

**Asset Value
Visions
Growth**



TAG Group in figures

in EURO million	01/01-09/30/06	01/01-09/30/05
Revenues	57.59	62.04
EBITDA	5.97	-1.78
EBIT	14.78	-16.34
EBT	5.17	-29.54
Consolidated net income	1.75	-28.09
Earnings per share in EURO	0.15	-4.12
Cash flow from operating activities	37.54	-6.57

in EURO million	09/30/06	12/31/05
Equity	290.37	92.04
Equity ratio	54.6	19.1
Total assets	532.00	482.67

WKN/ISIN	830350/DE000A0JCY60
Ticker symbol	TEG
Share capital in EURO	32,566,364.00
Number of shares	32,566,364
Free float	94 %

Sector	Real Estate
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Market sector	Amtlicher Markt, Prime Standard
Stock exchange	Munich, Frankfurt/Main

Stock Price in EURO	01/02/2006	8.13
Stock Price in EURO	09/30/2006	8.26
High for period under review in EURO	05/09/2006	10.00
Low for period under review in EURO	01/10/2006	7.88
Market capitalisation in EURO 000s	09/30/2006	269
NAV per share in EURO	09/30/2006	11.26
NNAV per share in EURO	09/30/2006	10.22

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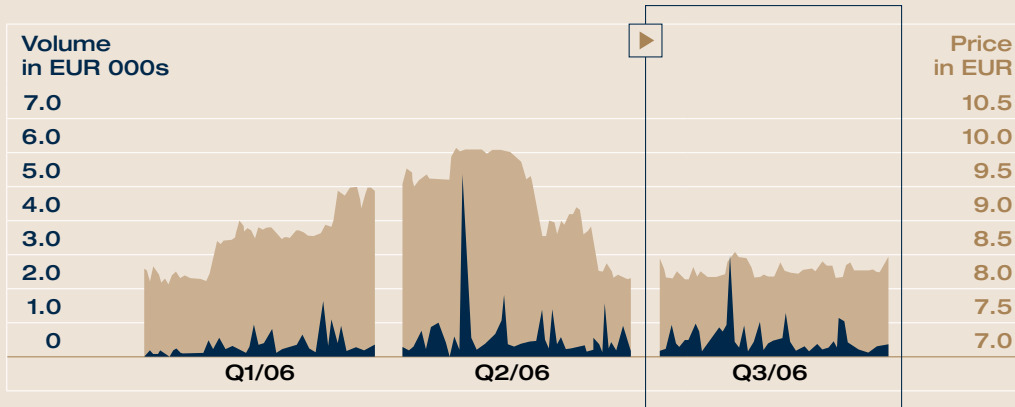
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Dear shareholders and business associates,

the strategic repositioning of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft (TAG) is showing clear signs of success, with a sustained turnaround achieved. With the first half of 2006 dominated by two capital increases, TAG started investing in selected properties in the third quarter. This investment strategy is focusing on real estate in the metropolitan regions of Hamburg, Berlin, Munich and Düsseldorf, which are characterised by their location and development potential. The purchase of a high-yield real estate portfolio worth EUR 105 million comprising commercial units and medical practices in South Germany marked the first step in the implementation of the Company's growth strategy following the completion of the capital increase.

With investments in diversified portfolios offering attractive rental yields, TAG is continuing to successfully implement its buy, build and hold strategy. In this connection, the main focus is on creating value by means of modernisation and portfolio development activities as well and by utilising potential for increasing rental income.

The now published draft G-REIT law will have a positive effect on the German real estate market. With its decision to additionally acquire commercial real estate, TAG has laid the necessary foundations and is poised to benefit from future developments.



TAG stock

Listed in the Prime Standard, TAG stock has increased to EUR 9.47 since the capital increase of EUR 8.00 per share, equivalent to a gain of 18.4% as of mid-November 2006. Since the beginning of 2006, TAG's subscribed capital has been raised from EUR 10,044,901 to EUR 32,566,364 following the issue in two transactions of a total of 22,521,463 new shares. This has generated gross issue proceeds of approx. EUR 181 million. Thanks to the higher number of shares and the substantially enlarged equity basis, TAG remains one of the likeliest candidates for inclusion in the S-DAX.

Following road shows conducted by TAG in the UK, France, Switzerland and the United States, numerous foreign institutional investors have expressed interest in TAG stock. On a particularly encouraging note, investors specialising in real estate with a medium to long-term horizon have subscribed to a large volume of TAG shares.

