

## **REPORT ON THE FIRST HALF OF THE YEAR ENDING JUNE 30, 2006**

- Substantial increase in profit to EUR 1.1 million
- Major equity issue successfully completed with gross proceeds of EUR 160 million
- Growth strategy commenced with the acquisition of a portfolio worth EUR 105 million
- TAG raising full-year EBT forecast for 2006 to EUR 6.0 million





*Visualization of Gormannstraße, Berlin*

<b>STOCK</b>	
German securities code number	WKN 830 350, WKN A0J CY 6
ISIN	DE0008303504, DE000A0JCY60
Number of shares on June 30, 2006	12,556,364
High	EUR 10.00 (May 9, 2006)
Low	EUR 7.88 (January 1, 2006)

**Dear shareholders and business associates,**

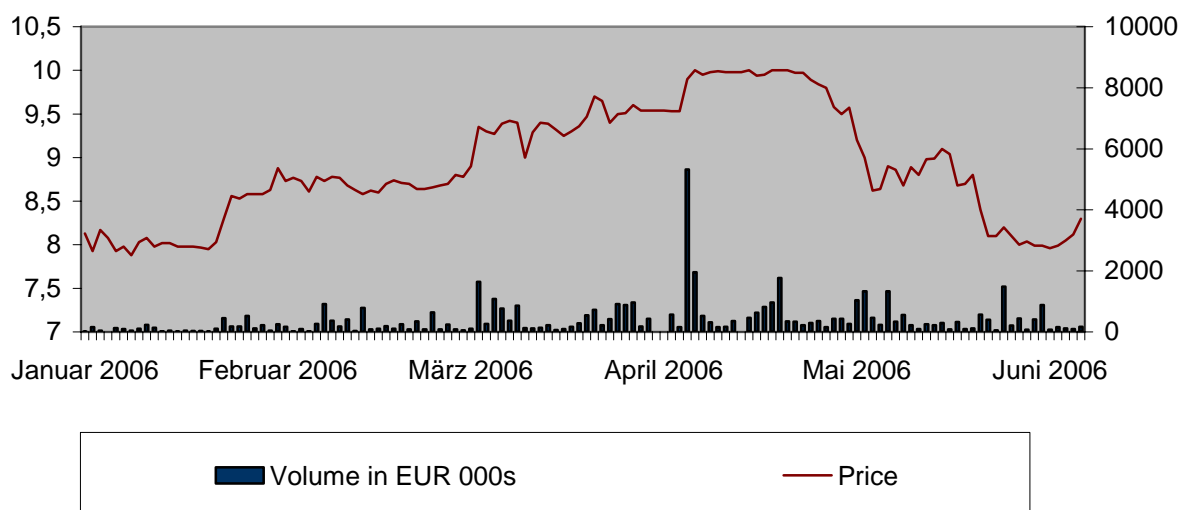
TAG was able to increase its revenues and earnings once more in the first half of 2006. Thus, earnings before tax (EBT) improved to over EUR 3.7 million, reversing the previous year's loss of EUR 2.6 million. In line with this, TAG also performed profitably in the second quarter, thereby demonstrating the sustainability of its new positioning. An agreement for the acquisition of a portfolio of residential and commercial properties in the Munich region was signed in June 2006, with the first properties to be transferred in the third quarter. At TAG's annual general meeting, a clear majority of the shareholders passed a resolution approving a major equity issue, which was registered and executed in the first six weeks of the third quarter. The Company received gross proceeds of EUR 160 million from this issue, more than doubling its equity base.

**TAG stock**

In the period under review, TAG stock remained stable, entering the new year at EUR 8.13 and closing on June 30, 2006 at EUR 8.30. With the issue of 2,511,463 shares, the Company received gross proceeds of EUR 21.3 million in the period under review. Since then, the shareholder structure has been further internationalized with the inclusion of institutional real estate investors, who have expressed their long-term commitment to the Company. As at June 30, 2006, TAG's share capital stood at EUR 12,556,364 with a free float of 85%.

TAG's annual general meeting was held in Hamburg on June 30, 2006. 50% of the share capital was represented and all items on the agenda were approved with majorities of 90% or more. At the annual general meeting, the basis for a major equity issue was also created, as a result of which the Company's share capital was raised to a current figure of EUR 32.6 million via a corresponding increase in the number of shares.

