Annual Report 2007

TAG Group in figures

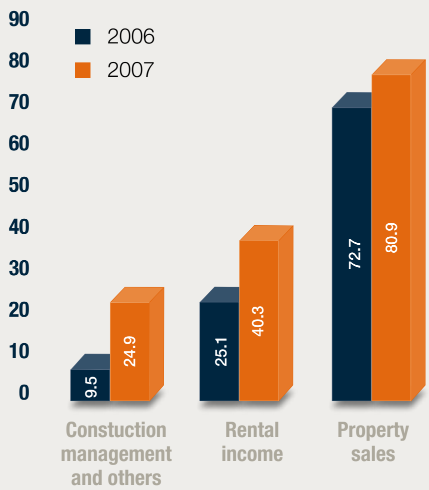
in TEUR	2007	2006
Revenues	146,134	107,334
a) Sale of properties	80,962	72,732
b) Rental income	40,277	25,077
c) Construction management expenses and other	24,895	9,525
EBITDA	52,747	17,720
EBIT	51,097	17,099
EBT	31,092	6,425
Consolidated net income/loss	16,467	2,845
Earnings per share in EUR	0.51	0.14
Proposed dividend per share	0.10	0
Total assets	886,603	692,538
Equity	306,513	288,010
Equity ratio in %	34.6	41.6
Real estate volume	761,312	511,212
NAV per share in EUR	12.36	11.35
Employees	181	160

Further figures

Market capitalisation in TEUR on 31 December 2007	212,984
Subscribed capital in EUR	32,556,364.00
WKN/ISIN	830350/DE00083035000004
Number of shares	32,556,364
Free float in %	94
Stock exchange	SDAX

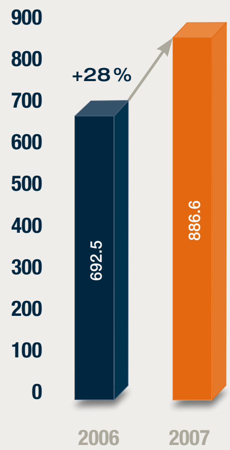
Increase in revenues across all segments

in EUR m



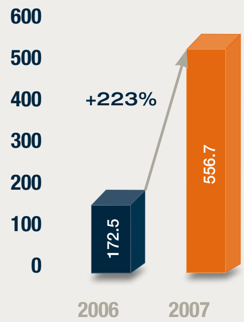
Total assets

in EUR m



Three-fold increase in value of investment properties

in EUR m



TAG Highlights 2007

- Five-fold increase in EBT to EUR 31 million fully in line with forecasts again
- Sustained extensions to residential, commercial and asset management segments
- Planned REIT with a portfolio of top-class office buildings
- Revenues up 36 percent to EUR 146 million
- 7 percent rise in NAV

Content

Preface by the Management Board

Dear shareholders, ladies and gentlemen,

We are able to report on a successful and eventful year. In 2007, TAG achieved the best earnings in its history against the backdrop of upbeat market conditions and a capital market which did not always make life easy for real estate companies.

We implemented numerous activities in the areas of real estate development, investment and sales and were able to make profitable use of the favourable conditions in the market for residential and commercial real estate in Germany. Among other things, we were able to increase rental income from commercial real estate substantially thanks to the acquisition of a portfolio of six properties located in high-growth regions in Germany from Siemens Real Estate GmbH & Co. OHG. With a total floor area of 179,000 square metres,

Andreas Ibel and Erhard Flint, TAG Management Board

the real estate is leased to Siemens AG on a mostly long-term basis and will thus generate stable cash flows over many years to come.

We also laid the foundations for further growth in asset management with the establishment of a joint venture between HSH Real Estate AG and TAG. This joint venture will be managing a portfolio of own and third-party real estate in Germany worth an initial EUR 1.2 billion. In this way, we are able to derive optimum benefits by pooling expertise and extending our market share. We are creating solid basic structures for new acquisitions and, hence, continued growth.

In the residential real estate segment, we made use of an opportunity to sell the entire "Alte Wöhr" project in Hamburg after acquiring and successfully developing it. This in turn allowed us to invest in further major residential construction projects in inner city locations.

Auguste-Viktoria-Straße, Berlin

These activities made a decisive contribution to the 36 percent increase in our revenues to EUR 146.1 million. At EUR 31.1 million, earnings lived up to expectations for 2007. Accordingly, at the annual general meeting in June, we will be asking our shareholders to approve a dividend of EUR 0.10 per share. In fact, this will be the first dividend payment in many years.

The discrepancy between the success of operating business and market capi talisation was particularly pronounced for real estate companies in the year under review. The capital market and specifically listed real estate companies especially felt the effects of the US subprime crisis. This took its toll on investor confidence, the effects of which TAG stock was unable to shrug off. The fact that the resultant loss was substantially less than that sustained by the benchmark index is only weak consolation. Given the unsatisfactory conditions in stock markets, TAG's management decided to postpone the flotation of the planned TAG REIT until a later date. We do not see any chance of a fair valuation at the present time and are looking into alternative placement options.

In complete contrast to the capital market, the German economy remains very solid, something from which the German residential and commercial real estate market is benefiting. Both rentals and prices edged upwards. As already described, TAG was also able to benefit from this. In fact, we are proud to be able to report that we achieved the best performance in our Company's history not least of all thanks to the great dedication and commitment of our staff. Accordingly, we would like to take this opportunity to thank our employees for their contribution to our Company's success. We are also grateful to our customers, business partners and shareholders for their support and confidence.

Our outlook for 2008 is favourable: We expect the German residential and commercial real estate market to remain upbeat, with demand continuing to rise in all segments in which we are involved despite the persistent difficulties afflicting the capital and financial markets. On the strength of our strategic position, we assume that we will be able to continue benefiting from the favourable conditions in the German real estate market.

