Asset Value – Visions – Growth

Annual Report 2005

Key Financials

(in € 000s)	12/31/2005	12/31/2004
Revenues	153,549	121,251
EBITDA	-757	15,994
EBIT	-13,772	23,020
EBT	-32,262	4,338
Consolidated earnings	-35,456	2,065
Total assets	482,667	547,899
Shareholders' equity*	92,036	100,822
Equity ratio	19.07 %	18.40 %

* incl. minority interests

Contents

Group Management Report

International investors' rising interest in the German real estate market has resulted in a favorable development, offering German companies opportunities to expand their activities in this market.

TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft (hereinafter called "TAG") responded to the changes in the German real estate market, increasing its focus on investment properties and expanding the business segment concentrating on services for the residential property sector. This has set the stage for further growth in the German real estate market, while increasingly supplementing frequently fluctuating revenues from property sales with steady service revenues. At the same time, the restructuring and turnaround measures initiated at TAG's JUS AG subsidiary in 2004 were continued.

OVERALL ECONOMIC TREND

The overall economic trend in the Federal Republic of Germany is characterized by increasingly upbeat sentiment. Forecasts predict an improvement in the economic situation in the course of 2006. According to the Ifo Business Test of March 2006, business climate indicators improved noticeably in all industries, which means that an increasingly strong and more sustained upswing is expected.

In spite of the favorable survey results for 2006, persistently high unemployment in conjunction with guarded domestic demand may jeopardize a sustained brightening of Germany's capital expenditure climate

TREND IN THE PROPERTY MARKET

In the German residential property market, a continuing trend towards more sizeable investments, notably in existing properties, can be discerned. Given the favorable underlying financing conditions and the anticipated value appreciation potential, demand for large-scale housing portfolios, notably on the part of international investors, remains unwaveringly high. A portfolio premium can now be discerned in this type of transaction. However, it seems likely that this trend will not continue forever.

Still feeble domestic demand and the elimination of tax incentives resulted in declines in the acquisition of newly constructed apartments by private investors and owner-occupiers, so sales did no remain at their prior-year level in this segment. Sales of apartments in old buildings were boosted notably at the Berlin and Munich locations in particular.

Lease and sale demand in the commercial property segment developed favorably and were increased in fiscal 2005.

ACCOUNTING STANDARD

Pursuant to Regulation (EC) No. 1606/2002, the consolidated financial statements of the listed stock corporation TAG at December 31, 2005, have been prepared in accordance with International Financial Reporting Standards (IFRS), as supplemented by the provisions of Section 315a(1) HGB (German Commercial Code). The annual financial statements of TAG and the financial statements of the individual group companies are still prepared in accordance with HGB standards. The consolidated financial statements of the Bau-Verein AG subgroup at December 31, 2005, also comply with Regulation (EC) No. 1606/2002 and have thus been prepared in accordance with International Financial Reporting Standards (IFRS), as supplemented by the provisions of Section 315a(1) HGB.

BUSINESS TRENDS IN THE GROUP

TAG is above all the holding company of the TAG Group. Relying on a business model based on management companies, TAG is active in its core business segments, Residential Properties and Special-Purpose Properties, and plans to expand its business activities in these areas. In its Residential Properties core business segment, TAG – via its management company Bau-Verein AG – focuses on the acquisition, management and privatization of housing portfolios. The goal remains the expansion of the residential property portfolio and, by extension, the enhancement of the net asset value of the TAG Group.

In the last fiscal year, the restructuring and realignment of JUS AG with a view to transforming it into a real estate service provider were top priorities and led to high impairments with respect to the goodwill and a number of properties held by JUS AG. In the fiscal year under review, TAG supported the restructuring process at JUS AG with extensive financial assistance, and the Company will continue to do so as required until the ongoing projects have been completed. All in all, TAG waived loans extended to JUS AG with a volume of € 18,814,000 (previous year: € 7,495,000) in fiscal 2005, with a debtor warrant being agreed for a partial amount of € 13,814,000 thereof (previous year: € 0). This warrant provides for the revival of the loan receivables, depending on the future annual results generated by JUS AG.

In Tegernsee Valley, where TAG holds properties for historical reasons, initial measures were successfully implemented within the context of active property development in fiscal 2005. The planning process for the development of the railroad station grounds with residential construction has been initiated, and two portfolio properties were sold successfully.

As a holding company, however, shareholdings in its affiliated companies are TAG's principal assets. The most important shareholdings of the TAG Group are:

Bau-Verein zu Hamburg Aktien-Gesellschaft

Bau-Verein zu Hamburg Aktien-Gesellschaft (Bau-Verein) is the largest company in the TAG Group and the management company responsible for the Residential Properties core business segment. Bau-Verein is a listed stock corporation and publishes its own annual report and consolidated financial statements in accordance with IFRS. Its core business is the portfolio development of existing housing estates in established locations of German metropolitan areas and the construction of affordable new housing for subsequent sale.

At the end of fiscal 2005, the real estate portfolio of the Bau-Verein subgroup was comprised of 2,803 dwelling units, 340 dwelling units under construction and in planning and 19 commercial units in its portfolio and in the planning stage.

With respect to future developments in the residential property sector, Bau-Verein AG has proven its foresight in the selection of property locations in Munich, Hamburg, Berlin and the Rhine/Main region. Metropolitan areas will increasingly see a more favorable development than secondary locations.

Bau-Verein strives to achieve a sustained strengthening of its own books through acquisitions of residential portfolios, the goal being to increase the value of its portfolio through active portfolio management and efficient portfolio administration and generate increasing income over a long-term horizon.

In addition, Bau-Verein expanded its activities in residential property services and already positioned itself successfully in portfolio management on behalf of third parties in 2005.

In fiscal 2005, Bau-Verein completed the following projects at the above-mentioned locations: the "DOCK 4" property at Standtorkai in HafenCity in Hamburg was completed, rented out and sold. The "Am Roland" project in Wedel was completed and all units but one were sold. The Mainz-Weisenau project was also fully completed and sold. In the "An der Au" project in Wedel, the first tenants moved into an initial 13 out of a total of 39 dwelling units at the end of 2005. The new-construction projects in

Mainz-Finthen (106 dwelling units) and Reinbek near Hamburg (76 dwelling units) are in the pre-realization preparatory stage.

With in the framework of a joint venture with an international investor, Bau-Verein sold approximately 75 % of the shares of a company that had previously been a member of the Group. Bau-Verein continues to hold about 25 % of the shares of this company. Within the framework of a portfolio sale, this entity acquired approximately 700 dwelling units, one commercial building and two plots of land from Bau-Verein, the goal being to create a portfolio-owning housing company. These properties held as current assets, which had originally been earmarked for individual sale, will now be developed, rented out and held as long-term investment properties. Portfolio management will be handled by Bau-Verein in the future, too.

On the basis of total assets of € 361.26 million (previous year: € 375.8 million) and revenues totaling € 136.8 million (previous year: € 87.4 million), Bau-Verein generated consolidated earnings of € 1.0 million, compared to € 1.5 million in the previous year. Its positive net annual income and a reduction in bank liabilities allowed Bau-Verein AG to strengthen its equity capital base. At December 31, 2005, its equity ratio stood at 23.7 % (previous year: 22.5 %).

TAG held a stake of 89.9 % in the company at December 31, 2005. The cash capital increase implemented by Bau-Verein in March 2006 changed this shareholding by 21.9 %, to 68 %, the goal being to broaden the shareholder base.

JUS Aktiengesellschaft für Grundbesitz

In the past, JUS AG used to be active in the refurbishing of historical buildings in the Special-Purpose Property core business segment. The restructuring is shifting its focus to the service business revolving around the real estate sector.

Sales revenues declined from € 32.2 million in the previous year to € 15.2 million in 2005. A number of properties earmarked for sale proved impossible to realize in the originally envisaged form, necessitating an amendment of their project plans in the fiscal year under review. In particular, they included the "Stuttgart-Südtor" and "Belziger Straße, Berlin" projects as well as various projects in Leipzig.

In the course of fiscal 2005, JUS AG received intensive support from TAG in its capacity as parent company of the Group. Continued extension of loans to JUS AG safeguarded the liquidity of the company and ensured the ongoing financing of its projects with a view to bringing them to successful completion. Concurrently, restructuring measures were initiated at JUS AG in order to prepare the company for changing markets. This process will continue in fiscal 2006. In the future, JUS AG will provide services to third parties and, hence, generate income on the basis of reduced risk and lower capital tie-up. JUS AG and its subsidiaries have thus positioned themselves as service providers from a human resource and technical perspective, supporting the construction projects of both national and international investors by offering project management services. JUS AG continues to provide services to REAL Immobilien GmbH, the joint venture between TAG and Landesbank Sachsen. These services generated approximately € 1,6 million in the form of project management assignments and sales fees.

On the basis of total assets of € 98.6 million (previous year: € 138.6 million) and revenues totaling € 15.2 million (previous year: € 32.2 million), the JUS Group generated a consolidated result of € -4.4 million (previous year: € 0.0 million). To support the company, TAG converted loans into a capital reserve and waived further loans in order to avoid a debt overload of JUS AG. Without these waivers of debt outstanding, JUS AG would have recorded a consolidated loss of € -18.1 million (previous year: € -2.5 million).

Short and long-term liabilities declined by € 40.5 million to € 82.9 million in 2005. Current assets decreased by € 46.6 million, to € 61.1 million in 2005.

The negative result recorded by JUS was affected by high impairment losses in fiscal 2005. In this context, mention should above all be made of a goodwill impairment of € 1.8 million (mainly on the participation in Adamshof Grundstücks GmbH, Berlin) and write-downs on receivables and other value adjustments on properties held as current assets (mainly Schwägrichenstraße, Dittrichring, Siedelmeisterweg and Grünbergerstraße) totaling € 8.4 million.

TAG continues to hold a stake of 93.6 % in the company.

REAL Immobilien GmbH

Established as a joint venture between Landesbank Sachsen and TAG, REAL Immobilien GmbH (REAL) acquires properties offering potential opportunities from the portfolio of its shareholders and third parties. The goal of these purchases is to develop, revamp and subsequently resell these properties, enhancing their value. Since its establishment, REAL has acquired eight properties with an investment volume of about € 150 million. Rental successes were achieved in "Städtisches Kaufhaus" in Leipzig and other properties. In fiscal 2005, a housing portfolio with 500 dwelling units was sold in Berlin, and two hotels were sold in Munich. Basically, the services offered by REAL are provided by employees of JUS AG.

TAG holds a share of 49 % in REAL.

FINANCING

The TAG Group recorded the following financing structure at the end of 2005:

	Total in 2005 in € 000s	As a percentage of total assets in 2005	Total in 2004 in € 000s	As a percentage of total assets in 2004
Shareholders' equity	92,036	19.1	100,822	18.4
Liabilities due to banks	326,298	67.60	359,886	65.68
Other externally borrowed funds	64,280	13.32	87,191	15.91

Liabilities due to banks were reduced by € 33.6 million in fiscal 2005. Loans have been agreed for short-term, medium-term and long-term maturities; they result from participation, project and portfolio financings of the individual affiliated companies. In the fiscal year under review, interest expenses at an average interest rate of 5.0 % were incurred for externally borrowed funds. To some extent, TAG in its capacity as parent company of the Group provided guarantees for loans taken out by affiliated companies.

The reduction in liabilities and the three cash capital increases implemented in fiscal 2005 resulted in a further noticeable improvement in the capital structure. The company received cash injections totaling € 27.8 million from the capital increases.

BALANCE SHEET

Total assets decreased to € 482.7 million in fiscal 2005 (previous year: € 547.9 million). The equity ratio increased from 18.4 % in 2004 to 19.1 % in 2005, despite a reduction in shareholders' equity by € 8.8 million to € 92.0 million (previous year: € 100.8 million).

Acquisitions, reclassification and fair value adjustments resulted in an increase in the investment property portfolio from € 112.6 million to € 119.0 million.

On the basis of the annual impairment test, the goodwill of JUS AG was already reduced at September 30, 2005. This impairment was necessitated by the losses incurred by JUS AG. Further goodwill impairments with a volume of € 1.8 million were made within the JUS Group.

Under current assets, the portfolio of properties with finished and unfinished buildings was reduced from € 349.1 million in the previous year to € 249.7 million. This trend was substantially influenced by the sales activities and transfers of Bau-Verein AG and JUS AG.

Short and medium-term liabilities were reduced by a total of € 55.9 million to € 390.6 million (previous year: € 446.6 million). As mentioned above, liabilities due to banks were scaled back by € 33.6 million in this context, while trade accounts payable were trimmed by more than 50 % versus the comparable prior-year level, to € 16.95 million (previous year: € 33.9 million).