Bau-Verein zu Hamburg Group

Supported by TAG, the Bau-Verein Group (Bau-Verein) has continued its ongoing growth story, particularly via further portfolio development in the third quarter. In line with plans, Bau-Verein's revenues decreased to EUR 36.6 million in the first nine months of 2006. Against the backdrop of rising residential prices, the Company achieved fair value gains as a result of IFRS remeasurement.

Net consolidated profit improved by a further 10% over the first half of 2006, coming in at EUR 2.64 million (previous year: net loss of EUR 1.1 million).

At 32.4%, the equity ratio was substantially up on the 31 December 2005 figure of 23.7%. This is primarily due to the issue of 4,000,000 new bearer shares at a price of EUR 4.75 each in the second quarter of 2006. In the third quarter of 2006, bonus shares were issued by converting part of the share premium account into subscribed capital. As a result, 2,326,666 new shares were issued to shareholders on a 1-for-9 basis. The stock reached a high for the year to date of EUR 6.61 on 24 October 2006.

Thanks to active asset management and the reclassification of available-for-sale properties as investment properties, income of EUR 7.0 million was regenerated by the revaluation of real estate. Borrowing costs declined from EUR -8.7 million in the previous year to EUR -6.3 million.

As planned, the total assets of the Bau-Verein Group decreased to EUR 329.0 million, down from EUR 361.2 million at the end of 2005.

TAG Asset Management GmbH

The decision to reorganize JUS Aktiengesellschaft für Grundbesitz to TAG Asset Management GmbH (TAG AM) was made and filed for entry in the companies register in the third quarter of 2006.

TAG AM concentrates on the provision of real estate services both for the TAG Group and increasingly also for third parties. Now that it has been successfully restructured, it can make use of the experience gained in modernising historical buildings and the development of loft projects, among other things.

TAG AM generated revenues of EUR 19.5 million from January through September 2006, up from EUR 12.9 million in the same period in the previous year.

Personnel costs dropped to EUR 1.1 million, down from EUR 1.4 million in the first nine months of 2005. Other operating expenses were lowered from EUR 6.8 million in the first three quarters of 2005 to EUR 1.5 million in 2006.

Net interest income contracted by EUR 1.4 million over the prior period from EUR -3.8 million to EUR -2.4 million in the period under review. Net loss for the sub-group came to EUR -1.0 million, an improvement over the previous year loss of EUR -9.9 million.

Total assets as of 30 September 2006 amount to EUR 78.4 million, down from EUR 98.6 million on 31 December 2005, with this trend set to continue again.

TAG Group balance sheet

The TAG Group's total assets amount to EUR 532.0 million, up from EUR 447.5 million on 30 June 2006 and EUR 482.7 million on 31 December 2005. Of the investments of EUR 105 million executed in the third quarter, a sum of EUR 45 million had been recognized on the balance sheet as of 30 September 2006.

With a total equity of EUR 290 million, this translates into an equity ratio of just under 55% as of 30 September 2006 including the net proceeds from the 2006 capital increases, up from 19.1% on 31 December 2005.

TAG Group revenues net income

The TAG Group's revenues decreased by EUR 12.4 million year on year to EUR 57.6 million in the first nine months of 2006, with Bau-Verein contributing 63.6% to total Group revenues. Other operating income climbed to EUR 5.3 million.

Net interest income was reduced substantially from EUR 13.2 million to EUR 8.9 million. Consolidated net profit for the period from January through September 2006 came to EUR 1.7 million, thus reversing the previous year net consolidated loss of EUR 28.1 million.

Net asset value

TAG is disclosing its net asset value for the first time. The structured capitalised income value method applied within the valuation of properties by internationally acknowledged valuation companies complies with the principles of the International Valuation Standards and will make a decisive contribution to helping investors to evaluate TAG's portfolios appropriately in the capital market.

Net asset value as of 30 September 2006	EUR 000s
Carrying value of real estate	387,842
Difference to market value	48,902
Service business (DCF value)	24,875
Market value of financial assets	8,326
Other assets	138,534
Net assets	608,478
Liabilities	-241,633
Net asset value	366,845
Minorities (fair value)	-33,932
Net net asset value	332,913
Number of shares	32,566,364
NAV per share	11.26 €
NNAV per share	10.22 €



Outlook

The Management Board is confident to achieve further improvements in revenues and earnings in the fourth quarter of 2006 and confirms the raised EBT forecast of EUR 6.0 million for 2006 as a whole. As planned, TAG will achieve an investment volume of EUR 200 – 250 million by the end of the year.