Yours sincerely,

Andreas Ibel **Erhard Flint**

TAG and its **structures**

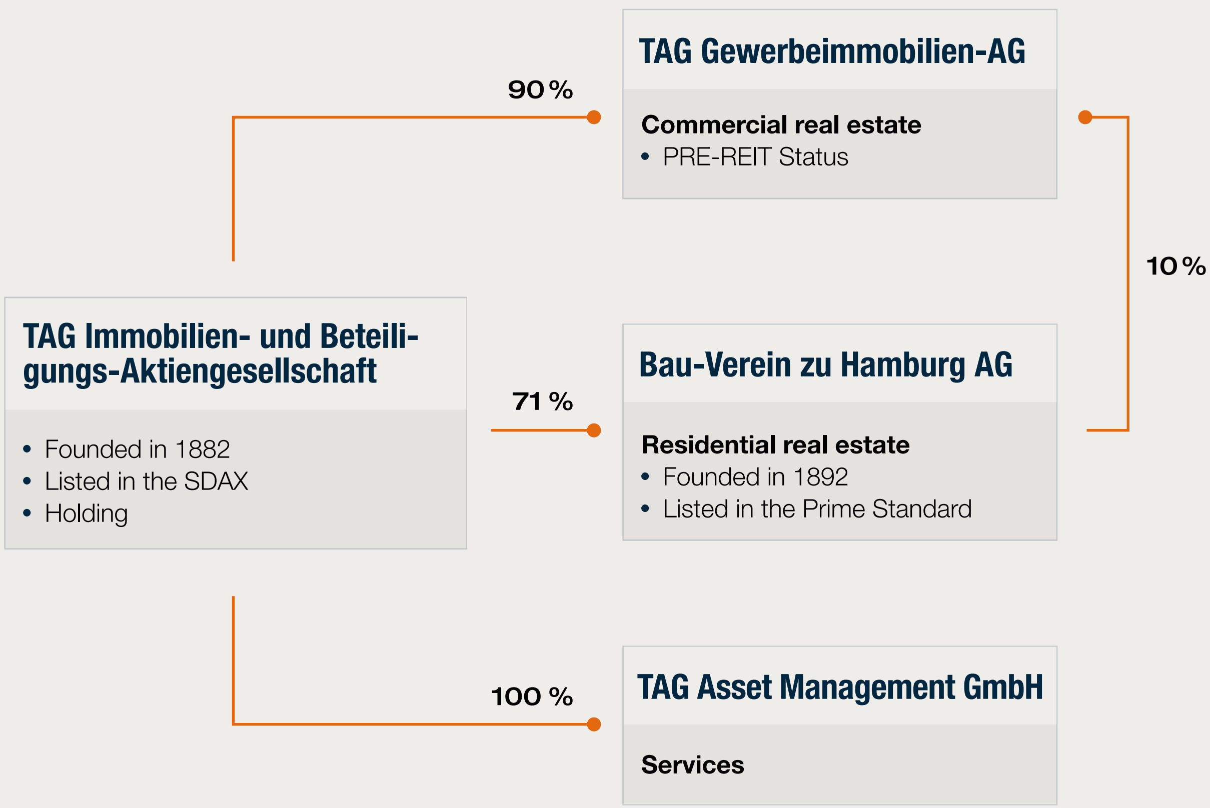
A listed company specialising in the German real estate market

TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft (“TAG” for short) is a listed real estate group which can look back on a history spanning 125 years. At the same time, it is the TAG Group’s holding company.

TAG primarily focuses on residential and commercial real estate in German metropolitan regions including Hamburg, Berlin, Munich and Leipzig as well as on real estate services.

Its listed subsidiary Bau-Verein zu Hamburg AG concentrates on residential real estate. Within the TAG Group, TAG Gewerbeimmobilien-AG is responsible for commercial real estate and achieved pre-REIT status in June 2007. TAG Asset Management GmbH offers a wide range of real estate services.

TAG Group structure



TAG's staff

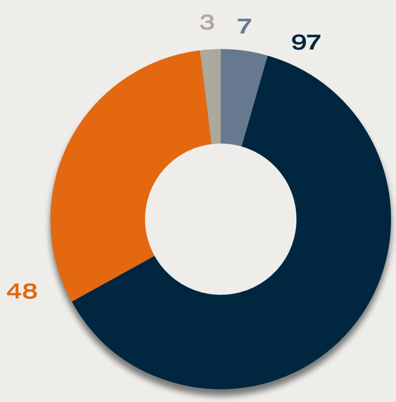
Qualified employees form strong teams

TAG is particularly committed to ongoing staff training and skills development. It sees a close link between business success and the professional and personal qualities of its staff. Via external training institutes, it offers committed employees language and IT courses and particularly also seminars related to real estate matters as well as internal skills-development opportunities. Given the intensified competition for qualified staff and demographic trends, the availability of internal training is becoming an increasingly important competitive factor.

With the clear structure of the Residential, Commercial and Services segments, employees' expertise is allocated and assigned to optimum effect. The individual sectors benefit from qualified and highly motivated real estate specialists.

TAG is a recognised career trainer in the real estate industry with a rising number of cross-regional traineeships. In 2007, the Group had a total of 8 school leavers in traineeships. At the same time, it was able to offer most of them permanent positions upon the completion of their traineeships.

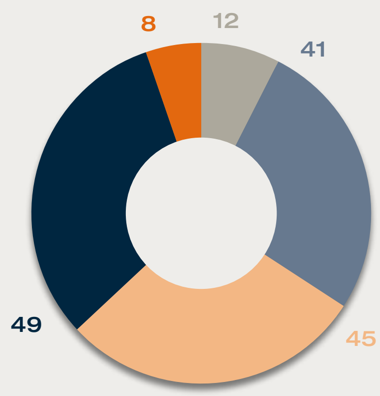
Number of employees as of 12/31/2007* by company



- TAG AG
- Bau-Verein zu Hamburg AG
- TAG Asset Management GmbH
- TAG Gewerbeimmobilien-AG

* adjusted for part-time staff, excluding janitors, cleaning staff and track workers

Number of employees as of 12/31/2007* by function



- Management Board
- Asset management
- Property management
- General administration
- Trainees

* adjusted for part-time staff, excluding janitors, cleaning staff and track workers