REVENUES AND INCOME

In the fiscal year under review, TAG generated revenues € 153.5 million (previous year: € 121.3 million), which corresponds to an increase of 26.5 %. With a volume of € 136.8 million (previous year: € 87.4 million), Bau-Verein contributed a share of 89.1 % to this total. JUS AG generated revenues of € 15.2 million (previous year: € 32.2 million).

Other operating income amounted to € 6.4 million (previous year: € 9.3 million), the main item being a contingent loan waiver of € 1.5 million on the part of shareholders.

Revaluation of investment properties to € 7.5 million, compared to € 7.6 million in the previous year, helped enhance earnings. This value appreciation was attributable to spending on investment properties in conjunction with a steady reduction in vacancy rates and a concurrent increase in rent levels.

EXPENSES

Personnel expenses at the consolidated level edged up slightly, from € 8.8 million in the previous year to € 9.2 million. Whereas personnel expenses remained at the prior-year level of € 5.6 million at Bau-Verein AG, JUS AG and TAG AG recorded a slight increase in this item. Due to the changes in the corporate governance bodies of TAG AG and JUS AG that took effect on January 1, 2006, a reduction seems likely in fiscal 2006.

Other operating expenses rose to € 18.9 million (previous year: € 14.9 million). This increase was, above all, due to higher project costs and losses on receivables.

Income from financial assets, defined as the balance of interest expenses and interest income, was reduced by € 0.8 million, to € 17.4 million (previous year: € 18.2 million). Due to the reduction in loans at the end of the fiscal year under review, further positive developments are expected to materialize in fiscal 2006.

DEPRECIATION AND AMORTIZATION

On the basis of the goodwill impairment test in accordance with IAS 36, the goodwill of JUS AG was impaired. In this context, a non-scheduled write-down encompassing the entire goodwill of JUS AG of € 17.9 million was made. Further goodwill impairments of € 1.8 million were made within the JUS AG subgroup, resulting in the recognition of goodwill impairment totaling € 19.7 million.

EARNINGS

In fiscal 2005, the TAG Group recorded a net annual loss of € 35.5 million. As described in the sections on the respective subsidiaries, the individual companies within the Group presented a mixed picture in this respect.

ORGANIZATION AND EMPLOYEES

Mr. Olaf Borkers and Mr. Michael Haupt resigned from the Management Board effective September 30, 2005; and December 31, 2005, respectively. Effective January 1, 2006, Mr. Erhard Flint and Mr. Andreas Ibel were appointed members of the Management Board of TAG. The Management Board of TAG thus consists of three persons.

The number of employees in the TAG Group stood at 140 (previous year: 150). The operational real estate business is handled by the individual subsidiaries within the TAG Group. Bau-Verein AG reduced its workforce from 98 to 95 employees, and JUS AG trimmed its staff by a further 7 to 32 employees. The railway infrastructure company Tegernsee-Bahn Betriebsgesellschaft (TBG) kept its workforce of 11 employees stable. The number of employees of the holding company declined to 2.

RISK REPORT

TAG Group continues to apply the risk management and early warning system laid down in Section 92 (2) of the German Stock Corporation Act (AktG), which had also been applied successfully in the previous year. In addition to the ongoing controlling system used in the group, a recurrent internal reporting system has been installed, which captures and evaluates all risks on a quarterly basis and simultaneously re-evaluates and monitors all previously identified risks.

The following other risks with a potential impact on the net assets, financial position and earnings situation of the TAG Group should be mentioned:

Despite the favorable signs of a pick-up in the property sector discernible last year, the real estate market has persisted as its previous level in some regions. Sluggish sales to private investors continue to pose a risk to TAG Group's revenue trend. TAG Group has responded to the changes in the market by repositioning the business segment of JUS AG.

A large number of individual burdens or risks were successfully reduced in fiscal 2005. The individual risks are described below in accordance with the categorization used by the existing risk management system:

Risks within the value chain

Because of its lease-based value chain, the housing portfolio development segment is exposed to lower risks than the new-housing construction segment. However, the risks involved in sales continue to exist. In the future, the company will respond by reducing project size in this segment, too. Whereas market trends in Hamburg can be called favorable, the Berlin and Leipzig properties are subject to the risk of insufficient turnover speed. The market trend in Munich has improved slightly, but has not yet reached a satisfactory level.

In the housing portfolio management segment, steady rental income is safeguarded and creates no risks for the company. An increase in rent levels can be discerned in the Hamburg market, with correspondingly favorable effects on the valuation of these residential properties.

By its very nature, the new-housing construction segment is subject to higher risks than the other segments. For this reason, a special controlling procedure has been installed here. The company has responded to the risk involved in new-housing construction by reducing the size of projects. A persistently restrictive approach in purchaser financing and sales pressure from competitors are creating an increasingly difficult market situation, making systematic cost and selling-price discipline indispensable.

In the commercial property segment, the market situation is slightly positive. Leasing of vacated space to new tenants shows a positive trend at Bau-Verein. In fiscal 2005, Bau-Verein again succeeded in reducing its vacancy rates and lowering its rental risks.

Controlling/IT, accounting and human resources

A new and enhanced reporting system will ensure the company's internal ability to respond, its flexibility and transparency. In this context, regular target-performance comparisons, forecast calculations during the fiscal year and the use of various analytical methods aim at ensuring early recognition and reduction of risks. A stringent reporting system, controlling and monitoring of regional market trends will make it possible to respond rapidly to changes in those subsidiaries subject to higher risks, in particular through cost control, deadline compliance monitoring and analysis of marketing opportunities.

Excess human resource capacities have been adjusted. Efficiency gains remain a top priority. Our employees' expertise and commitment help to achieve a positive business result and lay the foundation for growth. Further training – especially in the area of tax legislation, which is becoming increasingly complex – will be offered to all employees on a continuous basis.

Liquidity management

The company's liquidity has been secured.

According to most economic forecasts, the risk of rising interest rates has increased in 2006. To some extent, interest rate derivatives are used in order to hedge interest risks. The duration structure is largely in line with the envisaged project periods and the current market trend. Compared to the previous year, the long-term interest tie-up has been increased.

Risks emanating from guarantees

TAG supports the financing of its subsidiaries with guarantees and letters of comfort. In addition, financing is made possible in the first place or granted at more favorable terms and conditions. These guarantees involve risks for TAG due to their potential implementation in the event of unforeseen project developments. On the basis of the project planning of JUS AG, the Management Boards anticipates a significant reduction in guarantee volumes in 2006. Guarantee risks may jeopardize the continued existence of the Group or materially affect its net assets. TAG monitors these risks in close consultation with its subsidiaries and initiates suitable measures.

Risks emanating from affiliated companies

The affiliated companies are subject to the risk of non-fulfillment of the associated return expectations of their subsidiaries. Risk monitoring will be a centralized responsibility in the future. The executives of the subsidiaries regularly report on recent developments. In addition, some of the positions in the corporate organs of associated companies have been staffed with members of the Supervisory or Management Boards of TAG and one employee of TAG – a practice ensuring an exchange of information about risks emanating from the subsidiaries.

Risk management with the help of financial instruments (swap transactions)

Measures taken in order to hedge the interest risk by the Bau-Verein subsidiary include the conclusion of a bonus interest rate swap with a subscription price of € 10 million and a maturity period of ten years at the end of fiscal 2004. The interest rate swap serves the purpose of hedging variable interest rates on a number of short-term credits against interest rate increases.

Taxes

To the extent discernible, tax risks have been taken into account in the form of provisions.

GROUP OPPORTUNITIES

TAG Group's market opportunities in the German real estate market improved noticeably in fiscal 2005. Thanks to a considerably brighter market environment and a further increase in its equity capital base, the company will be in a position to acquire new properties for its portfolio management and portfolio development activities and, hence, generate additional income. The favorable changes in the marketplace will result in an increase in revenues from property sales in the future.

The property services segment will be expanded further and developed into an additional business segment in the coming years, the goal being to generate income for the TAG Group and reduce fixed costs further.

EXPECTED DEVELOPMENTS AND OUTLOOK

In January 2006, TAG issued 2,511,463 non-par shares within the framework of a cash capital increase. This transaction was entered into the Commercial Register on March 23, 2006. TAG's share capital has thus increased to € 12,556,364. Via this transaction, TAG received a cash infusion of € 21.3 million.

The newly raised capital will largely be used for new projects and also make a contribution to financing ongoing business operations.

In February 2006, TAG increased its equity holding in AGP Allgemeine Gewerbebau und Projektentwicklungs Aktiengesellschaft, Tegernsee, to 94 %.

The focus of the Group's activities is on the Residential Properties core business segment. Given the current developments in the German residential property market, TAG is thus positioned well. Within this core business segment, the continued intention is to purchase attractive housing portfolios at reasonable prices via Bau-Verein. With the sale of affordable homes in attractive cities, which is the responsibility of Bau-Verein AG, and the provision of real estate services, which are the domain of JUS AG, TAG continues to operate in two attractive market segments.

Tegernsee, March 31, 2006

(Dr. Lutz R. Ristow) (Erhard Flint) (Andreas Ibel)

Consolidated balance sheet at December 31, 2005

Assets (in € 000s)	(Notes)	12/31/2005	12/31/2004
A. Fixed assets			
I. Investment properties	(1)	119,004	112,629
II. Tangible assets	(2)	4,907	5,095
III. Intangible assets	(3)	39	111
IV. Goodwill	(4)	0	19,739
V. Financial assets	(5)		
1. Shares in associated companies	(5)	4,313	980
2. Other financial assets	(5)	1,896	2,892
		6,209	**3,872**
B. Deferred tax assets	(6, 39)	**209**	**0**
C. Current assets			
I. Land available for sale and other inventories	(7)		
1. Properties with unfinished and finished buildings	(8)	249,680	349,076
2. Other inventories	(9)	6,069	6,845
		255,749	**355,921**
II. Receivables and other assets	(10)		
1. Trade accounts receivable	(10)	66,934	37,687
2. Future receivables from construction contracts	(10)	1,108	536
3. Other assets	(10)	12,638	7,409
		80,680	**45,632**
III. Cash and cash equivalents	(11)	15,737	4,795
D. Prepaid expenses	(12)	**133**	**105**
Total assets		482,667	547,899

Shareholders' equity and liabilities (in € 000s)	(Notes)	12/31/2005	12/31/2004
A. Shareholders' equity			
Equity share held by the parent company's shareholders			
I. Subscribed capital	(13)	10,045	6,229
II. Capital reserve	(14)	76,663	83,180
III. Revenue reserve	(15)	6,689	6,689
IV. Consolidated loss		-9,399	-4,864
Minority interests	(16)	8,038	9,588
		92,036	**100,822**
B. Long-term liabilities			
Liabilities due to banks	(17)	88,147	88,707
Pension provisions	(18)	2,329	2,467
Other long-term liabilities	(19)	426	4,238
		90,902	**95,412**
C. Short-term liabilities	(20)		
Liabilities due to banks	(17)	238,151	271,179
Trade accounts payable		16,951	33,905
Tax provisions	(21)	983	1,042
Other short-term liabilities	(22)	43,591	45,022
		299,676	**351,148**
D. Deferred tax liabilities	(23, 39)	**0**	**461**
E. Deferred income		**53**	**56**
Total shareholders' equity and liabilities		**482,667**	**547,899**

Consolidated income statement

(in € 000s)	(Notes)	2005	2004
Revenues	(26)	153,549	121,251
Other operating income	(27)	6,441	9,292
Other internally produced and capitalized assets	(28)	2,145	844
Cost of materials	(29)	-134,857	-91,744
Personnel expenses	(30)	-9,179	-8,776
Other operating expenses	(31)	-18,856	-14,873
EBITDA		**-757**	**15,994**
Depreciation and amortization (excluding goodwill amortization)	(32)	-806	-542
Revaluation of investment properties	(33)	7,512	7,568
EBITA		**5,949**	**23,020**
Goodwill amortization	(34)	-19,721	0
EBIT		**-13,772**	**23,020**
Income from investments	(35)	-1,028	-131
Income from associated companies	(36)	-49	-365
Income from financial assets	(37)	-17,413	-18,189
EBT		**-32,262**	**4,335**
Income taxes	(38)	-2,127	-985
Other taxes	(39)	-971	-1,086
Minority shareholders' profit and loss share	(40)	-105	-199
Consolidated net income		**-35,465**	**2,065**
Earning per share (€), undiluted		-4.65	0.33

