



Spaces for Living



Bau-Verein zu Hamburg Group in figures

in EUR million	01/01-09/30/06	01/01-09/30/05
Revenues	36.60	47.94
EBITDA	5.09	6.44
EBIT	11.94	7.83
EBT	4.98	-0.91
Consolidated net earnings	2.64	-1.10
Cash flow from operating activities	24.95	4.50

in EUR million	09/30/06	12/31/05
Equity	106.5	85.7
Equity ratio in %	32.4	23.7
Total assets	329.0	361.2

WKN/ISIN	517900/DE0005179006
Ticker symbol	BVH
Subscribed capital in EURO	69,799,980.00
Number of shares	23,266,660
Free float	29%

Sector	Real Estate
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Market sector	Official market, Prime Standard
Stock exchange	Hamburg, Frankfurt/Main

in EUR		
Stock Price	01/02/2006	4.50
Stock Price	09/30/2006	6.01
High for period under review	06/30/2006	6.47
Low for period under review	01/09/2006	3.78



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Dear shareholders and business associates,

spurred by our Company's consistent growth strategy, the favourable performance achieved in the first half of 2006 continued. The most recent investments executed by the Bau-Verein Group (Bau-Verein) in selective real estate portfolios primarily in the residential area hold considerable potential for harnessing further added value.

Even though the German Federal Ministry of Finance has – for now – excluded residential real estate from the G-REIT model, the new law will unleash momentum in the German real estate market from which Bau-Verein also stands to benefit. With the steps taken, Bau-Verein is well prepared for all developments in this area.

Business performance

In the first three quarters of the year, the Bau-Verein Group generated revenues of EUR 36.6 million, including EUR 17 million from the sale of properties. All told, expenditure on the sale of properties and facility management was reduced substantially in comparison to the previous year by just under EUR 11 million and stands at EUR 26.9 million as of 30 September 2006.

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

At 33%, the equity ratio is virtually unchanged over 30 June 2006 and well above the figure of 23.7% recorded on 31 December 2005. This is primarily due to the issue in the second quarter of 2006 of 4,000,000 new bearer



Bau-Verein stock

shares at a price of EUR 4.75 per share each. 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.

Thanks to active asset management and the reclassification of available-for-sale properties as investment properties, fair value gains of EUR 7.0 million were realized from the revaluation of real estate assets. Net interest income 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 contracted to EUR 329.0 million, down from EUR 361.2 million at the end of 2005.

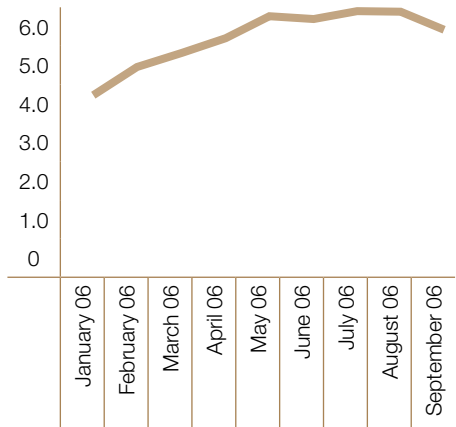
At EUR 6.01 on 30 September 2006, Bau-Verein stock continued to trade well above its beginning-of-year price of EUR 4.50, thus achieving gains of 33.6%. TAG holds 71 % of the stock, with free float accounting for the remaining 29%.

Outlook

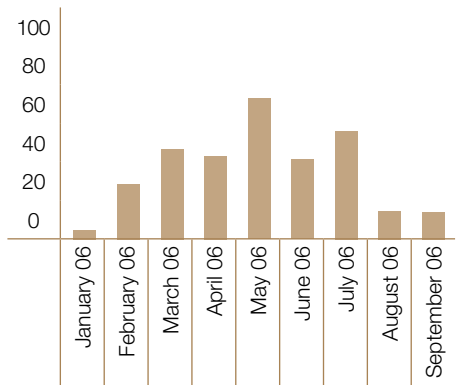
Bau-Verein will be stepping up its growth strategy by engaging in further investments in the fourth quarter. In this connection, ongoing acquisition negotiations are continuing to focus on high-yield residential portfolios.

Against the backdrop of the sustained favourable state of the real estate markets, the Company has consistently performed well this year, indicating that earnings for 2006 as a whole will be up substantially on the previous year.

Stock Price in EUR



Volume in EUR 000s



Consolidated balance sheet



ASSETS	09/30/2006 EUR 000s	12/31/2005 EUR 000s
A. Non-current assets		
I. Investment properties	90,578	71,481
II. Property, plant and equipment		
1. Land with business buildings	1,244	1,289
2. Assets under construction	206	175
3. Machinery	2	0
4. Operating and business equipment	68	49
	1,520	1,513
III. Intangible assets	19	15
IV. Financial assets		
1. Shares in affiliated companies	2,220	1,870
2. Investments in associates	3,343	3,733
	5,563	5,603
B. Current assets		
I. Properties for sale and other inventories		
1. Properties available for sale	202,367	207,126
2. Services under construction	5,839	5,289
3. Other inventories	37	83
	208,243	212,498
II. Receivables and other assets		
1. Receivables from the sale of properties	2,541	53,489
2. Future receivables from construction contracts	0	1,108
3. Rental receivables	2,036	1,914
4. Other trade receivables	4,667	34
5. Receivables from affiliated companies	227	97
6. Receivables from associates	4,684	2,578
7. Other assets	1,708	2,084
	15,863	61,304
III. Cash and cash equivalents	7,163	8,009
C. Deferred taxes	0	718
D. Prepaid expenses	36	55
	328,985	361,196