At the beginning of August, the equity issue approved by the shareholders was successfully executed. Many existing shareholders exercised their subscription rights, thus demonstrating their confidence in TAG's business model. With the proceeds of EUR 160 million from the issue, TAG will be continuing the growth strategy which it has commenced and making use of further opportunities for acquisitions.



Given its current market capitalization of over EUR 260 million, TAG is a candidate for inclusion in the SDAX.

### Bau-Verein zu Hamburg Group

In the first half of 2006, the Bau-Verein Group increased its revenues by EUR 1.2 million to EUR 25.9 million, up from EUR 24.8 million in the year-ago period. Personnel came to EUR 2.9 million (previous year: EUR 2.7 million). Thanks to active asset management and an increase in the number of investment properties, revaluation income of EUR 5.5 million was recorded. Borrowing costs declined from EUR 5.8 million in the previous year to EUR 4.4 million. Group profit of EUR 2.4 million was recorded (previous year: loss of EUR 1.4 million).

The total assets of the Bau-Verein Group contracted to EUR 317.9 million, down from EUR 361.2 million at the end of 2005. Reflecting the reinforcements to the Company's portfolio business, non-current assets increased, while current assets simultaneously contracted. Current and non-current bank liabilities dropped from EUR 246.2 million at the end of 2005 to EUR 188.5 million. The return on equity widened to 33.4%, up from 23.7% on December 31, 2005. This includes the equity issue in the second quarter of 2006.

Like TAG, Bau-Verein zu Hamburg made use of favourable conditions in the capital market to issue 4,000,000 new shares, bringing the total number of shares outstanding to 20,939,994. This equity issue generated proceeds of around EUR 19 million for Bau-Verein, which it will be using to acquire real estate portfolios in key urban areas in Western Germany as well as in Berlin. In addition, TAG sold 1,500,000 of the shares which it holds in Bau-Verein to an institutional investor. As a result of these activities, TAG's share in Bau-Verein contracted from around 91% to approximately 70%, causing Bau-Verein's free float to increase from 9% to some 30%. Bau-Verein stock was additionally spurred by its inclusion in the Prime Standard of the Frankfurt Stock Exchange. TAG and Bau-Verein expect admission to the Prime Standard as well as the increase in the free float to heighten investor interest and thus provide added impetus for the stock.

### **JUS Group**

The JUS Group generated revenues of EUR 18.3 million in the first half of 2006, up from EUR 10.3 million in the year-ago period.

Personnel costs dropped to EUR 0.8 million (first half of the previous year: EUR 0.9 million). Other operating expenses were cut from EUR 3.5 million in the first half of 2005 to EUR 0.9 million.

Net borrowing costs were lowered to EUR 2.0 million (previous year: EUR 2.4 million). The JUS AG Subgroup sustained a net loss of EUR 0.6 million in the period under review (previous year: net loss of EUR 1.2 million).

Total assets were valued at EUR 81.5 million, down from EUR 98.6 million on December 31, 2005. JUS AG is continuing to concentrate on the services sector and intends to establish itself in the market place as a real estate services provider in the long term. The building business carried as current assets is to be continued in the second half of the year and sold and completed with minimum delay.

### **TAG Group balance sheet**

The TAG Group's total assets contracted from EUR 482.7 million at the end of 2005 to EUR 447.5 million in the period under review. With equity standing at EUR 135.6 million, this translates into an equity ratio of 30.3%, up from 19.1% on December 31, 2005. This includes the March 2006 equity issue of EUR 21.3 million which has already been registered. Current liabilities to banks were reduced from EUR 238.2 million at the end of 2005 to EUR 192.7 million.

### **TAG Group revenues and earnings**

The TAG Group's revenues rose from EUR 35.8 million in the first half of 2005 to EUR 45.2 million. Bau-Verein's share in the TAG Group's total revenues came to 57 % in the first half of 2006. Other operating income dropped by EUR 0.5 million to EUR 2.1 million. Following the increase in portfolio management activities at Bau-Verein, non-current assets rose, accompanied by a simultaneous reduction in current assets. Net borrowing costs were reduced from EUR 8.7 million to EUR 7.0 million. Consolidated profit for the first half of 2006 came to EUR 1.1 million, reversing the loss of EUR 1.3 million in the first half of 2005.

### **Employees**

On June 30, 2006, the TAG Group had 152 employees, compared with 150 as of June 30, 2005.

### **Outlook**

Following the successful execution of the equity issue and the signing of an agreement to acquire the first portfolio in June 2006, TAG is confident of being able to continue its favourable business performance for 2006 as a whole. The Management Board expects full-year earnings before tax (EBT) of around EUR 6 million for 2006.