Consolidated statement of cash flows

(in € 000s)	2005	2004
Consolidated net income	**-35,465**	**2,065**
Depreciation and amortization (excluding goodwill amortization)	806	542
Amortization of participations and shares in associated companies	1,349	554
Amortization of goodwill	19,721	0
Write-down on receivables and inventories	9,834	418
Depreciation/appreciation of properties held as financial investments	-7,512	-7,568
Income from partial profit realization	-591	-1,075
Change in other long-term liabilities	-556	3,154
Change in deferred taxes	-670	415
Cash flow in accordance with DVFA/SG	**-13,084**	**-1,495**
Profit/loss from sale of fixed assets	9	91
Change in receivables and other assets	47,870	40,025
Change in short-term and other liabilities	-14,548	-13,304
Cash flow from operating activities	**20,247**	**25,317**
Payments for spending on investment properties	-1,145	-4,978
Payments for investments in intangible and tangible assets	-595	-210
Proceeds from sale of intangible and tangible assets	0	8
Payments for investments in financial assets	-3,357	-12
Proceeds from sale of consolidated companies	5,050	42
Cash flow from investing activities	**-47**	**-5,150**
Proceeds from capital increases (minus cost of capital increases)	26,829	4,334
Proceeds from sale of own shares	1,400	0
Proceeds from/payments for liabilities due to banks	-25,317	-28,535
Proceeds from/payments for other loans	-3,899	5,637
Cash flow from financing activities	**-987**	**-18,564**
Net change in cash and cash equivalents	19,213	1,603
Cash and cash equivalents at January 1	3,874	2,271
Cash and cash equivalents at December 31	**23,087**	**3,874**

Consolidated statement of changes in shareholders' equity

(in € 000s)	Subscribed capital	Capital reserve	Revenue reserve	Net loss	Minority interests	Total
01/01/2004	**5,663**	**86,744**	**6,689**	**-6,929**	**9,450**	**101,617**
Consolidated net income	0	0	0	2,065	0	2,065
Cash capital increases	566	3,830	0	0	0	4,396
Correction of company acquisition	0	-7,332	0	0	0	-7,332
Cost of capital increases	0	-62	0	0	0	-62
Change in minority interests	0	0	0	0	138	138
12/31/2004	**6,229**	**83,180**	**6,689**	**-4,864**	**9,588**	**100,822**
Consolidated net income	0	0	0	-35,465	0	-35,465
Cash capital increases	3,816	23,962	0	0	0	27,778
Withdrawal from capital reserve	0	-30,930	0	30,930	0	0
Sales of own shares	0	1,400	0	0	0	1,400
Cost of capital increases	0	-949	0	0	0	-949
Change in minority interests	0	0	0	0	-1,550	-1,550
12/31/2005	**10,045**	**76,663**	**6,689**	**-9,399**	**8,038**	**92,036**

Segment reporting

2005/2004 (in € 000s)	Railway infrastructure	Building manage-ment	Con-struction activity	Recon-ciliation	Con-solidated
External revenues	1,241	9,574	142,813	-79	153,549
Previous year	*1,229*	*9,297*	*110,801*	*-76*	*121,251*
Intra-group revenues	0	1,082	2,045	-3,127	0
Previous year	*0*	*888*	*1,288*	*-2,176*	*0*
Revenues	1,241	10,656	144,858	-3,206	153,549
Previous year	*1,229*	*10,185*	*112,089*	*-2,252*	*121,251*
Segment earnings	**2,019**	**5,428**	**-16,576**	**-23,133**	**-32,262**
Previous year	*984*	*10,923*	*-2,441*	*-5,131*	*4,335*
thereof earnings from associated companies	0	0	0	-49	-49
Previous year	*0*	*0*	*0*	*-365*	*-365*
thereof depreciation/amortization (incl. goodwill amortization)	-55	-597	-132	-19,743	-20,527
Previous year	*-53*	*-319*	*-148*	*-22*	*-542*
thereof write-downs on inventories and receivables	0	0	-9,779	-55	-9,834
Previous year	*0*	*0*	*-418*	*0*	*-418*
thereof interest income	0	3,107	811	-2,910	1,008
Previous year	*3*	*2,256*	*1,443*	*-2,356*	*1,346*
thereof interest expenses	0	-6,907	-13,860	2,346	-18,421
Previous year	*-1*	*-5,116*	*-16,179*	*1,761*	*-19,535*
thereof non-cash-relevant items	1,700	5,812	591	0	8,103
Previous year	*811*	*6,633*	*1,634*	*0*	*9,078*
Segment assets	**5,304**	**208,500**	**329,254**	**-60,392**	**482,667**
Previous year	*3,351*	*202,267*	*402,866*	*-60,585*	*547,899*
thereof shares in associated companies	0	0	0	3,733	3,733
Previous year	*0*	*0*	*0*	*114*	*114*
Segment debts	**343**	**117,239**	**284,558**	**-11,509**	**390,631**
Previous year	*294*	*95,030*	*371,912*	*-20,159*	*447,077*
Segment investments	**277**	**1,200**	**97**	**3,523**	**5,097**
Previous year	*27*	*4,733*	*137*	*16*	*4,913*

Shareholdings at December 31, 2005

Pos.	Name and registered office	Participation in %	via position
1	TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, Tegernsee		
2	Kraftverkehr Tegernsee-Immobilien GmbH, Tegernsee	98.00	1
3	Tegernsee-Bahn Betriebsgesellschaft mbH, Tegernsee	100.00	1
4	Feuerbachstraße 17/17a Leipzig Grundstücksverwaltung AG & Co. KG, Leipzig	99.55	1, 5
5	JUS Aktiengesellschaft für Grundbesitz, Berlin	93.57	1
6	Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg	89.88	1
7	AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Tegernsee	49.49	1
8	REAL Immobilien GmbH, Leipzig	49.00	1
9	Wenzelsplatz Grundstücks GmbH, Leipzig	93.57	5
10	Trinom Hausverwaltungs GmbH, Leipzig	93.57	5
11	Verwaltungsgesellschaft Studio am Zoo mbH, Leipzig	93.57	5
12	BuP Projektmanagement GmbH, Leipzig	93.57	5
13	Defod. 58 Vermögensverwaltungs AG, Leipzig	93.57	5
14	GbR Elsterstr. 40, Leipzig	46.78	5
15	WKA Gückelsberg OHG, Leipzig	93.10	5
16	JUS AG 1. Grundbesitz KG, Leipzig	93.57	5
17	JUS AG & Co. Heimat KG, Leipzig	93.57	5
18	GbR Feuerbachstr. 4, Leipzig	46.78	5
19	Neue Ufer GmbH & Co. KG, Leipzig	46.78	5, 12
20	GbR Siedelmeisterweg, Seevetal	46.78	5
21	GbR Elsterlofts, Seevetal	46.78	5
22	GbR Wald-/Wettiner Str., Leipzig	46.78	5
23	Pölitzstr. 6 GmbH & Co. KG, Leipzig	9.31	5, 12
24	GbR Mozart-/Schwägerichenstr., Leipzig	93.57	5, 12
25	Wohnen im Loft JUS AG & Co. OHG, Leipzig	93.95	5, 1
26	IKB GmbH, Leipzig	93.57	5, 12
27	Gottschedstraße GmbH & Co. KG, Leipzig	11.22	5, 12
28	GbR Wohnen am Elbufer, Dresden	4.07	5
29	Studio am Zoo KG, Leipzig	93.57	5
30	JUS Stuttgart-Südtor Verwaltungs GmbH, Leipzig	93.57	5
31	JUS Stuttgart-Südtor Projektleitungs GmbH & Co. KG, Leipzig	93.57	5

Pos.	Name and registered office	Participation in %	via position
32	Wenzelsplatz GmbH & Co. Nr. 1 KG, Leipzig	93.57	5
33	58. defod & AGP KG Angerpassage Erfurt, Leipzig	46.78	5
34	Bau-Verein zu Hamburg Altbau-Immobilien GmbH, Hamburg	89.88	6
35	Bau-Verein zu Hamburg Wohnungsgesellschaft mbH, Hamburg	89.88	6
36	BV Hamburger Wohnimmobilien GmbH, Hamburg	89.88	6
37	Hamburg-Bremer Vermögensverwaltungsgesellschaft mbH, Hamburg	89.88	6
38	GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg	22.47	6, 37
39	G+R City-Immobilien GmbH, Berlin	76.40	6, 34
40	VFHG Verwaltungs GmbH, Berlin	89.88	6
41	Wohnanlage Ottobrunn GmbH, Hamburg	89.88	6
42	Bau-Verein zu Hamburg-Eigenheim Immobilien GmbH, Hamburg	89.88	6
43	Bau-Verein zu Hamburg "Junges Wohnen" GmbH, Hamburg	89.88	6
44	URANIA Grundstücksgesellschaft mbH, Hamburg	89.88	6
45	Bau-Verein zu Hamburg Hausverwaltungsgesellschaft mbH, Hamburg	89.88	6
46	Bau-Verein zu Hamburg Gewerbeimmobiliengesellschaft mbH, Hamburg	89.88	6
47	Archplan Projekt Dianastraße, Dortmund	59.86	6, 42
48	BVV Bau-Verein zu Hamburg Fonds Verwaltungsgesellschaft mbH, Hamburg	89.88	6, 44
49	Grundstücksgesellschaft Adlershof mbH, Hamburg	89.88	6, 44
50	Zweite BVV Bau-Verein zu Hamburg Fonds Verwaltungsgesellschaft mbH, Hamburg	89.88	6, 44
51	G+R Grundstücksentwicklung Habersaathstr. 31 GmbH, Berlin	44.94	6, 34
52	VFHG Haus- und Grundstücks GmbH & Co. Wohnanlage Friedrichstadt KG, Berlin	84.49	6, 42
53	B.N. Bauregie Nord GmbH, Hamburg	89.88	6
54	FÜRSTENBERG´SCHE HÄUSER GmbH, Berlin	18.71	5
55	Sandtorkai Investitionsverwaltungsgesellschaft mbH, Hamburg	89.88	6, 42
56	Verwaltung GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH, Hamburg	44.94	6
57	GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH & Co. KG, Hamburg	44.94	6
58	Zweite Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG	16.18	6, 59
59	Vierte Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG	30.56	6, 44
60	Trinom Business Apartments GmbH, Leipzig	93.57	5
61	Patrona Saxoniae Grundbesitz GmbH, Leipzig	93.57	5
62	Patrona Saxoniae GmbH & Co. KG, Leipzig	93.57	5

Notes to the consolidated financial statements

GENERAL INFORMATION

The consolidated financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, Tegernsee (hereinafter also called "TAG" or "the Company", or, within the context of the overall group "TAG Group") for the fiscal year ending December 31, 2005, have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and binding in their application on the balance-sheet cutoff date, and their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The requirements of the standards applied have been fulfilled and result in the presentation of a true and fair view of the net assets, financial position and earnings situation of the TAG Group.

In principle, accounting and valuation as well as explanations and information concerning the IFRS-compliant consolidated financial statements for fiscal 2005 are based on the same accounting and valuation methods that had been used in the preparation of the consolidated annual financial statements at December 31, 2004. To the extent to which there were deviations in reporting issues, the prior-year numbers were adjusted accordingly and the new accounting approach explained in the Notes to the consolidated financial statements.

Pursuant to Regulation (EC) No. 1606/2002, the consolidated financial statements of the listed stock corporation TAG at December 31, 2005, have been prepared in accordance with International Financial Reporting Standards (IFRS), as supplemented by the provisions of Section 315a(1) HGB (German Commercial Code).

The fiscal year of TAG and its consolidated subsidiaries corresponds to the calendar year. TAG, which has been entered in the Commercial Register of the Munich Local Court under HRB 41651, has its registered office in Tegernsee, Bahnhofsplatz 5.

The consolidated financial statements are prepared in euros. All amounts are cited in and rounded to thousands of euros (€ 000s).

CONSOLIDATION GROUP

The consolidated financial statements for the fiscal year ended December 31, 2005, include TAG and, as a general principle, all enterprises with business operations in which TAG is directly or indirectly entitled to exercise the majority of the respective company’s voting rights.

These enterprises are included in the consolidated financial statements from the date on which the TAG Group obtains control. Subsidiaries without business operations or with low business volumes are, as a general principle, not included in the consolidated financial statements. If shareholdings in subsidiaries are considered to be of subordinate significance from the Group's perspective, they are recognized as financial instruments within the meaning of IAS 39.

Significant associated companies are recognized at equity; significant joint ventures are consolidated in accordance with the stake held in these companies.