EQUITY AND LIABILITIES	09/30/2006 EUR 000s	12/31/2005 EUR 000s
A. Shareholders' equity		
I. Subscribed capital	69,800	50,820
II. Share premium	27,494	28,376
III. Retained earnings		
1. Legal reserve	1,790	1,790
2. Construction restoration reserve	1,023	1,023
3. Other retained earnings	12,442	12,442
IV. Unappropriated surplus/accumulated deficit	-6,212	-8,853
Minority interests	118	107
	106,455	85,705
B. Non-current liabilities		
1. Liabilities to banks	32,877	46,891
2. Pension provisions	2,329	2,329
3. Other non-current liabilities	10	11
	35,216	49,231
C. Current liabilities		
1. Tax provisions	813	832
2. Other provisions	6,151	7,291
3. Payments on account received	308	14
4. Liabilities to banks	143,237	199,321
5. Rental liabilities	5,595	5,495
6. Other trade payables	2,791	4,516
7. Liabilities to affiliated companies	26,160	6,728
8. Liabilities to associates	13	13
9. Other current liabilities	1,768	2,047
	186,836	226,257
D. Deferred taxes	478	0
E. Deferred income	0	3
	328,985	361,196

Consolidated income statement

	01/01- 09/30/2006 EUR 000s	01/01- 09/30/2005 EUR 000s	07/01- 09/30/2006 EUR 000s	07/01- 09/30/2005 EUR 000s
Revenues				
a) Sale of land	16,962	31,145	4,509	17,707
b) Facility management	15,155	16,679	5,211	5,452
c) Asset management	4,482	114	934	29
	36,599	47,938	10,654	23,188
Changes in inventories of work in progress	380	1,566	-86	614
Other own work capitalized	1,306	707	515	657
Other operating income	764	336	453	127
Total income	39,049	50,547	11,536	24,586
Cost of purchased goods and supplies				
a) Expenditure on land to be sold	-16,514	-29,821	-4,705	-16,620
b) Expenditure on facility management	-6,760	-7,898	-2,358	-2,468
c) Expenditure on asset management	-3,670	0	-716	0
	-26,944	-37,719	-7,779	-19,088
Gross profit	12,105	12,828	3,757	5,498
Personnel expenses	-4,233	-3,963	-1,374	-1,255
Depreciation and amortisation	-98	-112	-36	-34
Other operating expenses	-2,784	-2,425	-1,037	-743
Revaluation of investment properties	6,954	1,500	1,500	500
Loss from associates	-667	0	-213	0
Net interest income	-6,294	-8,739	-1,899	-2,986
Earnings on ordinary activities	4,983	-911	697	980
Income taxes	-1,784	479	-256	-435
Other taxes	-564	-643	-220	-255
Consolidated net income/loss before minority interests	2,635	-1,075	220	290
Minority interests	6	-26	21	-11
Consolidated net income/loss	2,641	-1,101	242	279
Earnings per share (basic)	0.15	-0.06	0.01	0.02

Consolidated statement of cash flows

	01/01- 09/30/2006 EUR 000s	01/01- 09/30/2005 EUR 000s
Consolidated net income/loss	2,641	-1,101
Depreciation/amortisation	98	112
Revaluation of investment properties	-6,954	-1,500
Changes in earnings from construction contracts	1,108	0
Changes in associates	667	0
Gains from disposal of financial assets	-200	0
Changes in deferred taxes	1,196	-616
Changes in provisions	-1,159	-2,728
Profit/loss from disposal of non-current assets	0	9
Changes in receivables and other assets	34,922	8,261
Additions to payables and other liabilities	-7,366	2,066
Cash flow from operating activities	24,953	4,503
Payments made for investments in intangible assets and property, plant and equipment	-109	-26
Payments made for investments in financial assets	-627	0
Payments received from the disposal of financial assets	200	0
Cash flow from investing activities	-536	-26
Payments received from capital increases	18,098	0
Payments made and received from loans for affiliated companies	22,250	0
Payments made and received from loans for associates	4,489	0
Repayment of property finance loans	-82,671	-41,538
Use of property finance loans	1,116	7,266
Payments to special buyer accounts for property finance loans	-945	-4,513
Payments from special buyer accounts for property finance loans	4,087	31,261
Cash flow from financing activities	-33,576	-7,523
Net change in cash and cash equivalents	-9,159	-3,046
Cash and cash equivalents at the beginning of the period	17,242	4,543
Cash and cash equivalents at the end of the period	8,083	1,497