TAG is planning to buy further real estate portfolios on favourable terms. To this end, it is evaluating possible items for acquisitions and is currently engaged in specific talks.

## Consolidated balance sheet

### ASSETS

	06/30/2006 EUR 000s	12/31/2005 EUR 000s
<b>A. Non-current assets</b>		
I. Investment properties	144,783	119,004
II. Property, plant and equipment	5,054	4,907
III. Intangible assets	39	39
IV. Goodwill	0	0
V. Financial assets		
Shares in associated companies	4,004	4,313
Other financial assets	2,045	1,896
	6,049	6,209
<b>B. <u>Deferred taxes</u></b>	0	209
<b>C. <u>Current assets</u></b>		
I. Properties for sale and other inventories		
Land with unfinished and finished buildings	213,786	249,680
Other inventories	4,497	6,069
	218,283	255,749
II. Receivables and other assets		
Trade receivables	27,397	66,934
Future receivables from construction contracts	1,824	1,108
Other assets	7,589	12,638
	36,810	80,680
III. Cash and cash equivalents	36,390	15,737
<b>D. <u>Prepaid expenses</u></b>	116	133
	447,524	482,667

## Consolidated balance sheet

### EQUITY AND LIABILITIES

	06/30/2006 EUR 000s	12/31/2005 EUR 000s
A. <u>Shareholders' equity</u>		
Equity attributable to shareholders in the parent company		
I. Subscribed capital	12,556	10,045
II. Share premium	94,666	76,663
III. Retained earnings	6,689	6,689
IV. Accumulated deficit	-8,339	-9,399
Minority interests	29,990	8,038
	135,562	92,036
B. <u>Non-current liabilities</u>		
Liabilities to banks	74,275	88,147
Pension provisions	2,329	2,329
Other non-current liabilities	425	426
	77,029	90,902
C. <u>Current liabilities</u>		
Liabilities to banks	192,714	238,151
Trade payables	12,127	16,951
Tax provisions	952	983
Other current liabilities	29,025	43,591
	234,818	299,676
D. <u>Deferred taxes</u>	65	0
E. <u>Deferred income</u>	50	53
	447,524	482,667



## Consolidated income statement

	H1 2006 EUR 000s	H1 2005 EUR 000s	Q2 2006 EUR 000s	Q2 2005 EUR 000s
Revenues	45,234	35,804	30,640	23,766
Other operating income	2,084	2,588	1,174	2,356
Other own work capitalized	1,073	50	501	25
Cost of materials	-35,627	-24,690	-26,048	-17,550
Personnel expenses	-4,334	-4,538	-2,339	-2,377
Other operating expenses	-4,057	-6,018	-2,072	-3,939
<b>EBITDA</b>	<b>4,373</b>	<b>3,196</b>	<b>1,856</b>	<b>2,281</b>
Depreciation (excluding goodwill amortization)	-247	-247	-125	-121
Revaluation of investment properties	7,284	3,150	3,595	500
<b>EBITA</b>	<b>11,410</b>	<b>6,099</b>	<b>5,326</b>	<b>2,660</b>
Goodwill amortization	0	0	0	0
<b>EBIT</b>	<b>11,410</b>	<b>6,099</b>	<b>5,326</b>	<b>2,660</b>
Net income from investments	-153	0	-77	-163
Net income from associated companies	-455	0	-410	0
Net borrowing costs	-7,025	-8,668	-3,437	-4,419
<b>EBT</b>	<b>3,777</b>	<b>-2,569</b>	<b>1,402</b>	<b>-1,922</b>
Income taxes	-1,742	1,552	-446	1,560
Other taxes	-444	-388	-257	-194
Minority interests	-531	150	-190	-5
<b>Consolidated profit/loss</b>	<b>1,060</b>	<b>-1,255</b>	<b>509</b>	<b>-561</b>
Earnings per share (EUR), basic	0.09	-0.19	0.04	-0.09