At December 31, 2005, TAG itself held the following shareholdings:

- 100.00 % of Tegernsee-Bahn Betriebsgesellschaft mbH, Tegernsee (TBG)
- 99.55 % of Feuerbachstr. 17/17a Grundstücksverwaltung AG & Co. KG, Leipzig (Feuerbach KG)
- 98.00 % of Kraftverkehr Tegernsee-Immobiliengesellschaft mbH, Tegernsee (KVT)
- 93.57 % of JUS Aktiengesellschaft für Grundbesitz, Berlin (JUS)
- 93.95 % of Wohnen im Loft JUS AG & Co. oHG, Leipzig
- 89.88 % of Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg (Bau-Verein)
- 66.66 % (thereof only 49.49 % voting stock) of AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Tegernsee (AGP)
- 49.00 % of REAL Immobilien GmbH, Leipzig (REAL)

In the following enterprises, which are shareholdings considered to be of subordinate significance from the Group's perspective and thus not included in the consolidated financial statements, TAG directly or indirectly holds at least 5 % of the voting rights (information provided pursuant to Sections 315a (1) and 313(2)(4) HGB):

Company	Participation in %	HGB-compliant shareholders' equity at 12/31/2005 in € 000s	HGB-compliant net annual income at 12/31/2005 in € 000s
BVV Bau-Verein zu Hamburg Fonds Verwaltungsgesellschaft mbH, Hamburg	89.88	387	4
BVF Grundstücksgesellschaft "Adlershof" mbH, Hamburg	89.88	- 174	138
B.N. Bauregie Nord GmbH, Hamburg	89.88	52	3
Zweite BVV Bau-Verein zu Hamburg Fonds Verwaltungsgesellschaft mbH, Hamburg	89.88	38	3
Vierte Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG, Hamburg	30.56	1,147	128
Zweite Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG, Hamburg	16.18	2,655	- 180
FÜRSTENBERG´SCHE HÄUSER GmbH, Berlin	20.00	-540	-195
Gottschedstraße GmbH & Co. KG, Leipzig	12.00	N/A	N/A
Pölitzstraße 6 GmbH & Co. KG, Leipzig	9.95	N/A	N/A

Compared to the previous year, the consolidation group changed because of the sale of 75 % plus one share of the shares of GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg (GAG), which had previously been held by Hamburg-Bremer Vermögensverwaltungsgesellschaft mbH, a wholly owned subsidiary of Bau-Verein AG. For this reason, GAG was deconsolidated effective November 30, 2005, and recognized in the consolidated financial statements as an associated company. The deconsolidation of these shares resulted in a gain of € 864,000, which was recognized under "other operating income".

In addition, the consolidation group at December 31, 2005, also changed compared to the previous year due to the sale of the shares held in Adamshof Grundstücks GmbH, Berlin, and Trinom Hausverwaltungs GmbH, Berlin. Because these deconsolidations took place on the basis of the interim financial statements of these companies at March 31, 2005, and September 31, 2005, respectively, the implications of these intra-group restructurings are of minor significance for the net assets, financial position, earnings situation of the Group compared to full-year inclusion. The deconsolidation of these shares resulted in a gain of € 470,000, which is recognized under "other operating income".

In the course of fiscal 2005, the participation held in Bau-Verein AG was increased from 87.92 % to 89.88 % through purchase of 331,740 non-par shares at acquisition costs of € 1,399,000. First-time consolidation of these newly acquired share resulted in a negative difference of € 279,000, which was recognized under other operating income in the income statement.

CAPITAL CONSOLIDATION PRINCIPLES

Capital consolidation is performed through netting of the book values of the participations on the basis of the revalued pro-rata equity capital of the subsidiaries at the date of acquisition or first-time consolidation. The surpluses resulting from capital consolidation are capitalized as goodwill in accordance with IFRS 3. Negative differences are recognized in the income statement.

Interests in joint ventures are included in the consolidated financial statements on a proportional basis in accordance with IAS 31. Assets and liabilities, and revenues and expenses of jointly controlled entities are recognized in the consolidated financial statements in accordance with the stake held in these companies. Proportionate capital consolidation and goodwill are treated in accordance with the procedures used for the inclusion of subsidiaries.

Enterprises over which the Group may exercise significant influence (associated companies) are accounted for on the basis of the equity method (IAS 28). Existing goodwill is recognized under "participations in associated companies".

Revenues, other operating income and expenses, receivables and liabilities or provisions between the individual consolidated enterprises are eliminated. Interim results from intra-group shipments and services not realized through sale to third parties are also eliminated.

USE OF ESTIMATES

The preparation of the consolidated financial statements requires that the management boards and executives of the consolidated companies make assumptions and use estimates influencing the assets and liabilities carried on the balance sheet, the disclosure of contingent liabilities on the balance-sheet cutoff date and the expenses and income reported during the periods under review. The actual amounts arising in future periods may differ from these estimates.

In this context, estimates are required with respect to provisions and impairment of goodwill, properties with finished and unfinished buildings and receivables in particular. The company has performed these estimates on the basis of the information and insight available on the balance-sheet cutoff date. The book values of provisions amounted to € 15,344,000 at December 31, 2005 (previous year: € 15,220,000). Book values after impairment were € 0 for goodwill (previous year: € 19,739,000), € 249,680,000 for finished and unfinished buildings (previous year: € 349,076,000) and € 80.680,000 for receivables (previous year: € 45,632,000).

ACCOUNTING AND VALUATION METHODS

a. Properties held as financial investments (investment properties)

Pursuant to IAS 40, properties held as financial investments must initially be recognized at acquisition or production costs at the time of their addition to the portfolio. In subsequent periods, all properties classified as financial investments must be posted at fair value, with annual changes being reflected in the income statement as operating income or expenses. Investment properties are properties held over a long-term horizon to earn rentals or achieve capital appreciation. Under IAS 40, properties recognized at fair value are no longer subject to regular depreciation. The fair values of the properties for the respective period under review were calculated by independent, externally recognized property appraisers, using the gross rental method or discounted cash flow method.

b. Tangible assets

Fixed tangible assets are stated at acquisition and production costs less regular depreciation. Apart from direct costs, production costs also include reasonable shares of allocable indirect overheads. In addition, sales tax incurred within the context of the acquisition or production of the tangible fixed assets is taken into account in acquisition or production costs to the extent to which it could not be deducted as input tax.

Under tangible assets, properties used for administrative purposes are depreciated over a useful life of 30 to 50 years and technical plant and equipment and operating and office equipment are depreciated over a useful life of 3 to 20 years. Properties created or developed for future use as financial investments are initially recognized as tangible assets and subsequently assigned to investment properties after their completion.

If signs of impairment are discernible and the recoverable amount (the higher of the net selling price or the value in use of the asset) is below the carrying amount, a non-scheduled impairment loss corresponding to the differential to this lower value is recognized with respect to the fixed tangible asset. If the reason for the impairment loss ceases to apply, the impairment loss is reversed, but only to a level not exceeding the carrying amount of the asset.

c. Intangible assets

Intangible assets are stated at acquisition costs less regular straight-line amortization. In this context, amortization using the straight-line method is carried out over a useful life of three to five years. Sales tax incurred within the context of the acquisition or production of intangible assets is taken into account in acquisition costs to the extent to which it could not be deducted as input tax.

If signs of impairment are discernible and the recoverable amount is below the carrying amount, a non-scheduled impairment loss corresponding to the differential to this lower value is recognized with respect to the intangible asset pursuant to IAS 36. If the reason for the impairment loss ceases to apply, the impairment loss is reversed, but only to a level not exceeding the carrying amount of the asset.

d. Goodwill

Goodwill resulting from capital consolidations has no longer been regularly amortized since January 1, 2004, but is tested annually for potential impairment in accordance with IFRS 3 in conjunction with IAS 36 und IAS 38.

e. Financial assets

Participations in associated companies are carried at acquisition costs in accordance with IAS 28; other financial assets are recognized at the lower of acquisition costs or fair value in accordance with IAS 39. For associated companies, the book value of the shares held is increased or reduced in subsequent periods in accordance with the share in the respective associated company’s current income. Existing goodwill resulting from capital consolidation is recognized under "shares in associated companies". Regular goodwill impairment testing is performed in line with the approach used for the goodwill of subsidiaries.

Other financial assets above all include shares in unconsolidated affiliated companies, securities and other participations. Pursuant to IAS 39, they are assigned to the "available-for-sale" category. Since the fair values of these enterprises cannot be determined reliably, they are stated at their carrying amount.

f. Land available for sale and other inventories

In accordance with IAS 2, inventories are stated at the lower of acquisition and production costs or estimated net selling price unless the requirements of long-term construction contracts pursuant to IAS 11 are fulfilled.

The prerequisites for recognition as a construction contract are the existence of a contract for customer-specific construction of individual assets or asset groups and the possibility of reliably calculating the costs incurred for the separate contract up until the respective balance-sheet cutoff date and any future services and income. The individual dwelling units sold or contractually scheduled for modernization after sale are defined as individual construction contracts. The contractual proceeds correspond to the purchase price of the respective dwelling unit, which must be recorded by a notary public.

If these prerequisites are fulfilled, proceeds and costs associated with the individual construction contracts are stated as revenues and expenses in accordance with the state of completion recorded at the balance-sheet cutoff date (percentage-of-completion method, or PoC method). Expected losses resulting from construction contracts are immediately recognized as expenses.

g. Receivables and other assets

Receivables and other assets are stated at their nominal value or acquisition costs less reasonable value adjustments. Non-interest-bearing receivables and receivables bearing interest below market rates with a maturity of more than one year have been discounted.

h. Cash and cash equivalents

Current credit balances and cash at hand are recognized at their respective nominal amounts.

i. Deferred taxes

Pursuant to IAS 12, deferred taxes are accrued for temporary differences between IFRS and tax balance sheet valuations of the consolidated companies. Deferred tax assets and liabilities are accrued in the amount of anticipated future tax burdens or tax relief in subsequent fiscal years on the basis of the tax regulations valid on the balance-sheet cutoff date.

Deferred taxes must be calculated using the statutory tax rates applicable at the time when temporary differences are likely to be equalized. The implications of changes in tax legislation on both deferred tax assets and deferred tax liabilities are recognized in the income statement in the period in which the change takes effect. The tax rate of 40 % used for the group companies is comprised of the standard income tax rate plus solidarity surcharge and an average applicable trade tax rate.

Deferred tax assets must be accrued when asset items are stated at a lower level or liability items are stated at a higher level in the consolidated balance sheet than in the tax balance sheet of the respective affiliated company, provided that these differences are temporary. As far as the individual tax implications and the composition of this item are concerned, we refer to our explanations on income taxes in the Notes to the income statement.

Deferred tax liabilities must be accrued when asset items are stated at a higher level or liability items are stated at a lower level in the consolidated balance sheet than in the tax balance sheet of the respective affiliated company, provided that these differences are temporary. As far as the individual tax implications and the composition of this item are concerned, we refer to our explanations on income taxes in the Notes to the income statement.

Computation of deferred taxes for still unutilized tax-loss carryforwards are based on a foreseeable planning period, if the underlying tax conditions applying to the individual group companies is uncertain. In addition, the increasingly restrictive tax regulations limiting the utilization of tax-loss carryforwards in the individual companies have been taken into account. All things considered, a cautious approach was already adopted in the previous years, with deferred tax assets on tax-loss carryforwards not being recognized fully.

j. Pension provisions

Pension provisions were calculated using the projected-unit-credit method. This accrued benefit present value method pursuant to IAS 19 takes account of the pensions and the vested pension rights accrued at the balance-sheet cutoff date as well as increases in salaries and pensions expected in the future.

The company has adopted benefit-oriented corporate pension schemes. It has the obligation to fulfill benefit commitments to current and former employees. Employer's pension commitments were last made in 1995. All of them are direct commitments. Pension provisions were calculated using actuarial methods; employees' life expectancy calculations are based on the mortality tables compiled by Dr. Klaus Heubeck.

k. Other long-term liabilities and provisions

Other long-term liabilities and provisions take account of all risks and contingent liabilities discernible at the balance-sheet cutoff date. They are stated at their probable repayment amount.

These provisions must be differentiated from accruals and contingent liabilities. Compared to provisions, accruals are characterized by a considerably higher degree of certainty with respect to the amount and timing required for fulfillment of the obligation and are based on already completed delivery or service relationships of the past. Contingent liabilities are defined as potential obligations whose actual existence is still subject to confirmation by the occurrence of one or several uncertain future events that cannot be fully controlled. Obligations for which the probability of an outflow of resources is remote or for which the outflow of resources cannot be reliably quantified are subsumed under this item. Pursuant to IAS 37, contingent liabilities do not have to be recognized in the balance sheet.

l. Other liabilities

Other liabilities are, as a general principle, stated at their repayment amount. Any differences between the paid-out amount and the repayment amount (premium, discount) are recognized in the income statement or amortized over the remaining maturity of the liability.

m. Expenses and income

Expenses and income for the fiscal year under review are recognized irrespective of whether they are cash-relevant or not. Proceeds from sale or lease are realized when the obligation or service owed has been fulfilled or provided, risk has passed and a reliable estimate of the amount of the expected counter-performance is possible, unless the prerequisites of partial profit realization pursuant to IAS 11 are fulfilled.

n. Borrowing costs

Borrowing costs directly allocable to the acquisition, construction or production of an asset have been capitalized as acquisition or production costs pursuant to IAS 23. Capitalization of expenses ends when the asset is completed for its intended use or sale. For properties acquired for the purpose of development, but held without commencement of associated development or project management activities being scheduled for the foreseeable future, borrowing costs incurred during this period may not be capitalized.