Consolidated statement of changes in shareholders' equity

	Sub- scribed capital	Share premium	Legal reserves	Construc- tion restoration reserves	Other retained earnings	Consoli- dated ac- cumulated deficit	Minority interests	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/loss	0	0	0	0	0	-1,101	27	-1,075
09/30/2005	50,820	28,376	1,790	1,023	12,442	-10,963	62	83,550
01/01/2006	50,820	28,376	1,790	1,023	12,442	-8,853	107	85,705
Changes in minority interests	0	0	0	0	0	0	11	11
Capital increases	18,980	20	0	0	0	0	0	19,000
Capital increases costs	0	-902	0	0	0	0	0	-902
Consolidated net income/loss	0	0	0	0	0	2,641	0	2,641
09/30/2006	69,800	27,494	1,790	1,023	12,442	-6,212	118	106,455

Consolidated segment reporting

01/01-09/30/2006	Residential/ portfolio EUR 000s	Residential/ portfolio de- velopment EUR 000s	Residential/ new cons- truction EUR 000s	Commercial EUR 000s	Reconcilia- tion EUR 000s	Group EUR 000s
External revenues	6,587	14,195	8,044	7,428	346	36,599
Internal revenues	312	676	125	0	-1,113	0
Revenues	6,898	14,870	8,169	7,428	-767	36,599
Other segment income	772	126	341	51	780	2,070
Depreciation/amortisation	-82	-10	-6	0	0	-98
Revaluation of investment properties	6,954	0	0	0	0	6,954
Net income from associates	0	0	0	0	-667	-667
Interest income	2,210	194	334	97	-2,232	603
Interest expense	-3,371	-2,411	-1,688	-1,658	2,232	-6,897
Other segment expenses	-3,730	-12,087	-9,433	-5,500	-2,832	-33,580
Segment profit/loss	9,652	683	-2,283	417	-3,486	4,983
Segment assets	212,562	95,628	43,663	84,009	-106,877	328,985
Shares in associates	3,343	0	0	0	0	3,343
Segment liabilities	110,792	78,458	44,460	67,732	-78,912	222,530
Segment investments	353	11	22	350	0	736
01/01-09/30/2005						
External revenues	6,473	19,068	14,997	7,461	-60	47,938
Internal revenues	243	82	0	0	-325	0
Revenues	6,716	19,150	14,997	7,461	-385	47,938
Other segment income	210	97	740	43	-47	1,043
Depreciation/amortisation	-86	-12	-13	-1	0	-112
Revaluation of investment properties	1,500	0	0	0	0	1,500
Interest income	2,322	100	51	8	-2,087	394
Interest expense	-3,724	-3,734	-2,090	-1,672	2,087	-9,133
Other segment expenses	-3,217	-16,268	-15,893	-5,072	-2,090	-42,541
Segment profit/loss	3,720	-666	-2,208	767	-2,523	-911
Segment assets	161,261	150,020	54,455	80,587	-70,786	375,536
Shares in associates	114	0	0	0	0	114
Segment liabilities	78,924	133,859	55,671	64,617	-41,083	291,987
Segment investments	17	4	3	1	0	26

Notes on the interim report

General information

The interim consolidated financial statements of Bau-Verein zu Hamburg Aktien-Gesellschaft, (Bau-Verein AG) 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 Bau-Verein AG and, as a matter of principle, all companies in which Bau-Verein AG directly or indirectly holds a majority of the voting rights.

As of 30 September 2005, the consolidation group included the shares in GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg (reduced from 75% to 25%), which was deconsolidated in the course of 2005. GAG is accounted for as an associated company using the equity method as at 30 September 2006.

Material transactions in the interim reporting period

In the first quarter of 2006, Bau-Verein AG executed a capital increase, which was entered in the companies register on 7 April 2006.

Under this transaction, 4,000,000 new bearer shares were issued at a price of EUR 4.75 each on a cash basis. As a result of the cash capital increase, Bau-Verein AG received proceeds of EUR 19 million. Following the completion of the capital increase, the Company's subscribed capital amounts to EUR 62.82 million.

Moreover, the Company's subscribed 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 a capital increase entailing 2,326,666 new bearer shares with a notional share of EUR 3.00 each in the Company's subscribed. The new shares were



issued to the shareholders on a 1-for-9 basis and are dividend-entitled as of 1 January 2006.

Of the purchase of a real estate portfolio with a total volume of EUR 105 million agreed in the first half of the year in a letter of intent, the first few properties with a volume of EUR 24,124 million and the facility management, which was also bought, have been acquired.

Material events after the end of the interim reporting period

With the purchase of a residential complex with a total volume of EUR 15 million in the Düsseldorf metropolitan region, Bau-Verein 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.

In November 2006, a residential portfolio valued at EUR 33 million was acquired in Berlin-Tempelhof. With its 885 residential units, the listed residential complex is in a solid state of repair and offers substantial development potential. Bau-Verein plans to convert the attics into residential space and to implement extensive modernisation activities 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 and 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 details

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

As at 30 September 2006, the Bau-Verein AG Group had a total of 111 employees, up from 102 on 31 December 2005. This increase was due to extensions to external service business, particularly facility management.

Hamburg, 15 November 2006

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 the Company 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. 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.

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
Shareholder meeting	June 2007, Hamburg

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