## Consolidated cash flow statement

	H1 2006	H1 2005
	EUR 000s	EUR 000s
<b>Consolidated profit/loss</b>	<b>1,060</b>	<b>-1,255</b>
Depreciation excluding goodwill amortization	247	247
Changes in the value of investments/associated companies	608	0
Goodwill amortization	0	0
Changes in value of properties held as investments	-7,284	-3,150
Increase in other long-term liabilities (excluding financial liabilities)	14,826	-741
Increase/decrease in deferred tax liabilities	588	-1,161
<b>Cash flow in accordance with DVFA/SG</b>	<b>10,045</b>	<b>-6,060</b>
Profit/loss from disposal of non-current assets	53	9
Increase/decrease in receivables and other assets	79,197	20,706
Increase /decrease in accounts payable and other liabilities (excluding financial liabilities)	-22,082	-16,068
<b>Cash flow from operating activities</b>	<b>67,213</b>	<b>-1,413</b>
Proceeds from sale of properties held as investments	795	0
Payments made for investments in intangible assets	-28	0
Proceeds from sale of intangible assets	0	0
Payments made for investments in property, plant and equipment	-115	-340
Payments received from sale of shares	7,125	0
Payments made for investments in financial assets	-278	0
Payments made for acquisition of shares	-4,030	0
Payments made for acquisition of consolidated companies	-84	0
<b>Cash flow from investing activities</b>	<b>3,385</b>	<b>-340</b>
Proceeds from equity issues	20,514	5,802
Raising/repayment of debt	-67,862	-8,767
Raising/repayment of other financial liabilities	-2,930	3,150
<b>Cash flow from financing activities</b>	<b>-50,278</b>	<b>185</b>
Net change in cash and cash equivalents	20,320	-1,568
Change in cash and cash equivalents as a result of changes to the companies consolidated	333	0
Cash and cash equivalents at the beginning of the period	15,737	4,795
<b>Cash and cash equivalents at the end of the period</b>	<b>36,390</b>	<b>3,227</b>

### Consolidated statement of equity changes

	Subscribed capital EUR 000s	Share premium EUR 000s	Retained earnings EUR 000s	Unappr. loss EUR 000s	Minority interests. EUR 000s	Total EUR 000s
<b>January 1, 2005</b>	<b>6,229</b>	<b>83,180</b>	<b>6,689</b>	<b>-4,864</b>	<b>9,588</b>	<b>100,822</b>
Consolidated profit/loss	0	0	0	-1,255	0	-1,255
Cash equity issues	620	3,782	0	0	0	4,402
Sale of treasury stock	0	1,400	0	0	0	1,400
Changes in minority interests	0	0	0	0	-185	-185
<b>June 30, 2005</b>	<b>6,849</b>	<b>88,362</b>	<b>6,689</b>	<b>-6,119</b>	<b>9,403</b>	<b>105,184</b>
<b>January 1, 2006</b>	<b>10,045</b>	<b>76,663</b>	<b>6,689</b>	<b>-9,399</b>	<b>8,038</b>	<b>92,036</b>
Consolidated profit/loss	0	0	0	1,060	0	1,060
Cash equity issues	2,511	18,836	0	0	0	21,347
Cost of equity issues	0	-833	0	0	0	-833
Changes in minority interests	0	0	0	0	21,952	21,952
<b>June 30, 2006</b>	<b>12,556</b>	<b>94,666</b>	<b>6,689</b>	<b>-8,339</b>	<b>29,990</b>	<b>135,562</b>

## Group segment report

	<b>Railway infra structure</b>	<b>Building manage- ment</b>	<b>Construct- ion activity</b>	<b>Reconcil- iation</b>	<b>Con solidated</b>
	H1 2006 EUR 000s	H1 2006 EUR 000s	H1 2006 EUR 000s	H1 2006 EUR 000s	H1 2006 EUR 000s
External revenues	650	5,981	38,370	234	45,234
<i>Previous year</i>	611	5,225	30,007	-39	35,804
Internal revenues	0	212	923	-1,135	0
<i>Previous year</i>	0	520	222	-742	0
Revenues	650	6,193	39,293	-901	45,234
<i>Previous year</i>	611	5,745	30,229	-781	35,804
<b>Segment earnings</b>	<b>99</b>	<b>7,996</b>	<b>-1,147</b>	<b>-3,171</b>	<b>3,777</b>
<i>Previous year</i>	1,921	2,524	-4,829	-2,185	-2,569
- of which earnings from associated companies	0	0	0	-455	-455
<i>Previous year</i>	0	0	0	0	0
- of which depreciation/amortization	-27	-163	-49	-8	-247
<i>Previous year</i>	-27	-140	-68	-12	-247
- of which interest income	0	1,467	423	-1,266	625
<i>Previous year</i>	0	1,619	152	-1,391	380
- of which interest expenses	0	-3,403	-5,073	826	-7,650
<i>Previous year</i>	0	-2,719	-7,228	899	-9,048
- of which revaluation of investment properties	0	7,284	0	0	7,284
<i>Previous year</i>	1,700	1,450	0	0	3,150
<b>Segment liabilities</b>	<b>327</b>	<b>110,206</b>	<b>225,970</b>	<b>-24,541</b>	<b>311,962</b>
<i>Previous year</i>	329	94,571	349,767	-5,546	439,121
<b>Segment assets</b>	<b>5,381</b>	<b>236,816</b>	<b>258,450</b>	<b>-53,123</b>	<b>447,524</b>
<i>Previous year</i>	2,790	201,901	439,091	-27,218	616,564
<b>Segment investments</b>	<b>24</b>	<b>384</b>	<b>14</b>	<b>84</b>	<b>505</b>
<i>Previous year</i>	0	2,199	36	0	2,235