Consolidated balance sheet

ASSETS	▶ 09/30/2006 EUR 000s	12/31/2005 EUR 000s
A. Non-current assets		
I. Investment properties	146,919	119,004
II. Tangible assets	4,772	4,907
III. Intangible assets	37	39
IV. Goodwill	0	0
V. Financial assets		
Investments in associates	3,406	4,313
Other financial assets	2,220	1,896
	5,626	6,209
B. Deferred taxes	2,085	209
C. Current assets		
I. Land available for sale and other inventories		
Properties and leasehold rights with finished buildings and unfinished buildings	240,923	249,680
Other inventories	4,480	6,069
	245,403	255,749
II. Receivables and other assets		
Trade receivables	15,151	66,934
Receivables from construction contracts	791	1,108
Other assets	16,268	12,638
	32,210	80,680
III. Cash and cash equivalents	94,886	15,737
D. Prepaid expenses	65	133
	532,003	482,667

EQUITY AND LIABILITIES		09/30/2006 EUR 000s	12/31/2005 EUR 000s
A.	Shareholders' equity		
	Shareholders' equity attributable to parent company shareholders		
I.	Subscribed capital	32,566	10,045
II.	Capital reserve	231,158	76,663
III.	Revenue reserves	6,689	6,689
IV.	Accumulated deficit	-7,650	-9,399
	Minority interests	27,607	8,038
		290,370	92,036
B.	Long-term liabilities		
	Liabilities due to banks	60,866	88,147
	Pension provisions	2,329	2,329
	Other long-term liabilities	425	426
		63,620	90,902
C.	Short-term liabilities		
	Liabilities due to banks	155,623	238,151
	Trade accounts payable	11,153	16,951
	Tax provisions	924	983
	Other short-term liabilities	10,263	43,591
		177,963	299,676
D.	Deferred income	50	53
		532,003	482,667

Consolidated income statement

	01/01- 09/30/06 EUR 000s	01/01- 09/30/05 EUR 000s	07/01- 09/30/06 EUR 000s	07/01- 09/30/05 EUR 000s
Revenues	57,586	62,035	12,352	26,231
Other operating income	5,303	3,700	3,219	1,112
Own work capitalised	1,556	707	483	657
Cost of materials	-46,152	-50,736	-10,525	-26,046
Personnel expenses	-6,384	-6,633	-2,050	-2,095
Other operating expenses	-5,935	-10,857	-1,878	-4,839
EBITDA	5,974	-1,784	1,601	-4,980
Depreciation and amortisation (excluding goodwill amortisation)	-375	-517	-128	-270
Revaluation of investment properties	9,184	5,698	1,900	2,548
EBITA	14,783	3,397	3,373	-2,702
Goodwill amortisation	0	-19,739	0	-19,739
EBIT	14,783	-16,342	3,373	-22,441
Net income from investments and associates	-667	0	-59	0
Net interest income	-8,949	-13,197	-1,924	-4,529
EBT	5,167	-29,539	1,390	-26,970
Income taxes	-1,994	1,822	-252	212
Other taxes	-687	-668	-243	-222
Minority interests	-737	297	-206	147
Consolidated net income	1,749	-28,088	689	-26,833
Earnings per share (EUR), basic	0,15	-4,12	0,06	-3,94

Consolidated statement of cash flows

	01/01- 09/30/06 EUR 000s	01/01- 09/30/05 EUR 000s
Consolidated net income	1,749	-28,088
Depreciation and amortisation	375	517
Income from investments and associates	153	0
Goodwill amortisation	0	19,739
Revaluation of investment properties	-9,184	-5,698
Change in other long-term liabilities	12,443	-541
Change in deferred taxes	-1,562	-1,776
Cash flow in accordance with DVFA/SG	3,974	-15,847
Profit/loss from the sale of fixed assets	793	9
Increase/decrease in receivables and other assets	59,713	31,431
Change in short-term and other liabilities	-26,939	-22,165
Cash flow from operating activities	37,541	-6,572
Proceeds from sale of investment properties	795	0
Payments for investments in investments properties	-86	0
Payments for investments in intangible assets	-109	0
Payment for investments in tangible assets	-24	-343
Proceeds from sale of financial assets and shares	7,325	0
Payment for investments in financial assets and shares	-627	0
Payment for acquisition of shares and consolidated companies	-6,769	0
Cashflow from investing activities	505	-343
Proceeds received from capital increases	177,016	28,467
Proceeds from/payments for liabilities due to banks	-118,362	-17,679
Raising/repayment of other debt	-17,884	0
Cash flow from financing activities	40,770	10,788
Net change in cash and cash equivalents	78,816	3,873
Consolidation-related change in cash and cash equivalents	333	0
Cash and cash equivalents at the beginning of the period	15,737	4,795
Cash and cash equivalents at the end of the period	94,886	8,668

