



**Bau-Verein zu Hamburg
Aktien-Gesellschaft**

WKN 517900, AOJCY9
ISIN DE0005179006, DE 000 AOJCY94

Report for the quarter ending March 31, 2006

- **Improvement in the equity ratio to 25.2 %, compared to 23.7 % at December 31, 2005**
- **Increase in revenues and reductions in all major cost items**
- **Significant improvement in consolidated net income in Q1, from EUR -0.8 million last year to EUR 1.8 million**
- **Expansion of fixed assets**



Business Performance

Dear shareholders and business associates,

The entry of international investors has already provided noticeable positive stimuli to the German real estate sector in general and the German residential property sector in particular.

On a global scale, the share of listed real estate companies comes to only 7%, so Bau-Verein is well positioned with respect to the envisaged introduction of REITs in Germany.

Great opportunities mainly result for investors opting in favor of REITs, because REIT companies must distribute at least 90 % of their income and are, in return, tax-exempt at the corporate level. Rapid growth is expected for these companies worldwide. Projections for Europe forecast that the market capitalization of the largest real estate stock corporations will double within the next 5 years.

In the period under review, Bau-Verein can look back on favorable business performance, with a significant year-on-year earnings improvement.

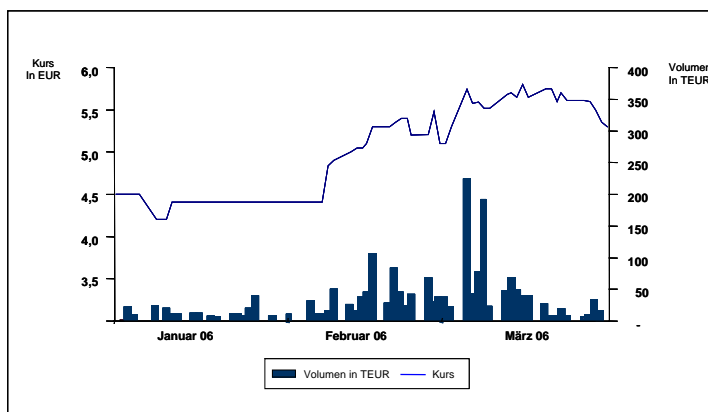
The joint venture with an international investor, for whom Bau-Verein has assumed responsibility for all aspects associated with property management, has developed favorably. Bau-Verein has succeeded in establishing itself as an attractive partner in the area of property development and portfolio management and has commenced negotiations about comparable projects with other real estate investors.

Bau-Verein stock

Against the background of favorable business performance and a bullish capital market environment, Bau-Verein stock clearly outperformed the overall market with a price advance of about 30% (by way of comparison: the SDAX increased by only approximately 20% in the period under review). In addition, clearly targeted investor relations activities have resulted in a strong

increase in the trading volume of Bau-Verein stock.

Bau-Verein used the favorable environment and implemented a capital increase, by 4,000,000 shares to 20,939,994 shares. From an accounting perspective, however, this capital increase did not take effect until April 2006, when it was entered in the Commercial Register. Within the framework of this capital increase, Bau-Verein received approximately EUR 19 million, which is intended for the acquisition of property portfolios in western German metropolitan areas and Berlin. In addition, Bau-Verein's controlling shareholder TAG sold 1,500,000 Bau-Verein shares from its own shareholdings to an institutional investor. These capital measures reduced TAG's stake in Bau-Verein from about 91 % to approximately 70 %, which, in turn, resulted in an increase in the free float of Bau-Verein stock from 9 % to roughly 30 %. The value of Bau-Verein stock was enhanced further by its inclusion in the Prime Standard of the Frankfurt Stock Exchange. Bau-Verein expects this inclusion in the Prime Standard and the increase in its free float to significantly enhance investors' interest, with corresponding favorable stimuli for the stock's performance.



Business Performance

Bau-Verein zu Hamburg AG Group Business performance

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

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

Employees

On March 31, 2006, the Bau-Verein Group had 104 employees, up from 101 one year earlier.

Outlook

Bau-Verein sees itself excellently positioned for a continuation of the favorable performance recorded in the first quarter throughout fiscal 2006. Thanks to the successful placement of the capital increase, the company has sufficient liquid funds to strengthen its existing property portfolio by means of acquisitions. Intensive talks and discussions are being conducted in this context.