## **NOTES ON THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2006**

### **General information**

The interim consolidated financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft (TAG) for the period ending June 30, 2006 have been prepared in accordance with the International Accounting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The standards which have already been adopted and published and are therefore binding have been applied.

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

### **Consolidation group**

The consolidation group as of June 30, 2006 includes TAG and, as a matter of principle, all companies in which TAG directly or indirectly holds a majority of the voting capital. As at June 30, 2005, the consolidation group still included GAG Grundstücksverwaltungs-Aktiengesellschaft, Adamshof GmbH and Trinom Hausverwaltungs GmbH, which were deconsolidated in the 2005 fiscal year. The following changes occurred in the first half of 2006:

There was a change in the consolidation group compared with the previous year due to the acquisition of a further 74% of the capital of Fürstenberg'sche Häuser GmbH. JUS Aktiengesellschaft für Grundbesitz had previously already held a share of 20% in this company as at December 31, 2005, which it increased to 94% as at January 1, 2006.

In the first half of 2006, the share in AGP AG Allgemeine Gewerbebau und Projektentwicklungs AG rose from 49.49% to 94% on acquisition costs of EUR 0.084 million. This company had previously been recognized as an associate and accounted for using the equity method. The first-time full consolidation of these newly acquired shares as of the beginning of the year resulted in negative goodwill of EUR 0.335 million, which was taken to the income statement under other operating income.

In the course of the first half of 2006, the share in Bau-Verein AG was reduced from 89.88% to 81.02% following the sale of 1,500,000 shares for a price of EUR 7.125 million. This deconsolidation transaction resulted in a loss of EUR 0.451 million, which was taken to the income statement under other operating expense. In the second quarter of 2006, a further 860,000 shares were acquired as part of the equity issue executed by Bau-Verein AG. This initial consolidation resulted in negative goodwill of EUR 0.292 million, which was taken to the income statement as other operating income. As at June 31, 2006, TAG held a share of 69.65%.

### **Restatement of previous year's figures**

Deferred tax assets and liabilities were netted in the balance sheet for the first time as of the third quarter of 2005. Similarly, other taxes were shown separately below earnings before tax (EBT) as of December 31, 2005 for the first time.

### **Other material transactions**

In February and March 2006, 2,511,463 new bearer shares were issued on a cash basis. This equity issue was entered in the companies register on March 23, 2006. The issue price stood at EUR 8.50 per share. The transaction generated total proceeds of EUR 21.347 million. As a result, the Company's share capital now stands at EUR 12.556 million.

With the approval of the Supervisory Board, the Management Board of Bau-Verein AG passed a resolution to increase the Company's capital by EUR 12 million from EUR 50.820 million to EUR 62.820 million. This took the form of a cash equity issue entailing 4,000,000 new bearer shares with a notional share of EUR 3.00 each in the Company's share capital. The issue price was EUR 4.75, with the equity issue taking effect on April 7, 2006 upon being entered in the companies register.

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

In July and August 2006, 20,010,000 new bearer shares were issued on a cash basis. This equity issue was entered in the companies register on August 8, 2006. The issue price stood at EUR 8.00 per share. The transaction generated total proceeds of EUR 160.080 million for TAG. As a result, the Company's share capital now stands at EUR 32.566 million.

### **Other details**

There has been no material change in the Group's contingent liabilities since December 31, 2005.

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

**SCHEDULE OF EVENTS**

September 7/8, 2006

October 2006

October 12, 2006

End of November 2006

EPRA Conference in Budapest

Analyst conference

Initiative Immobilien-Aktie in Frankfurt a.M.

Report on the third quarter of 2006

**IMPRINT**

TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

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