Company financials and Portfolio 2007

	TAG Konzern	TAG GI	BV	TAG AM [5]
Revenues in TEUR [1]	146,134	39,383	96,606	14,184
of which from the sale of properties	80,962	23,329	52,130	5,503
of which from rentals	40,277	16,054	19,878	1,702
of which from management activities	24,895	0	24,598	6,979
EBIT in TEUR [1]	51,097	31,471	23,352	3,346
EBT in TEUR [1]	31,092	18,414	13,811	1,628
Consolidated net profit in TEUR [1]	16,467	11,076	7,090	1,131
Consolidated earnings per share in EUR [1]	0.51	1.08	0.30	
Total assets in TEUR	886,603	403,900	365,763	80,741
Volume of real estate carried on the balance sheet in TEUR	761,312	370,914	295,253	66,015
of which investment properties	556,702	361,276	129,406	37,741
of which current assets	204,610	9,639	165,847	28,274
Volume of real estate by market value in TEUR [2]	801,301	350,097	329,403	69,363
Volume of real estate by market value in EUR/sqm [2]	1,340	1,446	1,256	0
Available floor area in sqm	598,073	242,152	262,323	67,589
Equity in TEUR	306,513	25,352	123,894	15,367
Equity ratio in %	35	6	34	19
Liabilities to banks in TEUR	512,958	289,309	190,972	16,716
of which non-current	295,580	199,045	108,370	
of which current (< 1 year)	217,378	90,264	82,602	
Average interest rate in %				
non-current	5.39	5.47	5.29	
current	5.58	5.50	5.67	
Planned capital spending (excluding new acquisitions) as of 2008 in TEUR	143,206	19,707	57,816	62,941
Planned capital spending (excluding new acquisitions) as of 2008 in EUR/sqm	239	81	220	931
Current rental p.a. in TEUR [3]	39,342	21,831	15,764	1,390
Market rental p.a. in TEUR	61,324	27,268	25,375	7,619
Vacancies for investment purposes in %	22.2	4.3	17.1	72.9
Vacancies for non-investment purposes in %	5.7	2.0	5.8	2.8
Market capitalization in TEUR [4]	212,984		102,373	
NAV per share [4]	12.36		7.60	
NAV in EUR/sqm [4]	673		674	

[1] Group including internal netting (consolidated)
[2] Capital spending deducted to calculate the market value
[3] Adjusted for sales and new acquisitions not yet placed on the balance sheet, calculated on a p.a. basis
[4] For listed companies only
[5] TAG figures include project development for Stuttgart Südtor

All main segments are included in the individual description.

	Hamburg	Berlin	Munich	Leipzig	Rhine-Main	Tegernsee	Others	Total
Units								
Residential	1,294	2.016	300	392	370	0	99	4,471
Residential, under construction/planned	73	0	20	109	106	0	0	308
Total residential	1,367	2.016	320	501	476	0	99	4,779
Floor area sqm								
Residential	71,936	127,459	15,242	26,917	24,568	0	12,185	278,307
Residential, under construction/planned	7,540	0	1,250	7,069	11,997	0	0	27,855
Commercial [1]	25,119	42,005	133,101	0	69,626	0	22,059	291,911
Properties	60,769	4,427	0	12,624	0	164,479	3,596	245,895
Assets								
Assets carried on the balance sheet in TEUR								
Residential	98,455	138,035	29,585	25,728	18,857	0	13,137	323,797
Residential, under construction/planned	7,199	0	562	6,290	6,486	0	0	20,537
Commercial	39,840	47,000	191,786	0	104,939	0	16,105	399,670
Properties	6,303	305	0	1,860	0	8,429	411	17,309
TOTAL	**151,797**	**185,341**	**221,933**	**33,878**	**130,282**	**8,429**	**29,653**	**761,312**
Assets carried on the balance sheet in EUR/sqm								
Residential	1,369	1,083	1,941	956	768	0	1,078	1,163
Residential, under construction/planned	955	0	450	890	541	0	0	737
Commercial	1,586	1,119	1,441	0	1,507	0	730	1,369
Market value of the assets in TEUR								
Residential	102,320	158,164	32,472	26,204	22,100	0	15,578	356,838
Residential, under construction/planned	9,930	0	1,683	6,290	5,300	0	0	23,203
Commercial	39,840	47,000	192,750	0	104,940	0	16,105	400,635
Properties	8,160	440	0	3,185	0	8,429	411	20,625
TOTAL	**160,250**	**205,604**	**226,905**	**35,679**	**132,340**	**8,429**	**32,094**	**801,301**
Market value of the assets in EUR/sqm								
Residential	1,422	1,241	2,130	974	900	0	1,278	1,282
Residential, under construction/planned	1,317	0	1,346	890	442	0	0	833
Commercial	1,586	1,119	1,448	0	1,507	0	730	1,372
Property finance as of 12/31/2007 in TEUR								
Residential	59,897	63,709	18,636	10,270	11,901	0	6,276	170,688
Residential, under construction/planned	3,697	0	200	0	4,926	0	0	8,823
Commercial	25,414	36,321	129,842	0	83,981	0	13,930	289,488
Property finance for items already sold and recognised as receivables in the balance sheet	15,130	2,615	2,600		10,635			30,980
Utilisation of overdraft facilities								12,979
TOTAL								**512,958**
Planned capital spending as of 2008 in TEUR								
Residential	13,049	11,780	3,383	7,499	17,869	0	1,342	54,923
Commercial	5,800	0	51,985	0	7,065	0	0	64,850
Properties	20,754	0	0	0	0	2,680	0	23,434
TOTAL	**39,603**	**11,780**	**55,368**	**7,499**	**24,934**	**2,680**	**1,342**	**143,206**
Net rental excluding utilities [3]								
Residential								
Current rental in TEUR	5,355	4,606	1,538	993	1,253	0	729	14,474
Market rental in TEUR	7,937	9,594	1,738	2,864	3,177	0	1,074	26,384
Current rental in EUR/sqm [4]	6.5	5.2	8.7	5.3	5.3	0	6.5	6.0
Market rental in EUR/sqm	8.3	6.3	8.8	7.0	7.2	0	7.3	7.2
Commercial								
Current rental in TEUR	1,693	3,000	10,995	0	6,622	0	1,116	23,426
Market rental in TEUR	3,178	3,568	16,642	0	8,483	0	1,237	33,108
Current rental in EUR/sqm [4]	10.0	6.0	7.1	0	8.3	0	4.3	7.1
Market rental in EUR/sqm	10.5	7.1	10.4	0	10.2	0	4.7	9.5
Properties								
Current rental in TEUR	50	0	38	4	0	1,349	0	1,442
Market rental in TEUR	50	0	38	4	0	1,739	0	1,832
Vacancy in %								
For investment purposes								
Residential	2.8	34.3	1.4	32.9	17.6	0	20.6	22.2
Residential, under construction/planned	100.0	0	100.0	100.0	100.0	0	0	100.0
Commercial	29.1	0	3.4	0	1.4	0	0	5
For non-investment purposes								
Residential	2.4	7.9	1.7	10.9	2.0	0	2.8	5.7
Commercial	14.9	0	0.4	0	1.9	0	9.9	2.4

[1] net of warehouse and hall area
[2] net of newly acquired real estate
[3] net of real estate sold and real estate acquired but not yet placed on the balance sheet
[4] current rental in EUR/sqm calculated on the basis of rented floor area, net of floor area under construction/planned

TAG`s strategy

We create value

Via its three subsidiaries, TAG operates in the residential and commercial real estate segments as well as offering services related to real estate. The strategic focus is on German metropolitan regions such as Hamburg, Berlin, Munich and Leipzig, which are characterised by growth potential and stand to benefit from the favourable long-term prospects for the German real estate market.