In this area, Bau-Verein is one of the few German real estate companies active on a nationwide basis and covering the entire value chain in property development and management. The resulting high attractiveness of Bau-Verein and advanced negotiations with a number of real estate investors are making Bau-Verein optimistic about its prospect of reporting the conclusion of major acquisitions in fiscal 2006.

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Bau-Verein

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CONSOLIDATED BALANCE SHEET *

ASSETS	03/31/2006	12/31/2005
	EUR 000s	EUR 000s
A. Fixed Assets		
I. Investment properties	78,168	71,481
II. Tangible assets		
1. Properties with business premises	1,274	1,289
2. Facilities under construction	188	175
3. Machinery	2	0
4. Furniture and fixtures	54	49
	1,518	1,513
III. Intangible assets		
	19	15
IV. Financial assets		
1. Shares in affiliated companies	1,870	1,870
2. Shares in associated companies	3,692	3,733
	5,562	5,603
B. Current assets		
I. Properties and other inventories held for sale		
1. Properties held for sale	200,723	207,126
2. Work in progress	6,429	5,289
3. Other inventories	160	83
	207,312	212,498
II. Receivables and other assets		
1. Receivables for property sale	38,883	53,489
2. Future receivables from construction contracts	1,429	1,108

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	<u>03/31/2006</u>	<u>12/31/2005</u>
	EUR 000s	EUR 000s
3. Receivables from rental activities	1,540	1,914
4. Other trade accounts receivables	219	34
5. Loans to affiliated companies	266	97
6. Loans to associated companies	3,505	2,578
7. Other assets	1,680	2,084
	<u>47,522</u>	<u>61,304</u>
III. Cash and cash equivalents	<u>6,941</u>	<u>8,009</u>
C. Deferred tax assets	<u>0</u>	<u>718</u>
D. Prepaid expenses	<u>44</u>	<u>55</u>
TOTAL ASSETS	<u><u>347,086</u></u>	<u><u>361,196</u></u>

* excluding the effect of the capital increase in April 2006

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SHAREHOLDERS' EQUITY AND LIABILITIES	03/31/2006	12/31/2005
	EUR 000s	EUR 000s
A. Shareholders' equity		
I. Subscribed capital	50,820	50,820
II. Capital reserve	28,372	28,376
III. Revenue reserves		
1. Statutory reserves	1,790	1,790
2. Building renewal reserve	1,023	1,023
3. Other revenue reserves	12,442	12,442
IV. Consolidated loss	-7,103	-8,853
V. Minority interests	123	107
	87,467	85,705
B. Long-term liabilities		
1. Liabilities due to banks	46,610	46,891
2. Pension provisions	2,331	2,329
3. Other long-term liabilities	10	11
	48,951	49,231
C. Short-term liabilities		
1. Tax provisions	813	832
2. Other provisions	5,375	7,291
3. Downpayments received	860	14
4. Liabilities due to banks	188,712	199,321
5. Liabilities from rental activities	6,556	5,495
6. Other trade accounts payable	2,870	4,516
7. Liabilities due to affiliated companies	3,322	6,728
8. Liabilities due to associated companies	13	13
9. Other short-term liabilities	1,706	2,047
	210,227	226,257
D. Deferred tax assets	441	0
E. Deferred income	0	3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	347,086	361,196

* excluding the effect of the capital increase in April

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CONSOLIDATED INCOME STATEMENT

	<u>Q 1 2006</u> EUR 000s	<u>Q 1 2005</u> EUR 000s
Revenues		
a) from sale of properties	6,767	5,073
b) from building management	4,002	5,126
c) from property services	<u>186</u>	<u>43</u>
	10,955	10,242
Change in work-in-progress inventories	1,139	1,121
Other internally produced and capitalized assets	395	25
Other operating income	<u>113</u>	<u>94</u>
Total output	<u>12,602</u>	<u>11,482</u>
Cost of purchased supplies and services		
a) Expenses for properties held for sale	- 6,326	- 4,921
b) Expenses for building management	<u>- 2,285</u>	<u>- 2,694</u>
	<u>- 8,611</u>	<u>- 7,615</u>
Gross profit	<u>3,991</u>	<u>3,867</u>
Personnel expenses	- 1,331	- 1,304
Depreciation and amortization	- 31	- 40
Other operating expenses	- 720	- 724
Revaluation of investment properties	3,389	500
Income from associated companies	- 45	0
Interest income	<u>- 2,171</u>	<u>- 2,855</u>
Result from ordinary activities	3,082	-556