DEVIATION IN ACCOUNTING AND VALUATION METHODS UNDER IFRS AND HGB

Significant accounting, valuation and consolidation methods deviating from German law are described below.

- If the result of a construction contract can be estimated reliably, contractual income and expenses associated with the construction contract are posted as income or expenses in accordance with the percentage of completion (PoC) on the cutoff date. The regulations of IAS 11 provided for realization of partial profits on long-term construction contracts by their percentage state of completion in accordance with the PoC method. Accounting on the basis of HGB permits the realization of partial profits only in exceptional cases.

- Pursuant to HGB, deferred tax refund claims resulting from tax-loss carryforwards may not be reported in the balance sheet, because anticipated future tax savings are not yet deemed realized. Under IFRS, such future tax reduction claims must be capitalized to the extent to which it is likely that the temporary difference will be reversed in the foreseeable future and the taxable income against which the temporary difference can be offset will be available.

- Pension provisions are calculated using the accrued benefit present value method ("projected unit credit method"). In an HGB-compliant balance sheet, valuation is based on the partial-value method, in accordance with the tax regulations laid down in Section 6a EStG (German Income Tax Act).

- The costs of an equity transaction, less all associated income tax advantages, are accounted for as a deduction from equity and offset against the capital reserve. The costs are fully recognized as expenses in HGB-compliant financial statements.

- Derivative financial instruments (swap transactions) are recognized as assets or liabilities at their current market value on the balance-sheet cutoff date. Any changes in their current market value are recognized as income or expenses in the income statement. Pursuant to the principles of the German Commercial Code (HGB), derivative financial instruments must be posted at the lower of their acquisition costs or fair value on the cutoff date and written down over their maturity period in accordance with the straight-line method. In accordance with the imparity principle applicable under HGB, pending losses from financial instruments must be recognized as provisions.

- In accordance with IAS 40, properties held as financial assets in the group of companies are stated at their fair value on the cutoff date. Any changes in their value are posted as income or expenses in the income statement. HGB-compliant annual financial statements recognize investment properties at acquisition or production costs less regular depreciation.

NOTES TO THE BALANCE SHEET

1. Properties held as financial investments (investment properties)

On account of a change in utilization, various properties were transferred from inventories to properties held as financial investments by means of reclassifications. These properties were recognized at their fair value upon change in utilization. In fiscal 2005, fair values posted were adjusted for depreciation of € 940,000 and appreciation of € 8,452,000. Changes in fair values thus enhanced earnings by a net amount of € 7,512,000 (previous year: € 7,568,000)

The table below shows the trend in the property portfolio:

Investment properties	€ 000s
At 01/01/2004	85,940
Additions 2004	6,397
Reclassifications 2004	12,724
Fair value changes at 12/31/2004	7,568
At 12/31/2004	112,629
Additions 2005	1,145
Withdrawals 2005	-7,442
Reclassifications 2005	5,160
Fair value changes at 12/31/2005	7,512
At 12/31/2005	**119,004**

In the year under review, € 115,145,000 (previous year: € 93,032,000) of the properties held as financial investments were secured by real-property liens. Significant contractual obligations to produce or develop the properties or carry out maintenance work did not exist at December 31, 2005.

The income statement contains the following significant amounts for properties held as financial investments:

Investment properties (in € 000s)	2005	2004
Rental income from investment properties	9,644	8,223
Operating expenses (maintenance expenses, building management etc.) for rented-out properties	4,641	3,826

Apart from the revenues generated by the building management segment, rental income from investment properties also includes revenues from property leasing in the railway infrastructure segment.

2. Tangible assets

The table below shows the trend in tangible assets. The properties with commercial buildings are fully secured with real-property liens.

Tangible assets Acquisition and production costs (in € 000s)	Properties with residential buildings	Properties with commercial buildings	Undeveloped land and buildings on third-party properties	Machinery	Operating and office equipment	Total
At 01/01/2004	0	5,205	205	2,779	3,011	11,200
Additions 2004	0	0	0	8	181	189
Withdrawals 2004	0	-8	-124	0	-721	-853
Reclassifications	0	-2,256	0	0	0	-2,256
At 12/31/2004	0	2,941	81	2,787	2,471	8,280
Withdrawal from consolidation	0	0	0	-8	-14	-22
Additions 2005	175	0	0	2	378	555
Withdrawals 2005	0	0	0	-12	-264	-276
At 12/31/2005	**175**	**2,941**	**81**	**2,769**	**2,571**	**8,537**

Tangible assets Depreciation (in € 000s)	Properties with residential buildings	Properties with commercial buildings	Undeveloped land and buildings on third-party properties	Machinery	Operating and office equipment	Total
At 01/01/2004	72	960	40	745	1,998	3,815
Additions 2004	0	73	21	123	300	517
Withdrawals 2004	0	-355	0	0	-720	-1,075
Reclassifications	-72	0	0	0	0	-72
At 12/31/2004	0	678	61	868	1,578	3,185
Withdrawal from consolidation	0	0	0	-4	-13	-17
Additions 2005	0	91	19	348	256	714
Withdrawals 2005	0	0	0	-10	-242	-252
At 12/31/2005	**0**	**769**	**80**	**1,202**	**1,579**	**3,630**
Book value at 12/31/2005	175	2,172	1	1,567	992	4,907
Book value at 12/31/2004	0	2,263	20	1,919	893	5,095

3. Intangible assets

The table below shows the trend in tangible assets. As in the previous year, intangible assets were not subject to any significant ownership or disposal restrictions on the balance-sheet cutoff date.

Intangible assets Acquisition and production costs (in € 000s)	Concessions and similar rights and assets	Downpayments made on intangible assets	Total
At 01/01/2004	182	70	252
Additions 2004	21	0	21
At 12/31/2004	203	70	273
Withdrawal from consolidation	-8	0	-8
Additions 2005	40	0	40
Withdrawals 2005	-38	0	-38
At 12/31/2005	**197**	**70**	**267**

Intangible assets Amortization (in € 000s)	Concessions and similar rights and assets	Downpayments made on intangible assets	Total
At 01/01/2004	139	0	139
Additions 2004	24	0	24
At 12/31/2004	163	0	163
Withdrawal from consolidation	-1	0	-1
Additions 2005	21	70	91
Withdrawals 2005	-25	0	-25
At 12/31/2005	**158**	**70**	**228**
Book value at 12/31/2005	39	0	39
Book value at 12/31/2004	40	70	110

4. Goodwill

The full amount of the goodwill posted at December 31, 2004, resulted from the acquisition of the shares of JUS or concerned goodwill within the JUS subgroup. On the basis of the goodwill impairment test in accordance with IAS 36, a non-scheduled goodwill amortization (impairment) was made for JUS in fiscal 2005. In this context, the goodwill of JUS of € 17,911,000 was written down in full. Further goodwill impairments of € 1,810,000 were made within the JUS AG subgroup, resulting in the recognition of goodwill impairment totaling € 19,721,000.

Goodwill Acquisition costs	**€ 000s**
At 01/01/2004	41,152
Additions 2004	18
Withdrawals 2004 (purchase price adjustment)	-7,332
At 12/31/2004	33,838
Reclassifications 2005	-18
At 12/31/2005	**33,820**

Goodwill Amortization	**€ 000s**
At 01/01/2004 and 12/31/2004	14,099
Additions 2005	19,721
At 12/31/2005	**33,820**
Book value at 12/31/2005	0
Book value at 12/31/2004	19,739

5. Financial assets

The table below shows the trend in financial assets in fiscal 2005, using opening balances in fiscal 2004 as a starting point:

Financial assets Acquisition and production costs (in € 000s)	Shares in affiliated companies	Loans to affiliated companies	Participations and cooperative shares	Loans to associated companies	Shares in associated companies	Total
At 01/01/2004	3,415	391	752	40	2,519	7,117
Additions 2004	0	12	0	0	0	12
Withdrawals 2004	-254	-403	-2	-40	0	-699
At 12/31/2004	3,161	0	750	0	2,519	6,430
Additions 2005	0	0	0	0	3,619	3,619
Withdrawals 2005	-55	0	0	0	0	-55
Reclassifications 2005	0	0	-96	0	114	18
At 12/31/2005	**3,106**	**0**	**654**	**0**	**6,252**	**10,012**

Financial assets Amortization (in € 000s)	Shares in affiliated companies	Loans to affiliated companies	Participations and cooperative shares	Loans to associated companies	Shares in associated companies	Total
At 01/01/2004	389	0	628	0	1,174	2,191
Additions 2004	2	0	0	0	365	367
At 12/31/2004	391	0	628	0	1,539	2,558
Additions 2005	900	0	0	0	400	1,300
Withdrawals 2005	-55	0	0	0	0	-55
At 12/31/2005	**1,236**	**0**	**628**	**0**	**1,939**	**3,803**
Book value 12/31/2005	1,870	0	26	0	4,313	6,209
Book value 12/31/2004	2,770	0	122	0	980	3,872

The addition to the acquisition costs of associated companies mainly refers to the shares and the pro-rata earnings of GAG Grundstücksverwaltungs-Aktiengesellschaft. The addition to amortization on shares in affiliated companies refers to non-scheduled amortization on the shares of Vierte Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG. The addition to amortization on associated companies refers to the pro-rata share in the loss incurred by REAL.

The consolidated financial statements include the following items referring to joint-venture companies:

Information on joint-venture companies (in € 000s)	2005	2004
Short-term assets	3,296	4,088
Long-term assets	0	0
Short-term debt	10,594	10,698
Long-term debt	0	0
Income	2,201	160
Expenses	4,407	823

The following summarized financial information on associated companies held as long-term assets was available at December 31, 2005. The data for REAL is based on the figures contained in its annual financial statements at December 31, 2004. The result shown corresponds to the net loss expected at December 31, 2005. The data for AGP was taken from said company's HGB-compliant annual financial statements at December 31, 2005:

Associated companies (in € 000s)	Total assets	Debt	Revenues	Earnings
REAL Immobilien GmbH	1,637	412	186	- 810
AGP AG Allgemeine Gewerbebau und Projekt-entwicklungs Aktiengesellschaft	4,711	7,510	553	- 429
GAG Grundstücksverwaltungs-Aktiengesellschaft	75,733	57,702	2,469	1,313
GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH & Co. KG	5,618	5,359	431	59
Verwaltung GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH	29	0	2	2

6. Deferred tax assets

At December 31, 2005, deferred tax assets and liabilities was netted against each other for the first time. The figures for previous years were adjusted accordingly. The composition of deferred tax assets is shown in the explanation concerning income taxes (Note 38).

7. Land available for sale and other inventories

Land available for sale shown under "current assets" includes all properties intended for sale within the TAG Group. By contrast, the properties recognized under "investment properties" and "tangible assets" are held as long-term assets of the Group.

8. Properties with unfinished and finished buildings

The table below shows the change in properties with unfinished and finished buildings in the fiscal year under review

Properties with unfinished and finished buildings (in € 000s)	2005	2004
At 01/01/	349,076	390,596
Additions	44,249	50,531
Withdrawals	-138,927	-92,610
Depreciation and appreciation	-4,718	559
At December 31	249,680	349,076
thereof secured with real-property liens	**245,216**	**326,461**

Expenses of € 122,520,000 (previous year: € 76,517,000) incurred within the context of land sales were posted in the income statement.

In the fiscal year under review, a depreciation of € 4,718,000 (previous year: appreciation of € 559,000) was recognized in the income statement for properties available for sale. The book value of these properties at December 31, 2005 stood at € 23,836,000 (previous year: € 1,653,000)

As in the previous year, borrowing costs for properties were capitalized in the year under review, to the extent permissible under IAS 23. The year-on-year change in capitalized borrowing costs, which was recognized in the income statement of the period under review, amounted to € -533,000 (previous year: € 554,000).

For construction projects based on long-term construction contracts and fulfilling the necessary prerequisites in this respect, the PoC method pursuant to IAS 11 was applied. The table below shows the significant factors resulting from long-term construction contracts and affecting the financial position, net assets and earnings situation of the Company:

Construction contracts (in € 000s)	2005	2004
Contract revenues	12,789	11,292
Contract expenses	-12,198	-10,261
Profits realized (excluding deferred taxes)	591	1,033
Downpayments received	3,690	4,142

9. Other inventories

This item can be broken down as follows:

Other inventories (in € 000s)	12/31/2005	12/31/2004
Uninvoiced heating and operating costs	5,397	5,408
Downpayments made on sales commissions	577	1,343
Heating oil inventories	95	94
Total	**6,069**	**6,845**

10. Receivables and other assets

Receivables and other assets are stated at nominal value less reasonable individual or flat-rate value adjustments. In the year under review, value adjustments amounted to € 5,116,000 (previous year: € 418,000). The table below shows a breakdown of receivables and other assets:

Receivables and other assets (in € 000s)	12/31/2005	12/31/2004
Trade receivables	66,934	37,687
Receivables from associated companies	8,372	2,960
Future receivables from construction contracts	1,108	536
Receivables from affiliated companies	0	266
Other	4,266	4,183
Total	**80,680**	**45,632**

Trade receivables include purchase price claims from property sales. Future receivables from construction contracts result from partial profits generated within the framework of construction projects that have not yet been completed. Receivables and other assets have remaining maturities of up to one year.