By establishing a joint asset management company with HSH Real Estate in December 2007, TAG has strengthened its diverse range of services and thus responded to the growing relevance of the real estate service process. Comprehensive and conscientious asset management ensures a high standard of residential quality for tenants and long-term growth in the value of the properties.

Growth strategy being systematically implemented

With the systematic implementation of the buy, build and hold strategy, TAG is extending and reinforcing its main business segments on a sustained basis. Thus, existing growth and value-enhancement potential in the target metropolitan regions will be tapped, with active portfolio management used to additionally boost enterprise value and profitability. The main focus of investment activities is on acquiring individual properties such as small and mid-size residential and commercial portfolios exhibiting potential for development as well as real estate companies. TAG handles new construction projects tailored to meet the special demands of individual tenant and buyer groups either alone or in the form of joint ventures. The management and development of existing real estate portfolios generates stable returns and cash flows.

Buy	Build	Hold	Service
• Major German cities offering favourable long-term prospects • Good residential locations • Attractive rental return with high cash flows • Focus on small to mid-size real estate portfolios • Detailed due diligence reviews by expert staff	• Modernisation and repairs • Creation of extra space by extensions and additional storeys • Extensions and new constructions • Improvements to surroundings • Active value creation by means of portfolio enhance ment activities	• Long-term retention in portfolio • Tapping potential for raising rentals • Optimised operating costs	• Real estate services for the Group and for third parties - property management - due diligence - project management - construction management - controlling - bookkeeping

Office building in Puchheim before development

Office building in Puchheim after development

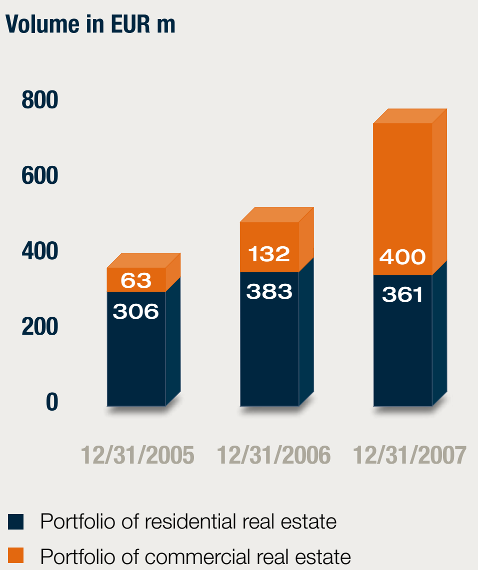
In the course of 2007, Germany's appeal to international real estate experts continued to grow. According to a study by Pricewaterhouse Coopers (PwC) and the Urban Land Institute (ULI), four German cities rank amongst the top ten European investment locations. In addition to Hamburg and Munich, which were already amongst the Top 10 last year, Berlin now also figures as one of the favourites of the 490 real estate experts polled. (Source: Emerging Trends in Real Estate Europe 2008). TAG has a very strong presence at these top national locations.

Using a four-phase acquisition process, TAG is able to identify suitable candidates swiftly and reliably. The individual steps entail an analysis of the offer, the due diligence exercise, the submission of the offer including final negotiations and the closing of the deal. For this purpose, most of the due diligence activities can be executed using the Company's own internal resources, thus substantially lowering the transaction costs.

Some of the recent successful new acquisitions are:

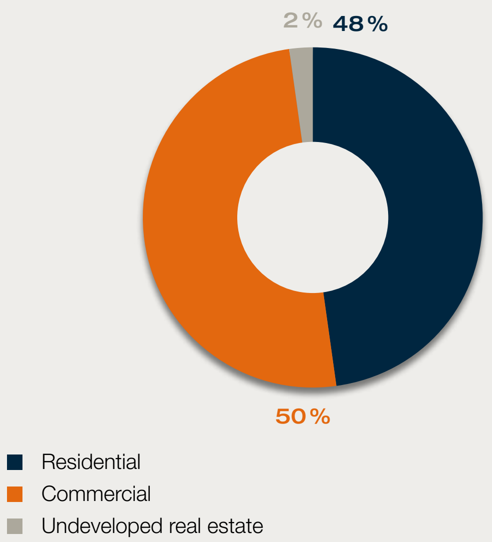
- The commercial real estate portfolio with a volume of around EUR 180 million acquired from Siemens Real Estate GmbH in June 2007
- The Hamburg/Nuremberg commercial real estate portfolio with a transaction volume of EUR 40 million in April 2007
- The residential portfolio with properties in Düsseldorf, Berlin, Leipzig and Munich with a total volume of EUR 59 million.
  TAG's entire investment volume including new acquisitions came to around EUR 304 million last year

Changes in real estate volume*



* book value

Real estate portfolio by type as of 12/31/2007*



* by market value

Review of the year 2007

Innovative project development

Bird`s eye view of the Alte Wöhr construction site

Four properties located close to the Hamburg City Park acquired from a joint venture (50 percent share).

February

Acquisition of high-return commercial real estate in Stahltwiete, Hamburg

Stahltwiete, Hamburg

Commercial real estate worth EUR 40 million acquired in Hamburg and Nuremberg.

Bartholomäusstraße, Nuremberg

April

Innovative terraced housing project

Visualisation of Börnsen

Foundations laid for an innovative terraced housing project in Börnsen near Hamburg.

May

Acquisition of Siemens portfolio with exit tax

Six office buildings acquired from Siemens Real Estate GmbH & Co. OHG with a total floor area of 179,000 sqm and an investment volume of around EUR 180 million.

Siemensdamm, Berlin

Pre-REIT status

Pre-REIT status gained for TAG Gewerbeimmobilien-AG with a planned asset volume of EUR 400 million.

June

Joint Venture in Mainz-Finthen

Visualisation of Mainz-Finthen

Foundations laid for the first terraced houses in Mainz-Finthen. 106 terraced houses are to be built on a total area of around 35,000 sqm in four stages.

September

Development project successfully sold

Visualisation of "Alte Wöhr"

"Wohnen und Arbeiten am Stadtpark" construction project in Hamburg sold to an international investor with a return of 45 percent.