Consolidated statement of changes in shareholders' equity

	Sub- scribed capital EUR 000s	Capital reserve EUR 000s	Revenue reserve EUR 000s	Net loss EUR 000s	Minority interests EUR 000s	Total EUR 000s
01/01/2005	6,229	83,180	6,689	-4,864	9,588	100,822
Consolidated net income	0	0	0	-28,088	0	-28,088
Cash capital increases	3,816	23,962	0	0	0	27,778
Sale of own shares	0	1,400	0	0	0	1,400
Cost of capital increases	0	-711	0	0	0	-711
Change in minority interests	0	0	0	0	-269	-269
09/30/2005	10,045	107,831	6,689	-32,952	9,319	100,932
01/01/2006	10,045	76,663	6,689	-9,399	8,038	92,036
Consolidated net income	0	0	0	1,749	0	1,749
Cash capital increases	22,521	158,906	0	0	0	181,427
Cost of capital increases	0	-4,411	0	0	0	-4,411
Change in minority interests	0	0	0	0	19,569	19,569
09/30/2006	32,566	231,158	6,689	-7,650	27,607	290,370

Consolidated segment reporting

	Railway infra- structure 01/01- 09/30/06 EUR 000s	Building manage- ment 01/01- 09/30/06 EUR 000s	Construc- tion activity 01/01- 09/30/06 EUR 000s	Recon- ciliation 01/01- 09/30/06 EUR 000s	▶ Con- solidated 01/01- 09/30/06 EUR 000s
External revenues	999	8,419	47,822	346	57,586
<i>Previous year</i>	939	8,135	53,021	-60	62,035
Intra-group revenues	0	312	1,182	-1,494	0
<i>Previous year</i>	0	728	540	-1,268	0
Revenues	999	8,731	49,004	-1,148	57,586
<i>Previous year</i>	939	8,863	53,561	-1,328	62,035
Segment earnings	214	11,976	-3,399	-3,623	5,167
<i>Previous year</i>	2,020	3,512	-13,565	-21,506	-29,539
- thereof earnings from associated companies	0	0	0	-667	-667
<i>Previous year</i>	0	0	0	0	0
- thereof depreciation/ amortization	-41	-250	-73	-11	-375
<i>Previous year</i>	-40	-362	-98	-17	-517
- thereof interest income	1	2,211	654	-1,498	1,367
<i>Previous year</i>	0	2,362	201	-2,077	486
- thereof interest expenses	0	-4,282	-7,551	1,671	-10,163
<i>Previous year</i>	0	-5,167	-10,002	1,486	-13,683
- thereof revaluation of investment properties	0	9,184	0	0	9,184
<i>Previous year</i>	1,700	3,998	0	0	5,698
Segment debts	557	150,625	228,970	-138,520	241,633
<i>Previous year</i>	243	107,980	323,437	-25,160	406,500
Segment assets	5,724	272,308	266,129	-12,157	532,003
<i>Previous year</i>	5,313	207,848	347,313	-53,042	507,432
Segment investments	24	439	383	0	846
<i>Previous year</i>	297	30	16	0	343

Notes on the interim report on the first nine months of 2006 for TAG Tegernsee Immobilien- und Beteiligungsaktie-Aktiengesellschaft

General information

The interim consolidated financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft (TAG) for the period ending 30 September 2006 have been prepared in accordance with the International Financial Reporting 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 principles as well as the notes and explanations on the interim consolidated financial statements are fundamentally based on the accounting principles applied to the consolidated financial statements for the year ending 31 December 2005.