11. Cash and cash equivalents

The item "cash and cash equivalents", which came to € 15,737,000 (previous year: € 4,795,000), includes checks, cash on hand, credit balances with banks, and short-term securities.

Changes in the financial position of the TAG Group can be seen from the statement of cash flows. Further payment flows included in the statement of cash flows contain the following components:

Payment flows (in € 000s)	2005	2004
Interest paid/received (balance)	-17,413	-18,189
Taxes paid/tax refunds (balance)	-842	529
Dividends received	0	0

The statement of cash flows at December 31, 2005, includes the liquid funds freely available within the TAG Group (credit balances with banks and cash on hand minus current-account liabilities due to banks). In this respect, the "cash and cash equivalents" item in the statement of cash flows differs from the corresponding item reported in the balance sheet. The latter also includes payments made by real estate purchaser that are not yet available. The prior-year figures have been adjusted to this presentation.

12. Prepaid expenses

Prepaid expenses of € 133,000 (previous year: € 105,000) mainly refer to prepaid insurance premiums, grants for conversion projects, membership fees and prepaid rent.

13. Subscribed capital

The share capital of the TAG Group amounted to € 10,045,000 at December 31, 2005 (previous year: € 6,229,000) and was subdivided into 10,044,901 (previous year: 6,228,926) non-par shares with equal voting rights.

In accordance with the resolution passed by the Annual General Meeting of July 1, 2004, the share capital was increased by € 620,000, from € 6,229,000 to € 6,849,000, by means of a capital increase through issue of 620,000 new non-par bearer shares against cash contribution, with each non-par share representing an arithmetical share of € 1.00 in the Company's share capital. The issue price was € 7.10 per share. Shareholders' subscription right was excluded. The capital increase became effective upon its entry in the Commercial Register on April 7, 2005.

In accordance with the resolution passed by the Annual General Meeting of July 1, 2004, the share capital was increased by € 2,283,000, from € 6,849,000 to € 9,132,000, by means of a capital increase through issue of 2,282,975 new non-par bearer shares against cash contribution, with each non-par share representing an arithmetical share of € 1.00 in the Company's share capital. The issue price was € 7.00 per share. The Company's shareholders were granted an indirect subscription right for the new shares. The capital increase became effective upon its entry in the Commercial Register on September 6, 2005.

In accordance with the resolution passed by the Annual General Meeting of July 5, 2005, the share capital was increased by € 913,000, from € 9,132,000 to € 10,045,000, by means of a capital increase through issue of 913,000 new non-par bearer shares against cash contribution, with each non-par share representing an arithmetical share of € 1.00 in the Company's share capital. The issue price was € 8.10 per share. Shareholders' subscription right was excluded. The capital increase became effective upon its entry in the Commercial Register on September 29, 2005.

The Management Board has been authorized to increase the share capital in one or several tranches in the period until June 30, 2010, subject to the Supervisory Board's approval, by a maximum amount of € 2,511,000 through issue of up to 2,511,463 new common shares against cash and/or non-cash contribution. The Management Board has been authorized to exclude shareholders' statutory subscription rights subject to the Supervisory Board's approval,

- to the extent to which this is necessary to offset peak amounts;

- to acquire enterprises, parts of enterprises or participations in enterprises through transfer of shares in suitable individual cases;

- the extent to which the new shares for which subscription rights are excluded do not exceed a total of 10 percent of the Company's share capital, even in the event of several increases, and the issue price of the new shares is not significantly lower than the Company's share price within the meaning of Section 203 (1) and (2), Section 186(3)(4) AktG (German Stock Corporation Act).

The Management Board decides on the issue of the new shares, the content of the share rights, and the terms and conditions of the stock issue, subject to the approval of the Supervisory Board, taking account of the Company's capital requirements and the capital market situation prevailing when the relevant decision is taken.

14. Capital reserve

The reserves comply with the regulations of the German Stock Corporation Act (AktG) and the resolutions of the last few Annual General Meetings. The statutory revenue reserve and the capital reserve pursuant to Section 272 (2) No.1 HGB (German Commercial Code) exceed one tenth of the share capital.

The cash capital increases boosted the capital reserve by € 23,962,000, to € 76,663,000 (previous year: € 83,180,000). At the same time, the capital reserve was reduced by the tax-adjusted recognition of costs of € 949,000 incurred within the context of the cash capital increases and increased by € 1,400,000 through a sale of own shares. A withdrawal from the capital reserve to reduce the net lost posted in the HGB-compliant balance sheet reduced the capital reserve by € 30,930,000.

15. Revenue reserve

The revenue reserve of € 6,689,000 was unchanged compared to the previous year.

16. Minority interests

Minority interests include adjustment items for minority shareholdings in consolidated capital resulting from the capital consolidation as well as the profit and loss shares attributable to them. Minority interests are mainly accounted for by the following companies:

Minority interests (in € 000s)	12/31/2005	12/31/2004
Bau-Verein AG	8,213	9,700
JUS AG	-151	-118
Other	-24	6
Total	**8,038**	**9,588**

17. Liabilities due to banks

The table below shows the breakdown of the maturities of long-term liabilities due to banks:

Maturity of liabilities due to banks (in € 000s)	12/31/2005	12/31/2004
One to five years	24,899	51,388
More than five years	63,248	37,319
Total	**88,147**	**88,707**

In addition, short-term liabilities include liabilities due to banks of € 238,151,000 (previous year: € 271,179,000).

Of these total liabilities due to banks (long-term and short term: € 326,298,000; previous year: € 359,886,000), an amount of € 295,769,000 (previous year: € 327,386,000) has been secured by real-property liens and € 30,528,000 (previous year: € 31,605,000) by the pledging of 12.9 million Bau-Verein shares.

Liabilities due to banks consist almost exclusively of liabilities arising from the acquisition of investment properties or the acquisition and development of land available for sale. Financing is usually agreed on a long-term basis for investment properties and on a short-term basis for land available for sale. Lending terms and conditions (interest rates, redemptions) are adjusted at regular intervals. The fair values of the bank loans thus match their book values as shown in the balance sheet.

Since liabilities due to banks encompass a wide variety of loans, a more detailed breakdown of these loans including interest rates and maturity dates is dispensed with here.

18. Pension provisions

The table below shows the trend in pension provisions in fiscal 2005, using their opening balances in fiscal 2004 as a starting point:

Pension provisions	**€ 000s**
Opening balance at 01/01/2004	2,453
Withdrawals	-233
Additions	247
At 12/31/2004	2,467
Withdrawals	-250
Retransfers	-105
Additions	217
At 12/31/2005	**2,329**

The table below shows the parameters used as a basis for the calculations of pension provisions:

	12/31/2005	12/31/2004
Imputed interest rate	4.25 %	4.75 %
Projected salary increases of currently working employees with vested pension rights	1.75 %	2.00 - 3.00 %
Pension age	pursuant to Social Security Code VI	pursuant to Social Security Code VI

The maturity structure of pension obligations is as follows:

Maturity of pension provisions (in € 000s)	12/31/2005	12/31/2004
Up to one year	226	292
One year to five years	906	1,172
More than five years	1,197	1,003

In the year under review, the following pension expenses were incurred compared to the previous year:

(in € 000s)	2005	2004
Expenses for accrued pension claims	3	3
Interest costs	214	244
Pensions expenses in the period under review	217	247

Expenses resulting from interest accumulation for vested pension rights accrued in previous years are recognized in the income statement under "personnel expenses" together with the other expenses resulting from pension obligations.

The table below shows the trend in the net obligation shown in the balance sheet for the fiscal year under review in comparison with the previous year:

(in € 000s)	12/31/2005	12/31/2004
Opening balance at January 1	2,467	2,453
Pension expenses	112	247
Pension payments	-250	-233
Closing balance at December 31	**2,329**	**2,467**

As in the previous year, the present value of the benefits-oriented obligation corresponds to the liability shown in the consolidated balance sheet. Reconciliation pursuant to IAS 19.120(c) can thus be dispensed with.

19. Other long-term obligations

The table below shows the trend in other long-term liabilities in the TAG Group in fiscal 2005, using opening balances of the previous year as a starting point. Computations are based on best-estimate amounts:

Trend in other long-term liabilities	€ 000s
At 01/01/2004	1,098
Withdrawals	-5
Additions	204
Retransfers	-172
Reclassification	3,113
At 12/31/2004	4,238
Withdrawal	-129
Reclassification	-3,683
At 12/31/2005	**426**

The maturity structure of this item is as follows:

Maturities of long-term liabilities (in € 000s)	12/31/2005	12/31/2004
One to five years	426	4,175
More than five years	0	36
Total	**426**	**4,238**

20. Short-term liabilities

The table below shows a break-down of short-term liabilities with a remaining maturity of less than one year:

Short-term liabilities (in € 000s)	12/31/2005	12/31/2004
Liabilities due to banks	238,151	271,179
Trade accounts payable	16,951	33,905
Other provisions	12,032	11,711
Liabilities due to associated companies	5,689	5,160
Downpayments received for orders	3,704	4,462
Tax provisions	983	1,042
Liabilities due to affiliated companies	844	1,533
Other	21,322	22,156
Total	**299,676**	**351,148**

21. Tax provisions

Tax provisions include provisions for current income tax liabilities and other taxes. The table below shows the trend in tax provisions in fiscal 2005, using the changes in fiscal 2004 as a starting point:

Tax provisions	€ 000s
Opening balance at 01/01/2004	1,593
Withdrawals	-1,070
Retransfers	-21
Additions	540
At 12/31/2004	1,042
Withdrawals	-270
Retransfers	-60
Additions	271
At 12/31/2005	**983**

These provisions mainly concern the following companies:

(in € 000s)	12/31/2005	12/31/2004
Bau-Verein	832	1,037
JUS	47	3
Other	104	2
Total	**983**	**1,042**

22. Other short-term liabilities

The table below shows the most important items included in "other short-term liabilities":

Other short-term liabilities (in € 000s)	12/31/2005	12/31/2004
Loans	17,884	14,903
Purchase-price liability from prior years for the acquisition of Bau-Verein shares	3,394	3,394
Outstanding costs of properties sold	3,036	4,904
Rent guarantees	2,120	2,283
Defect repair obligations	1,514	697
Tax liabilities	1,387	1,873
Other	14,256	16,968
Total	**43,591**	**45,022**

23. Deferred tax liabilities

At December 31, 2005, deferred tax assets and liabilities were netted against each other for the first time. The figures for previous years were adjusted accordingly. The composition of deferred tax liabilities is shown in the explanation concerning income taxes (Note 38).

24. Contingent liabilities and other financial obligations

Contingent liabilities in the TAG Group result from warranty obligations of up to € 25,836,000 (previous year: € 17,747,000) vis-à-vis companies not included in the consolidation group.

JUS AG is jointly and severally liable vis-à-vis three companies constituted under civil law for an amount totaling € 28,483,000. In the internal relationship, JUS AG has been released from its liability for an amount of € 12,390,000 for two companies that have already been wound down.

In addition, other financial obligations with a remaining maturity of up to one year consist of the following items:

Other financial obligations (in € 000s)	12/31/2005	12/31/2004
Rent guarantees	7,772	11,079
Rents for business premises	288	970
Leasing	242	761
Total	**8,302**	**12,810**

25. Reporting on financial instruments

Financial instruments include financial assets and liabilities and contractual claims and obligations referring to the exchange or transfer of financial assets. In this context, financial instruments are subdivided into derivative and primary positions.

Primary financial instruments on the asset side of the balance sheet essentially comprise cash and cash equivalents, receivables and financial assets. Risk provisions have been created to the extent to which financial assets are likely to be subject to default risks. On the liabilities side, financial instruments match the liabilities.