Sale of commercial real estate

Four retail buildings worth EUR 13.4 million sold to optimize the commercial real estate portfolio.

Joint Venture with HSH Real Estate AG

At the end of 2007, TAG and HSH established a joint venture in which they each hold 50 percent. The company specialises in property and asset management for commercial real estate in Germany with a real estate volume of an initial EUR 1.2 billion.

December

Commercial Portfolio optimisation

Attractive office buildings in urban locations with stable cash flows and potential for development

Over the past two years, TAG has been investing heavily in extending its portfolio of commercial real estate. Last year, it concentrated on systematically structuring its portfolio in the light of the requirements of the planned REIT. This entailed adjustment and optimisation efforts to create a first-class portfolio of office real estate. The commercial real estate portfolio comprises properties in metropolitan regions such as Hamburg, Berlin, Munich, Leipzig and the Rhine/Main region.

In the Rhine/Main region, TAG sold four retail buildings with a volume of EUR 13.4 million. With a total floor area of 6,600 square metres, this package was sold to an international investor, fetching a price which slightly exceeded the figures calculated in the valuation report. The proceeds from this transaction are being used to finance further investments in office real estate.

Expansionary investment strategy

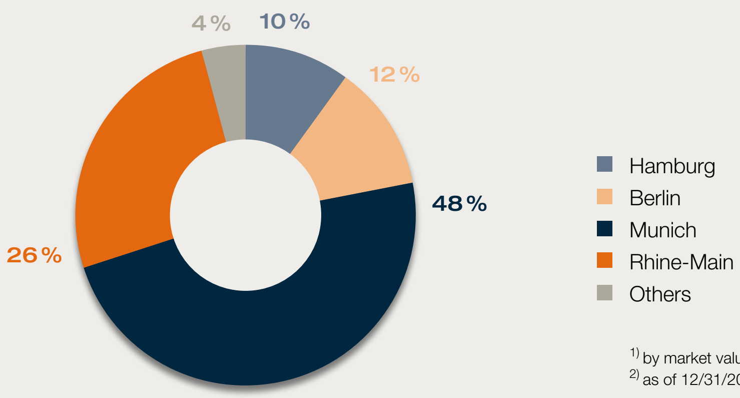
Two attractive packages of commercial real estate with a total letting space of around 21,000 square metres in very good central locations in Hamburg and Nuremberg were acquired for EUR 40 million.

A far more significant acquisition was the office real estate portfolio bought from Siemens Real Estate GmbH & Co. OHG. Situated in top locations in Berlin, Munich, Cologne, Mannheim and Fürth, the six buildings are mostly used as office buildings and have a total floor area of 179,000 square metres. The leases with Siemens have terms of between 5 and 10 years. With the acquisition of the Siemens portfolio as well as additions from a Munich-based portfolio, TAG Gewerbeimmobilien AG's asset volume more than doubled to around EUR 400 million.

Steckelhörn, Hamburg

With its portfolios of commercial real estate in coveted locations in large cities such as Hamburg, Berlin, Munich and Cologne, TAG is very well positioned. The portfolio of office buildings is high diversified with stable cash flows and leases of differing durations.

Commercial real estate portfolio by region [1) 2)]



1) by market value
2) as of 12/31/2007

Innovative project development in a top CBD location in Stuttgart

The “Südtor” estate in Stuttgart offers a combination of office, residential and hotel facilities and, with a volume of around EUR 65 million, will be one of TAG`s most important projects in 2008. Built on a plot measuring a total of 6,750 square metres, the project will provide around 5,000 square metres of office space and 2,900 square metres of retail space plus a 3 or 4-star hotel. The roughly 85 freely financed premium-quality rental apartments will have a total living area of 6,900 square metres. The total usable floor area comes to around 23,000 square metres.

The “Südtor” property is ideal as a compact and lively urban estate thanks to its outstanding location directly abutting onto the Marienplatz square and the mixed utilization comprising a hotel, residential apartments and office space. These characteristics together with the limited availability of construction land in the Stuttgart CBD guarantee long-term value enhancement potential in the heart of a prosperous city. Completion of the project is scheduled for the second quarter of 2010.

Stuttgarter Südtor at night

REITs - a new asset class for Germany

REITs are listed real estate companies of a kind which already exists in 20 countries around the world, in some cases for many years. REITs first arose in the United States and took a good three decades before becoming established as a truly significant asset class characterised by an optimum risk/reward profile.

After the German REIT legislation took retroactive effect as of 1 January 2007, many flotations were expected in this country. However, this wave failed to occur due to the uncertainty in the stock markets. As a result, only two German REITs have materialised to date. Several companies including TAG Gewerbeimmobilien AG hold pre-REIT status. Faced with the unsatisfactory conditions in stock markets, TAG's management decided to postpone the flotation of the planned TAG REIT until a later date. At the moment, there is no guarantee of a fair valuation of the stock. At the same time, alternative placement options are being considered to achieve a stock market flotation in 2008. Admission to the stock market must be gained within a maximum of three years after the date of registration.

The purpose of REITs is to unlock unrealised reserves in the real estate owned by companies and to float them on the stock market. REITs may only invest in commercial real estate and residential properties built after 1 January 2007. The investor can acquire a direct share in a real estate portfolio and receives 90 percent of the income in the form of a dividend. This dividend is then taxed at the investor's personal tax rate, while the REIT itself is exempt from corporate and trade tax.

Residential real estate segment

Active portfolio management for boosting rental returns

Residential real estate forms part of the Group's traditional core business. TAG's subsidiary Bau-Verein zu Hamburg AG ("Bau-Verein" for short) specialises in residential real estate in established locations in German metropolitan regions. With TAG holding 71 percent of its capital, Bau-Verein is a listed company which can look back on 115 years of experience in residential property. In its history spanning many years, it has accumulated extensive skills in managing and building real estate.

It manages and develops roughly 5,000 residential and business properties of its own and has a further 7,200 third-party properties under management. In the new construction segment, some 700 units were under construction or in the planning phase in the year under review.
At the same time, Bau-Verein's activities have long since stopped being confined to Hamburg, having spread to include Berlin, Munich and Leipzig. In this way, it is active in expanding markets characterised by rising populations. The real estate market in Berlin is growing swiftly in attractive locations in particular. Proceeds from the sale of owner-occupied apartments rose by 96 percent to EUR 12.25 million (previous year EUR 6.25 million), spurred by the concentration on high-quality portfolios in choice locations. All told, the Bau-Verein's portfolios are characterised by favourable locations and low vacancy rates. As high-yielding assets, they generate steady and reliable rental income and, hence, stable cash flows for the Company.

