Hamburg/
Chamber of Commerce

August 2006

Six-month report, Q2 report

September 7/8, 2006

EPRA (European Public Real Estate Association), Annual Conference, Budapest

September 19, 2006

REIW Conference
Real Estate Investment World, Frankfurt

November 2006

Q3 report

Contact details



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