As in the previous year, derivative financial instruments were used to a significant extent by one company in the TAG Group, namely Bau-Verein. In this context, a cross-currency-interest-rate swap with a maturity of 5 years was concluded with a bank in 2000, in which Bau-Verein committed itself to paying a pre-defined interest rate on a foreign currency amount. At the same time, interest was credited to the company, depending on a variable basis of calculation. Interest statements were prepared at regular intervals, and at the end of the maturity period (November 7, 2005), the swapped capital amounts were netted against each other and the difference was credited or debited to the affiliated company. The following amounts are recognized in the consolidated income statement:

Income statement items (in € 000s)	2005	2004
Other operating income	13	0
Other operating expenses	0	-19
Interest income	117	211
Interest expenses	-231	-424
Total	**-101**	**-232**

Bau-Verein AG has concluded a bonus interest rate swap with another bank. This transaction has a maturity of ten years; its commencement date was December 27, 2004. The company is obliged to pay the retroactively computed 10-year interest rate swap on a quarterly basis, with this rate being reduced by the 3-month Eurobor rate, also calculated retroactively, provided that the latter rate falls within a range of 3.90 % and 2.05 % per annum. A maximum interest rate of 5.35 % per annum has been secured for this payment obligation. At the same time, interest corresponding to the 3-month Eurobor determined at the beginning of the respective quarterly maturity period is credited to the company on the settlement date. The two amounts are then netted against each other at the end of the respective quarterly maturity period and credited to or debited against Bau-Verein's account. The following amounts were recognized in the income statement within the context of this swap transaction:

Income statement item (in € 000s)	2005	2004
Other operating income	57	0
Interest income	220	0
Interest expenses	-201	0
Total	**76**	**0**

NOTES TO THE INCOME STATEMENT

26. Revenues

Revenues can be broken down as follows:

Revenues (in € 000s)	2005	2004
Revenues from property sales	117,674	91,621
Rental income	32,554	29,474
Other	3,321	156
Total	**153,549**	**121,251**

Rental income can be subdivided into income from properties held as investment properties pursuant to IAS 40 and other rented-out properties held as current assets.

Rental income (in € 000s)	2005	2004
Rental income from investment properties	9,644	8,223
Rental income from current-asset properties	22,910	21,251
Total	**32,554**	**29,474**

A more detailed breakdown of revenues by business segment is presented in the enclosed segment reporting prepared in accordance with IAS 14.

27. Other operating income

The table below shows a breakdown of the major items under other operating income:

Other operating income (in € 000s)	2005	2004
Shareholders' loan waiver	1,500	0
Deconsolidation gains	1,334	0
Income from previous years	1,023	558
Income from reversal of provisions	660	740
Negative goodwill from acquisition of Bau-Verein shares	279	0
Purchase price reduction for acquisition of Bau-Verein shares	0	5,091
Appreciation of land available for sale	0	559
Other	1,645	2,344
Total	**6,441**	**9,292**

28. Other internally produced and capitalized assets

Other internally produced and capitalized assets of € 2,145,000 (previous year: € 844,000) are mainly construction support costs (mainly personnel expenses) incurred for new-construction projects. They are recognized at intra-group production costs.

29. Cost of materials

The "cost of materials" item mainly refers to the portfolio input and the portfolio change of properties sold or recognized pursuant to IAS 11 in the fiscal year under review.

30. Personnel expenses

The following table shows a breakdown of the personnel expenses incurred in the TAG Group:

Personnel expenses (in € 000s)	2005	2004
Wages, salaries and other remuneration	7,650	7,165
Social security contributions	1,100	1,153
Pension expenses	429	458
Total	**9,179**	**8,776**

The "social security contributions" item shows the mandatory statutory contributions borne by the company, in particular contributions to statutory social insurance schemes. Pension expenses refer to current and retired employees or their surviving dependents of the Bau-Verein subgroup and of TAG. These expenses include the additions to pension provisions, the employer's shares in corporate supplementary benefits and retirement-provision commitments assumed by the company.

At December 31, 2005, the number of employees in the TAG Group stood at 140 (previous year: 150). The average number of employees during fiscal 2005 was 146 (previous year: 147).

31. Other operating expenses

The table below shows a breakdown of the major items under other operating expenses:

Other operating expenses (in € 000s)	2005	2004
Write-downs on receivables	5,116	418
Rental and property maintenance expenses for boarding houses	2,989	2,561
Legal, consulting and auditing fees	2,679	1,862
Sales costs	1,837	6,333
Project cost	1,542	338
Credit procurement fees	870	404
Investor relations	293	320
Vehicle expenses	293	313
Other	3,237	2,324
Total	**18,856**	**14,873**

32. Depreciation and amortization – excluding goodwill amortization

Regular depreciation and amortization is based on the useful-life periods used by the Group, as listed above. Depreciation and amortization can be broken down as follows:

Depreciation and amortization – excluding goodwill amortization (in € 000s)	2005	2004
Amortization on intangible assets	91	24
Depreciation on tangible assets		
Buildings	110	95
Machinery	348	114
Operating and office equipment	257	309
Total	**806**	**542**

33. Revaluation of investment properties

The major changes in fair value in the fiscal year under review and the previous year were accounted for by the following group companies:

Revaluation of investment properties (in € 000s)	2005	2004
Bau-Verein	4,611	3,602
JUS	1,201	3,031
TBG	1,700	811
TAG	0	124
Total	**7,512**	**7,568**

34. Goodwill amortization

On the basis of the goodwill impairment test in accordance with IAS 36, the goodwill of JUS was impaired in fiscal 2005. In this context, the goodwill of JUS of € 17,911,000 was written down in full. Further goodwill impairments of € 1,810,000 were made within the JUS AG subgroup, resulting in the recognition of goodwill impairment totaling € 19,721,000.

35. Income from investments

Income from investments in the year under review and the previous year can be broken down as follows:

Income from investments (in € 000s)	2005	2004
Income from participations	72	45
Income/expenses from profit and loss transfer agreements	-200	13
Write-downs on financial assets	-900	-189
Total	**-1,028**	**-131**

36. Income from associated companies

Participations in enterprises over which the Group has significant control and which must therefore be consolidated at equity resulted in a loss of € 49,000 (previous year: € 365,000).

37. Income from financial assets

Other income from financial assets consists of the following items:

Income from financial assets (in € 000s)	2005	2004
Interest and similar expenses	-18,422	-19,535
Interest and similar income	1,009	1,346
Total	**-17,413**	**-18,189**

38. Income taxes

Income taxes can be broken down as follows:

Income taxes (in € 000s)	2005	2004
Actual taxes	-714	-529
Deferred taxes	-1,413	-456
Total	**-2,127**	**-985**

The table below shows the major items under expenses for deferred taxes:

Deferred taxes as shown in the income statement (in € 000s)	2005	2004
Gain from revaluation of investment properties	-3,005	-3,027
Recognition and valuation of provisions	-140	-401
Capitalization of tax loss carryforwards	2,327	2,242
Other	-595	730
Total	**-1,413**	**-456**

The table below shows the reconciliation of expected tax expenditure and actual tax expenditure. In this context, the earnings before income taxes have been derived from earnings before taxes (EBT) before other taxes:

Actual tax expenditure (in € 000s)	2005	2004
Earnings before income taxes	-31,291	3,249
Expected tax result	12,516	-1,300
Reconciliation through tax effects on:		
Non-tax-deductible amortization of goodwill	-7,888	0
Tax expenditure for previous years	-549	-369
Non-capitalization of tax loss carryforwards	-941	-941
Tax-free income and non-tax-deductible expenses	3,138	1,625
Actual tax result	**-2,127**	**-985**

The "deferred taxes" item on the balance sheet can be broken down as follows:

Deferred taxes as shown in the balance sheet (in € 000s)	2005	2004
Tax loss carryforwards	13,011	10,684
Recognition and valuation of provisions	602	742
Valuation of properties	-11,283	-12,815
Other	-2,121	928
Total	**209**	**-461**

39. Other taxes

Other taxes are mainly comprised of property tax and motor vehicles tax. In contrast to the previous year (in which other taxes were still recognized under "other operating expenses"), other taxes were shown separately at December 31, 2005, below earnings before taxes (EBT). The figures for the previous year have been adjusted accordingly to ensure comparability.

40. Minority shareholders' profit shares

The table below shows the profit shares attributable to minority shareholders in fiscal 2005:

Minority shareholders' profit shares (in € 000s)	2005	2004
Bau-Verein	105	214
JUS	0	-15
Total	**105**	**199**

EARNINGS PER SHARE

This ratio, which must be disclosed in accordance with IAS 33, shows the part of consolidated net income generated in a specific period that is attributable to a single share. Consolidated earnings are divided by the weighted number of shares outstanding. This ratio may be diluted by so-called "potential shares" (convertible bonds and stock options). TAG Group has not concluded any diluting stock purchase agreements. Consequently, the undiluted and diluted earnings per share are identical.

	2005	2004
Consolidated net income (in € 000s)	- 35,465	2,065
Number of shares issued (weighted)	7,622,915	6,195,894
Undiluted earnings per share	**€ - 4.65**	**€ 0.33**

On the basis of the three cash capital increases realized and entered in the Commercial Register in fiscal 2005, the weighted number of shares issued in the year under review has been calculated as follows:

	Outstanding shares	Days
Start of the fiscal year	6.228.926	97
Cash capital increase (Commercial Register entry on April 7, 2005)	6.848.926	151
Cash capital increase (Commercial Register entry on September 6, 2005)	9.131.901	21
Cash capital increase (Commercial Register entry on September 29, 2005)	10.044.901	91
Weighted number of shares	7.622.915	

SEGMENT REPORTING

Segment reporting has been prepared in accordance with IAS 14. Separate accounting data for the individual business segments are disclosed, using the Group's organizational structure as a guideline. Segmentation serves the purpose of showing the earning power and success prospects, net assets, financial position and earnings situation of the Group's individual business activities. The segment reporting for the TAG Group shows separate external and internal revenues for three business segments: railway infrastructure, building management, and construction activity.

- The railway infrastructure business segment is operated solely by TBG and has a historical background. It entails the railway infrastructure spun off by the former Tegernseebahn AG, which is leased to Bayerische Oberlandbahn GmbH for consideration on the basis of a long-term agreement, subdivided into infrastructure and property assets.

- Apart from TAG, Bau-Verein, JUS AG and KVT are responsible for activities in the building management segment. They mainly manage residential properties in Tegernsee Valley and the cities of Leipzig, Berlin and Hamburg. Besides rental income generated by investment properties, the revenues of the building management segment also include rental income from a number of properties classified as current assets, income from building management for third-party properties and cost allocations.

- JUS and Bau-Verein are entrusted with responsibilities in the construction activity segment (residential and commercial properties). With its current focus on Berlin and Leipzig, JUS is active in the restoration of old buildings. Bau-Verein focuses on portfolio development and new-housing construction as well as the marketing of commercial properties.

The reconciliation column not only shows intragroup transactions – which are eliminated – but also the income and expenses (including goodwill amortization) of the central headquarters that cannot be allocated to the individual operating segments and income from associated companies.

External revenues represent revenues generated by the individual segments through transactions with enterprises outside the Group. Internal group revenues represent revenues generated with other business segments in the Group on the basis of market-oriented internal pricing (arm's length principle).

Income from associated companies, depreciation and amortization and non-cash-relevant items are reported separately from segment earnings. Depreciation and amortization refer to assets allocated to the individual business segments. Non-cash-relevant items mainly include value adjustments of properties and receivables and value changes of investment properties.

Segment earnings are shown as earnings before taxes (EBT); in deviation from the presentation in fiscal 2004 also before consideration of other taxes. The figures for the previous year have been adjusted accordingly to ensure comparability.

Segment assets and segment liabilities do not include any actual or deferred tax claims and tax liabilities, which are posted together with intra-group eliminations in the reconciliation.

Segment investments refer to additions to investment properties and other fixed assets. Investments in associated companies and payments for the acquisition of shares in consolidated companies are shown in the reconciliation.

RELATIONSHIPS WITH RELATED PARTIES

In its ordinary business activities, TAG maintains direct or indirect relations not only with the subsidiaries included in the consolidated financial statements, but also with related companies or persons. Ordinary business activities include all delivery and service relations maintained with the companies and persons mentioned below, which were carried out at generally accepted market terms and conditions customary in dealings with third parties outside the Group.

a. Related companies

Within the framework of a several loan agreements concluded with the associated company AGP AG Allgemeine Gewerbebau- und Projektentwicklungs AG, loans with a total volume of € 1,560,000 (previous year: € 400,000) were made available in fiscal 2005, at an interest rate of 6 %.
Project development and intermediary services were performed by JUS for the associated company REAL Immobilien GmbH and its subsidiaries. In fiscal 2005, fees totaling € 1,115,000 (previous year: € 213,000) were billed for these services.

A company in which two members of the Supervisory Board and one member of the Management Board (Prof. Dr. Ronald Frohne, Mr. Rolf Hauschildt and Dr. Lutz R. Ristow) hold participations, acquired 21 apartments from the JUS Group at purchase prices corresponding to generally accepted market terms (€ 2,361,000) in fiscal 2005. In addition, this company extended loans with a volume totaling € 3,100,000 to JUS Group at market interest rates.

After Bau-Verein AG's sale of 75 % (plus one share) of the shares in GAG Grundstücksverwaltungs-Aktiengesellschaft (GAG) held via Hamburg-Bremer Vermögensverwaltungsgesellschaft mbH in December 2005, a number of properties held by the Bau-Verein Group were transferred to GAG within the framework of the share transfer and cooperation agreement:

- GAG acquired the Zehlendorf I housing estate, with 642 dwelling units, and another housing estate located Berlin Zehlendorf, with 35 dwelling units, from Bau-Verein AG. Extensive modernization and refurbishing work is envisaged, leading to increased living space. A Bau-Verein Group company will be entrusted with realization of this project.