Bau-Verein is aiming to strengthen its own portfolio of residential real estate on a sustained basis by means of acquisitions and by enhancing rental returns through active portfolio management. To this end, it is pursuing a successful strategy of increasing floor space. Further aspects of the value-oriented development of existing portfolios include, for example, combining smaller apartments to create larger ones, building underground parking or improving the surroundings. Many successful projects were commenced in 2007:

Bärenparksiedlung in Berlin

"Bärenparksiedlung" is a historical residential ensemble in the Tempelhof of Berlin built in the 1930s. With a total area of around 67,000 square metres, the park-like land offers excellent quality and a very good location.

Spurred by strong demand, the first few modernised apartments were leased at a rental higher than that projected. The extensive modernisation and maintenance activities continuing in 2008 and 2009 include the construction of modern and spacious attic apartments, which will provide additional retail space of around 9,000 square metres.

The investment volume for the years 2007 through 2009 stands at around EUR 9.5 million. The extensive modernisation activities and the creation of apartments meeting market requirements will offer considerable growth potential and scope for increased rental income over the next two years.

heidberg.villages
Langenhorn in Hamburg

Herrengraben, Hamburg

Two portfolio development projects in the heart of Hamburg

A 4 - 5 floor building complex is located in the central Hamburg suburb of Neustadt-Süd in a street called Herrengraben. Constructed in 1913, the building comprises 169 residential units as well as small retail stores in the basement and on the ground floor. A second building complex, which was built at the turn of the century, is also located in Eichholz, also in Neustadt-Süd, not far from the port of Hamburg.

With both projects, construction activities are being executed to make use of unused areas and to create additional residential space. The construction of apartments in the attic as well as balconies and loggias on the courtyard side of the facade will ensure heightened residential quality and thus offer considerable potential for unlocking extra value. The latest energy-saving requirements are being incorporated in efforts to modernise the facades of both buildings.

Innovative terraced housing project in Mainz-Finthen

"Living by the orchards" is the translated name of the new construction project in the attractive Finthen suburb of Mainz. 106 terraced houses are being built on a total area of around 35,000 square metres. Work on the first of four phases with 23 houses commenced in January 2008.

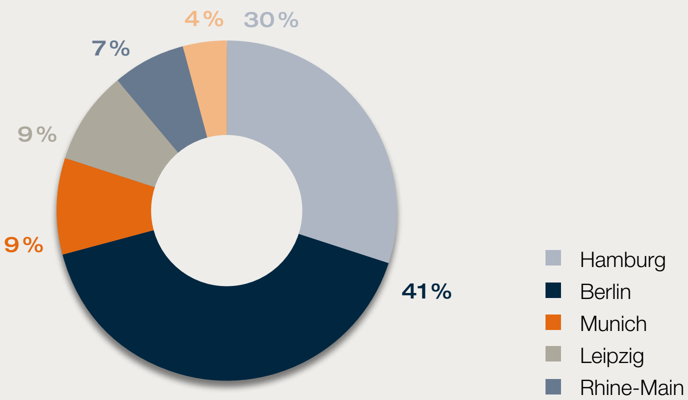
The future residents will enjoy the benefits of an outstanding infrastructure with shopping facilities, kindergartens and schools located close by. At the same time, it is close to the open countryside and offers ideal conditions for families. The estate also has its own courtyard where residents can meet as well as playgrounds for children.

Mainz-Finthen construction project

Project development adjacent to the Hamburg City Park

750 residential units and roughly 14,000 square metres of commercial space are being built as part of the innovative Alte Wöhr construction project. At the beginning of 2007, Bau-Verein acquired four plots, on which around 340 residential units are to be built, from the joint project company with DESIGN Bau AG. Following successful project and development work by Bau-Verein, the entire project was sold with a margin of 45 percent in December 2007. The proceeds from this transaction are to be invested in further major inner-city residential construction projects.

Residential real estate portfolio by region as of 12/31/2007*



* by market value

Business segment
Asset Management

Strategic and value-oriented management of a real estate portfolio

TAG Asset Management GmbH offers a full array of real estate services including facility management, acquisition, due diligence, project development and management and construction site and asset management.

By strengthening its range of services, TAG is responding to the growing relevance of the real estate service process. Comprehensive and conscientious asset management ensures a high standard of quality for tenants and growth in the value of the properties. In addition, it is responsible as a service provider for developing TAG's own portfolio.

At the end of 2007, TAG forged a joint venture with HSH Real Estate AG, a subsidiary of HSH Nordbank AG, in the property and asset management area for commercial real estate, thus strengthening its service activities. The new company manages a portfolio of

commercial real estate worth an initial EUR 1.2 billion comprising jointly held properties as well as real estate managed on behalf of third parties.

By strategically pooling its service activities in TAG Asset Management GmbH, TAG has been able to boost income from service business substantially. With the combination of portfolio development and management as well as a broad range of services, TAG is in a position to cover the entire value chain in the real estate sector.

Asset Management

In the real estate sector, "asset management" is defined as the value-oriented development of a real estate portfolio. This entails the administration of the portfolio and the provision of all related services. Asset management is responsible for general strategic decisions and marketing of the real estate management while the property manager handles the immediate management of the properties.

However, there is no legally binding definition of asset management as such. In the real estate industry, the term is defined in many different ways and frequently also utilized in conjunction with or as a synonym for "property management".

TAG stock

Attractive real estate – attractive investment

Trends in the international stock markets were disparate in 2007: Whereas new highs were hit in the first half of the year, the US subprime crisis exerted pressure in the second half of the year, with the worsening crisis of confidence in the financial sector unleashing risk aversion on the part of investors. Compared with its European counterparts, the German stock market proved to be the top performer in 2007 and was also the most resilient in the face of the strain caused by the US subprime crisis. As a result, the benchmark DAX index gained 22 percent over the year as a whole, while the MDAX advanced by 5 percent. The TecDAX rose by 30 percent to 974 points, exceeding the already impressive gain of 26 percent achieved in the previous year.

By contrast, most listed real estate companies performed disappointingly, with the US subprime crisis taking its toll in Germany and Europe as well. The European EPRA (European Public Real Estate Association) index retreated by just under 34 percent in the course of 2007.