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	<u>Q 1 2006</u> EUR 000s	<u>Q 1 2005</u> EUR 000s
Income taxes	-1,159	- 21
Other taxes	<u>- 157</u>	<u>- 192</u>
Consolidated net annual income before minority interests	1,766	- 769
Minority shareholders' profit and loss share	<u>- 16</u>	<u>- 8</u>
Consolidated net annual income	1,750	-777
Earnings per share (undiluted)	0.10 €	-0.05 €

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CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>Q 1 2006</u>	<u>Q 1 2005</u>
	EUR 000s	EUR 000s
Consolidated net income	1,750	-777
Depreciation and amortization	31	40
Revaluation of investment properties	-3,389	-500
Impairment of financial investments	-321	0
Income from associated companies	45	0
Amortization of receivables	19	8
Change of deferred taxes	1,159	16
Change of provisions	-1,932	-886
Profit/loss from sale of fixed assets	0	9
Change in receivables and other assets	14,299	4,409
Change in accounts payable and other liabilities	<u>1,204</u>	<u>-1,367</u>
Cash flow from operating activities	<u>12,865</u>	<u>952</u>
Payments for investments in intangible and tangible assets	-24	-16
Payments for investments in financial assets and consolidated companies	<u>-18</u>	<u>0</u>
Cash flow from investing activities	<u>-42</u>	<u>-16</u>
Proceeds from loans to affiliated companies	-3,000	0
Repayments on property finance loans	-21,617	-4,543

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	<u>Q 1 2006</u>	<u>Q 1 2005</u>
	EUR 000s	EUR 000s
Drawing on property finance loans	394	2,827
Payments to special purchaser accounts for property finance loans	-3,214	-1,993
Proceeds to special purchaser accounts for property finance loans	<u>5,330</u>	<u>668</u>
Cash flow from financing activity	<u>-22,107</u>	<u>-3,041</u>
Net change in cash and cash equivalents	-9,284	-2,105
Cash and cash equivalents at January 1	<u>17,242</u>	<u>4,543</u>
Cash and cash equivalents at December 31	<u><u>7,958</u></u>	<u><u>2,438</u></u>

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CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY *

	Subscribed capital	Capital reserve	Statutory reserve	Building renewal reserve	Other revenue reserves	Consoli- dated loss	Minority inter- ests	Total
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
01/01/2005	50,820	28,376	1,790	1,023	12,442	-9,861	35	84,625
Consolidated net income	0	0	0	0	0	-777	-8	-785
03/31/2005	50,820	28,376	1,790	1,023	12,442	-10,638	27	83,840
Change Minority Interests	0	0	0	0	0	0	75	75
Consolidated net income	0	0	0	0	0	1,785	5	1,790
12/31/2005	50,820	28,376	1,790	1,023	12,442	-8,853	107	85,705
Change Minority interests	0	0	0	0	0	0	32	32
Cost capital increase	0	-4	0	0	0	0	0	-4
Consolidated net income	0	0	0	0	0	1,750	-16	1,734
03/31/2006	<u>50,820</u>	<u>28,372</u>	<u>1,790</u>	<u>1,023</u>	<u>12,442</u>	<u>-7,103</u>	<u>123</u>	<u>87,467</u>

* excluding the effect of the capital increase in April

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SEGMENT REPORTING

	03/31/2006					
	Housing portfolio	Housing portfolio development	New housing construction	Com- mercial	Recon- ciliation	Consoli- dated
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
External revenues	1,623	4,900	1,285	3,020	127	10,955
Intra-group revenues	121	150	50	0	-321	0
Revenues	1,744	5,050	1,335	3,020	-194	10,955
Other segment income	135	87	76	1	210	508
Depreciation	-26	-3	-2	0	0	-31
Amortization	0	0	0	0	0	0
Revaluation of investment properties	3,499	0	-110	0	0	3,389
Income from associated companies	-45	0	0	0	0	-45
Interest income	720	54	116	43	-745	188
Interest expenses	-1,187	-851	-538	-528	745	-2,359
Other segment expenses	-661	-4,232	-1,826	-2,114	-689	-9,522
Segment earnings	4,180	105	-951	422	-673	3,082
Segment assets	173,154	132,191	44,025	73,042	-75,326	347,085
Shares associated companies	3,692					3,692
Segment debts	88,746	116,896	43,813	57,230	-47,065	259,619
Segment investments	47	5	2	0	0	55