- GAG acquired the Steckelhörn office building, which is located in Hamburg and comprises roughly 4,710 square meters of office space at present, from Bau-Verein zu Hamburg Gewerbeimmobiliengesellschaft mbH. After the addition of new stories envisaged for 2006, the building will have some 6,747 square meters of office space. The building permits required for the addition of new stories have been obtained. This project will also be realized by a Bau-Verein Group company.

- GAG acquired the plots of land of Quarters I and IV of the "heidberg.villages" construction project from Bau-Verein zu Hamburg "Junges Wohnen" GmbH. In this context, GAG has taken over the existing construction obligation vis-à-vis the Free and Hanseatic City of Hamburg. The previous plans have been amended, and rental apartments will now be built on the plot of Quarter I. Here, too, realization and handling of the construction work will be the responsibility of a Bau-Verein Group company.

The total property acquisition price payable by GAG for the above properties amounts to € 63,402,000. The management of GAG's property portfolio will be handled by a Bau-Verein Group company in the future, too. The goal of Bau-Verein is to expand GAG into a portfolio-owning housing company in which Bau-Verein will retain a long-term equity interest of slightly under 25 %.

The professional firm of Nörr Stiefenhofer Lutz, Rechtsanwälte Wirtschaftsprüfer Steuerberater, in which Prof. Dr. R. Frohne, a member of the Supervisory Board, is a partner, received payments of € 182,000 (previous year: € 74,000) for legal counseling.

b. Related persons

Two members of the Supervisory Board (Prof. Dr. Ronald Frohne, Mr. Rolf Hauschildt) and one member of the Management Board, Dr. Lutz R. Ristow, and his wife, granted loans or accepted guarantees totaling € 16,372,000 (previous year: € 14,197,000) to/for the TAG Group. These loans or guarantees are based on market interest rates. Mr. Rolf Hauschildt and Dr. Lutz R. Ristow's wife waived loans granted with a total volume of € 1,500,000 effective June 30, 2006. The waiver is subject to a resolutory condition and can be revived until December 31, 2006.

In fiscal 2005, Prof. Dr. Ronald Frohne purchased nine apartments from Adamshof Grundstücks GmbH at a total price of € 959,000. The sale was effected at generally accepted market terms. The purchase price was paid by the end of the fiscal year.

Mr. Michael Haupt had given TAG a profit guarantee for a total of € 2,500,000 with respect to the annual results of JUS AG for fiscal 2004 and 2005. In April 2005, Mr. Haupt and TAG agreed on early release from this profit guarantee against return of a total of 200,000 TAG non-par shares securing this guarantee. The shares were subsequently sold on the capital market for a total of € 1,400,000. At December 31, 2005, these 200,000 shares corresponded to a share of 2 % in the company's share capital. The share were acquired in accordance with Section 71(1)(1) AktG (German Stock Corporation Act) in order to avert an economic loss from the company. In addition, Mr. Michael Haupt has submitted an invoice for a commission on guarantee of 1 % of his guarantee volume to JUS AG. Payment has not yet been effected.

In fiscal 2005, Mr. Jan von Lewinski, a member of the Management Board of JUS AG, and his wife jointly bought one apartment from JUS AG at a purchase price of € 249,000. At the end of fiscal 2005, a purchase price claim of € 8,000 was still outstanding.

TOTAL REMUNERATION RECEIVED BY THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The remuneration of the Management Board for fiscal 2005 amounted to € 774,000 (previous year: € 608,000). In this context, an amount of € 696,000 (previous year: € 608,000) corresponds to the fixed remuneration for all members of the Management Board. Dr. Lutz R. Ristow received a remuneration of € 377,000, Michael Haupt received a remuneration of € 205,000, and Olaf Borkers received € 114,000. In addition. Mr. Olaf Borkers received severance pay of € 38,000. As in the previous year, the remuneration received by the members of the Supervisory Board amounted to € 41,000.

INDEPENDENT AUDITOR'S FEE

The fee for the independent auditor recognized as expenses in fiscal 2005 included fees for the audit of the annual financial statements of € 352,000 (previous year: € 372,000), fees for other certification services, mainly within the context of capital increases, of € 88,000 (previous year: € 15,000) and fees for legal and tax consulting services of € 14,000 (previous year: € 15,000).

NOTIFICATION OF PARTICIPATIONS PURSUANT TO SECTION 21 WPHG

Pursuant to Section 21 WpHG (German Securities Trading Act), Augendum Vermögensverwaltung GmbH, Hanover, notified the Company in its letter dated April 14, 2005, that its stake had fallen below the 10% mark, to 9.4 %. In addition, TAG was informed in a letter dated June 29, 2005, that European Asset Value Fond (Asset Value Investors), London, had exceeded the participation threshold of 5 % and now held a stake of 5.11 % in the Company. On September 29, 2005, LURIS Aktiengesellschaft Vermögensverwaltung, Hamburg, notified the Company that its stake had fallen below the 5 % mark, to 4.77 %. Cantor Fitzgerald Europe, London, notified the Company in its letter dated October 17, 2005, that it held a stake in excess of 10 % in TAG, i.e. 11.97 %. This participation was subsequently updated by Cantor Fitzgerald Europe in its notification of March 13, 2006; it has fallen below the 10 % threshold and currently stands at 5.39 %.

SUPERVISORY BOARD

Members of the Supervisory Board and offices held by them in other supervisory boards or comparable domestic and international corporate governance bodies in fiscal 2005:

Herr Prof. Dr. Ronald Frohne, Berlin, Attorney and Public Accountant (Chairman)

- Eckert & Ziegler Medizintechnik AG, Berlin
- Würzburger Versicherungs-AG, Würzburg
- Filmboard Berlin-Brandenburg GmbH, Potsdam
- TELLUX-Beteiligungsgesellschaft mbH, Munich
- Scholz & Friends AG, Berlin
- Tegernsee-Bahn Betriebsgesellschaft mbH, Tegernsee
- JUS Aktiengesellschaft für Grundbesitz, Berlin
- AGICOA, Geneva
- CAB, Copenhagen
- Engefield Capital LLP, London

Herr Rolf Hauschildt, Düsseldorf, Banking Officer (Deputy Chairman)

- Germania Epe AG, Gronau-Epe
- TOGA Vereinigte Webereien AG i.L., Aachen
- ProAktiva Vermögensverwaltung, Hamburg
- JUS Aktiengesellschaft für Grundbesitz, Berlin
- Tegernsee-Bahn Betriebsgesellschaft mbH, Tegernsee
- Allerthal Werke AG, Grasleben
- Scherzer & Co. AG, Cologne

Prof. Dr. Stephan Breidenbach, Berlin, University Professor, (until January 2006)

- Tegernsee-Bahn Betriebsgesellschaft mbH, Tegernsee

Herr Dr. Wolfgang Schnell, Munich, Chemical Engineer

- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg

MANAGEMENT BOARD

Members of the Management Board and offices held by them in fiscal 2005:

Herr Dr. Lutz R. Ristow, Hamburg, Business Management Graduate (Chairman)

- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg
- JUS Aktiengesellschaft für Grundbesitz, Berlin
- Tegernsee-Bahn Betriebsgesellschaft mbH, Tegernsee
- REAL Immobilien GmbH, Leipzig
- European Public Real Estate Association (EPRA), Amsterdam, (since October 2005)

Herr Olaf G. Borkers, Hamburg, Business Management Graduate, (until September 2005)

- ClanSailing AG, Hamburg
- REAL Immobilien GmbH, Leipzig, (until September 2005)
- European Public Real Estate Association (EPRA), Amsterdam, (until September 2005)

Herr Michael Haupt, Berlin, Attorney, (until December 2005)

- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg, (until December 2005)
- AGP AG Allgemeine Gewerbebau- und Projektentwicklungs AG, Tegernsee

Herr Andreas Ibel, Hamburg, Attorney, (since January 2006)

- GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg (Chairman)

Herr Erhard Flint, Hamburg, Engineer, (since January 2006)

- GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg, (until December 2005)

DECLARATION OF CONFORMITY WITH THE GERMAN GOVERNANCE CODE – pursuant to Section 161 AktG

The joint declaration of the Management and Supervisory Boards concerning the recommendations of the Governmental Commission on the "German Corporate Governance Code", required pursuant to Section 161 AktG (German Stock Corporation Act), has been drawn up and made available to shareholders on the TAG website. TAG's listed subsidiary, Bau-Verein AG, has also drawn up the declaration required pursuant to Section 161 AktG and made it available on its website..

Events after the close of the fiscal year

At the start of fiscal 2006, a cash capital increase was implemented through issue of 2,511,463 non-par shares. This transaction was entered in the Commercial Register on March 23, 2006. It resulted in an increase in TAG's share capital to € 12,556,364. TAG received a cash inflow of approximately € 21.3 million from this transaction.

TAG's Bau-Verein AG subsidiary also increased its share capital against cash contribution at the start of fiscal 2006. The cash capital increase has resulted in a cash inflow of about € 19 million for the company.

In February 2006, TAG increased its shareholding in AGP Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Tegernsee, to 94 %. As a result, the company will be fully consolidated effective January 1, 2006.

Tegernsee, March 31, 2006

(Dr. Lutz R. Ristow) (Erhard Flint) (Andreas Ibel)

Auditor's Certificate

We have audited the consolidated financial statements, comprising the balance sheet, income statement, statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, and the group management report prepared by TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, Tegernsee, for the fiscal year from January 1 to December 31, 2005. Preparation of the consolidated financial statements and group management report in accordance with IFRS as applicable in the EU and with the supplementary regulations of the German Commercial Code (HGB) as laid down in Section 315a (1) HGB and the supplementary provisions of the Articles of Association is the responsibility of the Company's legal representatives. It is our task to express an opinion about the consolidated financial statements and group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), as supplemented by the International Standards on Auditing (ISA). These standards require that we plan and perform the audit in a manner that permits misstatements and infringements that materially affect the presentation of the net assets, financial position and earnings situation in the consolidated financial statements, prepared in compliance with the applicable accounting standards, and the group management report to be recognized with reasonable certainty. Knowledge of the business activities and economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. Within the framework of the audit, the effectiveness of the internal accounting control system and evidence supporting the amounts and disclosures in the consolidated financial statements and group management report are largely assessed by the random sample method. The audit comprises assessment of the annual financial statements of the companies included in the consolidated financial statements, the definition of the consolidation group, the accounting and consolidation principles used and significant estimates made by management, as well as evaluation of the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides an adequate basis for the formation of our opinion.

Our audit has not led to any reservations.

In our opinion, as based on our audit findings, the consolidated financial statements comply with IFRS as applicable in the EU, the supplementary regulations of the German Commercial Code (HGB) a laid down in Section 315a(1) HGB and the supplementary provisions of the Articles of Association and give a true and fair view of the Group's net assets, financial position and earnings situation in accordance with these requirements. The group management report is consistent with the consolidated annual financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Hamburg, April 7, 2006

Schröder, Nörenberg + Partner GmbH
Wirtschaftsprüfungsgesellschaft

H. Schröder	**M. Thiel**
German Public Auditor	German Public Auditor

TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

Steckelhörn 9
D-20457 Hamburg
Germany
Tel. +49 40 - 30 60 59-40
Fax +49 40 - 30 60 59-49

Bahnhofplatz 5
D-83684 Tegernsee
Germany
Tel. +49 80 22 - 91 66-0
Fax +49 80 22 - 91 66-18

www.TAG-AG.com
info@TAG-AG.com

Bau-Verein zu Hamburg AG

Alte Königstraße 8 - 14
Tel. +49 40 - 38 03 2-0
Fax +49 40 - 38 03 2-388
www.bau-verein.de
info@bau-verein.de

From Summer 2006:
Steckelhörn 9
D-20457 Hamburg
Germany

JUS AG

Inselstraße 22
D-04103 Leipzig
Germany
Tel. +49 341 - 21 67 8-0
Fax +49 341 - 21 13 97-6
www.jus.de

AGP AG
Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft

Bahnhofplatz 5
D-83684 Tegernsee
Germany
Tel. +49 80 22 - 66 04 68
Fax +49 80 22 – 66 05 41

Design:
halledt Werbeagentur GmbH, Hamburg
www.halledt.de

TAG Tegernsee Immobilien- und
Beteiligungs-Aktiengesellschaft

Steckelhörn 9
D-20457 Hamburg
Germany

Tel. +49 40 - 30 60 59-40
Fax +49 40 - 30 60 59-49

Bahnhofplatz 5
D-83684 Tegernsee
Germany

Tel. +49 80 22 - 91 66-0
Fax +49 80 22 - 91 66-18

www.TAG-AG.com
info@TAG-AG.com