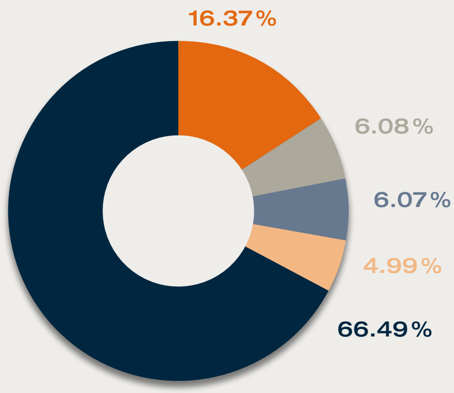
TAG's stock also failed to reflect the Company's very favourable business performance, closing the year down 31 percent. After entering 2007 at EUR 9.50, it hit a high for the year of EUR 11.69 on 20 February. As the year progressed, however, it was unable to shrug off the effects of the general weakness afflicting the stock market, closing the year on 28 December at EUR 6.54, which also marked the low for the year.

TAG's shareholder structure is oriented to national and international investors. These are mostly institutional investors with a long-term horizon and with real estate expertise.

The downward trend continued in the first quarter of 2008, with TAG stock closing at EUR 5.95 on 31 March 2008.

Shareholder structure as of 12/31/2007

(as per statutory disclosures received in 2007)



- Taube Hodson Stonex Partners Ltd., UK [1]
- The European Asset Value Fund, UK [1]
- Dr. Ristow Group
- Tudor International C.L.C, USA [1]
- Free Float

[1] Allocated to free float in accordance with the Deutsche Börse definition

Investor Relations

In the year under review, TAG continued to step up its investor relations activities to additionally strengthen the confidence which investors, analysts and other market participants had gained in the Company. This entailed various presentations as part of road shows and conferences across Europe and the United States.

The capital market's interest is also reflected in the long-term involvement of national and international investors as well as the studies of renowned analysts. Many investors acquire a long-term interest in TAG. This is a sign of their great confidence in the stock as well as the Company.

TAG's website at www.tag-ag.com is a crucial instrument in our investor relations activities. After revising the technical platform for the content of our website, rendering it even more transparent, we received gold in the LACP (League of American Communications Professionals) Awards in New York in 2007. Looking forward, transparent corporate communications and commitment to good corporate governance together with high product quality will continue to form key elements of the Company's strategy.

Stock price

Price on the first day of the year	01/02/2007	EUR 9.50	Price on the last day of the year	12/28/2007	EUR 6.54
High	02/20/2007	EUR 11.69	NAV per share	12/31/2007	EUR 12.36
Low	12/27/2007	EUR 6.54	Price on 03/31/08	03/31/2008	EUR 5.95

Langenhorn in Hamburg

TAG stock

	2007	2006	2005	2004
Number of shares as of 12/31/2007	32,566,364	32,566,364	10,044,901	6,228,926
Notional share in share capital in EUR	1.00	1.00	1.00	1.00
Proposed dividend per share	0.10	0	0	0
Market capitalisation as of 12/31/2007 in EURO million	213	301	82.37	46.1

TAG stock parameters

Stock market ticker	TEG
Stock type	Bearer ordinary shares
ISIN	DE0008303504
Market segment	SDAX
Indices	German CDAX Performance, SDAX Performance Index, Prime All Share, Prime Financial Services, Classic All Share DIMAX
German securities code number	830350
Designated sponsors	Close Brothers Seydler AG, Frankfurt/Main, M.M. Warburg & Co., Hamburg, Viscardi Securities Wertpapierhandelsbank GmbH, Munich (until 12/31/2007),
Stock exchange	Munich, Frankfurt/Main
Research	Bankhaus Lampe, Fair Research, HSH Nordbank AG, IRICIC GmbH Investments Research in Change, SES Research, UniCredit Markets & Investmentbanking, Viscardi Securities Wertpapierhandelsbank GmbH

Net Asset Value (NAV)

TAG Net Asset Value as of 12/31/2007

TAG has retained the services of Cushman & Wakefield from Frankfurt and Rödl & Partner from Nuremberg, to calculate the market/fair values of its real estate. The valuation method applied by internationally renowned valuation companies to measure the value of the real estate accords with the principles of the International Valuation Standards. The market values measured together with the valuation of the Group's service business form the basis for calculating net asset value (NAV), the international benchmark for assessing and comparing real estate companies. This also provides a measure of the Company's inherent value. Given that in the past few years stock prices have frequently been determined by NAV, many listed real estate companies traded at a strong discount on their NAV last year.

Our aim is to continue enhancing NAV by means of sustained increases in the inherent value of all our business activities to provide a basis for a recovery in our stock price and to reinforce our shareholders' confidence in the stock.

TAG published its NAV for the first time as of 30 September 2006. Since then, it has increased by 10% from EUR 11.25 to EUR 12.36.

Calculation of net asset value

	in TEUR
+ Investment properties	556,702
+ Real estate held for sale and development	204,610
+ Market value of financial assets	5,367
+ Other assets	119,924
- Liabilities	-580,090
Net asset value shown on the face of the balance sheet	**306,513**
Unrealized real estate reserves (difference over market value)	39,989
Unrealized reserves in investments	408
Servicegeschäft (DCF-Wert)	55,494
Net Asset Value (NAV)	**402,404**
Net Asset Value (NAV) per share in EUR	**12.36**
of which minority shares in unrealized reserves	-9,903
of which minority shares in unrealized reserves per share in EUR	-0.30
Number of shares	**32,566,364**

German Corporate Governance Code

TAG corporate governance report for fiscal 2007

In accordance with the recommendations of the German Corporate Governance Code (GCGC) on responsible corporate governance, the Management Board and the Supervisory Board are required to report annually on the extent to which the Code has been conformed with. In addition, the German Stock Corporations Act imposes a duty on the Management Board and the Supervisory Board to issue an annual declaration of conformance, stating which recommendations have not been adopted (declaration of conformance in accordance with Section 161 of the German Stock Corporations Act). This code and observance by companies of the recommendations which it contains aim to reinforce the confidence of shareholders, customers, employees and the general public in companies' management. The German Corporate Governance Code serves as an instrument for heightening the transparency and control of listed companies.

The Management Board and the Supervisory Board of TAG have issued regular declarations of conformance in accordance with Section 161 of the German Stock Corporations Act, most recently in December 2007. This declaration of conformance has been made permanently available to the public via the Company's website at www.tag-ag.com.