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

Consolidation group

The consolidation group as of 30 September 2006 includes TAG and, as a matter of principle, all companies in which TAG directly or indirectly holds a majority of the voting rights. In the first nine months of 2006, the following changes occurred:

TAG's consolidation group changed 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 31 December 2005, which it increased to 94 % as at 1 January 2006.

In the first nine months of 2006, the share in AGP AG Allgemeine Gewerbebau und Projektentwicklungs AG was increased from 49.49% to 94% at acquisition costs of EUR 84,000. This entity had previously been recognised 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 TEUR 335,000, which was taken to the income statement and assigned to other operating income.

In the course of the first nine months of 2006, the share in Bau-Verein AG was reduced from 89.88% to 81.02% following the sale of 1,500,000 shares at a price of EUR 7.125 million. This deconsolidation transaction resulted in a disposal loss of EUR 0.451 million, which was taken to the income statement and assigned to 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 and assigned to other operating income. In the third quarter, a further 385,804 shares in Bau-Verein AG were acquired. This initial consolidation resulted in goodwill of EUR 0.067 million, which was taken to the income statement and assigned to other operating expense. As at 30 September 2006, TAG held a share of 71.02%.

Restatement of previous year's figures

Other taxes were shown separately below earnings before tax (EBT) as of 31 December 2005 for the first time. The comparison figures for the first nine months of 2005 have been restated accordingly.

Other material transactions

In February and March 2006, TAG issued 2,511,463 new bearer shares on a cash basis. This was entered in the companies register on 23 March 2006. The issue price amounted to EUR 8.50 per share, resulting in total proceeds of EUR 21.347 million for TAG from the transaction. Consequently, the Company's subscribed capital now stands at EUR 12.556 million.

With the approval of the Supervisory Board, the subscribed Management Board of Bau-Verein AG passed a resolution to increase the Company's capital by EUR 12 million from EUR 50.82 million to EUR 62.81 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 subscribed capital. The issue price was EUR 4.75, with the equity issue taking effect on 7 April 2006 upon being entered in the companies register.

In July and August 2006, TAG issued 20,010,000 new bearer shares on a cash basis. This equity issue was entered in the companies register on 8 August 2006. The issue price amount to at EUR 8.00 per share, resulting in total proceeds for TAG of EUR 160.08 million from the transaction. Consequently, the Company's subscribed capital now stands at EUR 32.566 million.

Moreover, Bau-Verein zu Hamburg AG's subscribed capital was increased by EUR 6.98 million to EUR 69.8 million in the third quarter following the conversion of part of the share premium. This took the form of an equity issue entailing 2,326,666 new bearer shares with a notional share of EUR 3.00 each in the Company's share capital. The new shares were issued to the shareholders on a 1-for-9 basis and are dividend-entitled as of 1 January 2006.

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

With the purchase of a residential complex in the Düsseldorf metropolitan region with a total volume of EUR 15 million, TAG successfully continued on its expansion course in line with plans in October. The value of the portfolio, which comprises 370 residential units, is to be enhanced on a sustained basis by means of extensive repair and modernisation work in an effort to optimise the tenancy situation. The investment volume stands at EUR 4 – 5 million. In November 2006, a residential portfolio valued at EUR 33 million was acquired in Berlin-Tempelhof, permitting TAG to further reinforce its position in the German market. With its

885 residential units, the listed residential complex is in a solid state of repair and offers substantial development potential. In accordance with its buy, build and hold strategy, TAG plans to convert the attics into residential space and to implement extensive modernisation activities valued at EUR 5 million to substantially enhance the value of the property.

On 16 November 2006, Bau-Verein launched an innovative new construction project in Berlin-Mitte. Three individual town houses with a total floor area of 602 square metres plus two commercial units located at a premium inner-city site are to be completed by autumn 2007. Two of the houses as well as a commercial unit have already been sold prior to the commencement of construction.

Other notes

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

On 30 September 2006, the TAG Group had 156 employees, compared with 148 as of 30 September 2005.

Basis for reporting

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.

Financial calendar

Annual Report 2006	End of April 2007
Interim Report - 1st quarter of 2007	Mid May 2007
Interim Report - 2nd quarter of 2007	End of August 2007
Interim Report - 3rd quarter of 2007	Mid November 2007
124th shareholder meeting	June 2007, Hamburg
EPRA Annual Conference	6-7 September 2007, Athens
EXPO REAL	8-10 October 2007, Munich

TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

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