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	03/31/2005					
	Housing portfolio	Housing portfolio development	New housing construction	Com- mercial	Recon- ciliation	Consoli- dated
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
External revenues	1,934	3,833	3,201	1,293	-20	10,242
Intra-group revenues	107	0	0	0	-107	0
Revenues	2,041	3,833	3,201	1,293	-126	10,242
Other segment income	68	33	61	2	-46	119
Depreciation	-30	-4	-5	0	0	-40
Amortization	0	0	0	0	0	0
Revaluation of investment properties	500	0	0	0	0	500
Income from associated companies	0	0	0	0	0	0
Interest income	745	27	26	5	-688	115
Interest expenses	-961	-1,435	-739	-524	688	-2,970
Other segment expenses	-890	-3,010	-3,512	-487	-623	-8,522
Segment earnings	1,474	-556	-968	289	-795	-556
Segment assets	158,022	150,520	61,003	79,483	-77,899	371,128
Shares associated companies	114	0	0	0	0	114
Segment debts	76,133	134,312	61,218	63,798	-48,186	287,274
Segment investments	11	3	2	0	0	16

Bau-Verein zu Hamburg Aktien-Gesellschaft Hamburg

Explanatory notes to the first quarter of 2006

General information

The interim consolidated financial statements of Bau-Verein zu Hamburg Aktien-Gesellschaft, (Bau-Verein AG) for the quarter ending March 31, 2006, have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The standards already adopted and published and therefore binding have been applied.

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

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

Consolidation group

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

At March 31, 2005, the consolidation group still included the shares held in GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg (sale of 75%, reduction in the shareholding to 25%), which were deconsolidated later in fiscal 2006. GAG was recognized at equity as an associated company at March 31, 2006.

Other material transactions

In the first quarter of fiscal 2006, Bau-Verein AG implemented a capital increase, which, however, took effect only after the cutoff date of these interim consolidated financial statements, upon entry in the Commercial Register on April 7, 2006, and has thus not been included in these interim consolidated financial statements.

The capital increase against cash contribution involved the issue of 4,000,000 new non-par bearer shares. The issue price was EUR 4.75 per share. The capital increase resulted in a cash inflow of EUR 19,000,000 for Bau-Verein AG. Following the capital increase, the company's share capital amounts to EUR 62,810,000 at present.

Material events after the close of the interim reporting period

The Management Board and Supervisory Board of Bau-Verein's parent company, TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, Tegernsee (TAG), have proposed to the annual

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shareholders' meeting convened on June 29, 2006, to raise TAG's share capital from currently EUR 12,556,000 by up to EUR 25,113,000 to up to EUR 37,669,000 by means of a further capital increase against cash contribution through issue of new non-par bearer shares. The issue price shall not be below EUR 10.00 per share.

Miscellaneous

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

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

At March 31, 2006, the number of employees at the Bau-Verein AG Group stood at 104. A total of 95 staff members had been employed at December 31, 2005.

The preparation of the consolidated interim financial statements pursuant to IAS requires the management boards and management staff of the consolidated companies to make assumptions and estimates influencing the assets and liabilities carried on the balance sheet, the disclosure of contingent liabilities on the balance-sheet date and the expenses and income reported during the periods under review. The actual amounts arising in future periods may differ from these estimates. Moreover, this interim report includes statements which do not entail reported financial data or any other type of historical information. These forward-looking statements are subject to risk and uncertainty as a result of which the actual figures may deviate substantially from those stated in such forward-looking statements. Many of these risks and uncertainties are related to factors which the company can neither control, influence nor precisely estimate. This concerns, for example, future market and economic conditions, other market participants' behavior, the ability to successfully integrate companies after acquisition and tap expected synergistic benefits as well as changes to tax legislation. Readers are reminded not to place any undue confidence in these forward-looking statements, which apply only on the date on which they are given. The company 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

June 29, 2006

Annual shareholder meeting, Hamburg/
Chamber of Commerce

August 2006

Six-month report, Q2 report

November 2006

Q3 report

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