Providing shareholders and the general public with information on an open and active basis forms part of TAG's mission statement. In line with this, TAG views corporate transparency not merely as an obligation but as a key component of responsible corporate governance and communications. For TAG, corporate governance is an ongoing development and improvement process. As before, TAG will continue to adapt to changes in underlying conditions, the statutory regulations and amendments to the German Corporate Governance Code and submit its principles to regular review and optimisation.

By establishing corporate governance as a key component of its corporate culture, TAG is also helping to strengthen its own enterprise value. Shareholders and investors are increasingly attaching importance to transparent corporate governance and such aspects will exert growing influence on their investment decisions in the future.

Any departure from the GCGC recommendations primarily has technical reasons. Given the size of the Supervisory Board, which comprised three shareholder representatives in 2007, it was not expedient for committees to be established. In this constellation, it was possible for the Supervisory Board to work effectively and efficiently both internally and in collaboration with the Management Board.

Dr. Lutz R. Ristow's transfer from TAG's Management Board to its Supervisory Board in accordance with the ruling issued by the Local Court of Munich at the beginning of 2007 is not considered to constitute a breach of Article 5.4.4 of the GCGC. It is not the rule at TAG for a member of the Management Board to transfer to the Supervisory Board. In this particular case, the move is due to the fact that Dr. Lutz R. Ristow was previously the chairman of the Supervisory Board and accepted a seat on the Management Board in order to assist with operative management for a period of time which was limited from the outset.

The remuneration paid to members of the Supervisory Board is governed by Article 15 of the Company's articles of incorporation. The members received fixed remuneration of EUR 7,500.00 plus the premiums for appropriate D & O insurance cover for each full year of membership. In addition, each member receives 2 percent of the amount in excess of a share in profits of 4 percent distributed to the shareholders. However, this variable remuneration may not exceed a sum threefold the fixed remuneration provided for in Paragraph 1. The Chairman receives twice this amount and his deputy one-and-a-half times this amount. Accordingly, the remuneration paid to the members of the Supervisory Board comprises a fixed and a variable component. In 2007, the members of the Supervisory Board did not receive any variable remuneration. The following net remuneration was paid:

Dr. Lutz R. Ristow (Chairman)	EUR 15,000
Prof. Dr. Ronald Frohne (Deputy Chairman)	EUR 11,250
Rolf Hauschildt	EUR 7,500
Dr. Wolfgang Schnell	EUR 7,500

Further details on the Management Board remuneration are set out on pages 115 of the annual financial statements. The disclosures made there form part of the corporate governance report.

Prof. Dr. Ronald Frohne is a partner in the Nörr, Stiefenhofer, Lutz law firm, which provided the Company with legal advice in 2007 on matters of corporate law and also assisted in the preparation of the conversion of TAG Gewerbeimmobilien-Aktiengesellschaft into a REIT. A total fee of TEUR 420 was paid for these services.

In addition, Article 6.6 of the GCGC provides for the members of the Supervisory Board and the Management Board to disclose details of shares held directly or indirectly in the Company or financial instruments based on these. The following shares were held as of December 31, 2007:

Shareholders	Number of shares
Dr. Lutz R. Ristow und Rita Ristow	915,887
Albert Asmussen GmbH (Prof. Dr. Ronald Frohne)	278,127
A&B Vermögensverwaltung GmbH (Geschäftsführer: Rolf Hauschildt)	294,531
WH Vermögensverwaltung GmbH (Waltraud Hauschildt)	232,031
RH Vermögensverwaltung GmbH (Rolf Hauschildt)	255,860
Dr. Wolfgang Schnell	51,786
Andreas Ibel	8,000

Hamburg, April 2008

Supervisory Board and Management Board of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

Declaration of conformity

Declaration of conformance by the Management Board and the Supervisory Board in accordance with Section 161 of the German Stock Corporations Act

The Management Board and the Supervisory Board of TAG Tegernsee Immobilien- und Beteiligungs-AG confirm that the Company conforms to the recommendations issued by the German Federal Ministry of Justice and published in the official part of the electronic Bundesanzeiger publication drafted by the Government Commission on the German Corporate Governance Code (hereinafter referred to as "GCGC") in the version dated 14 June 2007 save for the following exceptions:

- The Company's D&O insurance provides for a small deductible for individual members of the Management Board and the Supervisory Board (Article 3.8 Sentence 3 of the German Corporate Governance Code (GCGC). This entails group insurance which also covers the Company's other management and executive staff. A distinction between members of the Company's corporate bodies and employees is not consi dered to be appropriate.
- TAG Tegernsee Immobilien- und Beteiligungs-AG's Supervisory Board has not formed any committees at this stage. This particularly refers to the establishment of an audit committee (Article 5.3.2 Sentence 1 of the GCGC) and the establishment of a nomination committee (Article 5.3.3 of the GCGC). The Company's Supervisory Board takes the view that such committees are neither necessary nor appropriate given the Company's specific situation, particularly the size of the Supervisory Board.
- The Company's consolidated and interim financial reports are not published within 90 days of the end of the fiscal year (Article 7.1.2 of the GCGC) but are published within the first four months of the conclusion of the financial year or six weeks after the end of the quarter in ac cordance with the statutory provisions. The Company's Management Board and Supervisory Board do not consider the added cost arising from a shorter reporting period to be justified.
- The Company did not make previous declarations of conformity accessible on its website until the 2005 financial year. (Article 3.10 GCGC)

Hamburg, December 2007

Supervisory Board and Management Board of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

Report of the Supervisory Board

Dear shareholders, ladies and gentlemen,

In 2007, the Supervisory Board again regularly dealt with the Company's economic condition, strategic development and business performance at length.

The Management Board briefed the Supervisory Board regularly in writing and also orally on the Company's economic position including risk exposure and risk management as well as matters relating to business performance, strategies and planning. In addition to a general review of the business performance of the Group and the subsidiaries, the meetings were used to pass resolutions on acquisitions by TAG Gewerbeimmobilien-Aktiengesellschaft and its conversion into a REIT. The Supervisory Board was directly involved in all decisions of fundamental importance and was also briefed by the Management Board on special occurrences outside its meetings. Some decisions were made in written form.

As in earlier years, the Chairman of the Management Board kept the Chairman of the Supervisory Board informed of all main developments and upcoming decisions in regular one-on-one conversations.

Dr. Lutz R. Ristow

Deliberations and resolutions of the Supervisory Board

At a total of five meetings, the Supervisory Board deliberated on and discussed numerous topics as well as activities requiring its approval in conjunction with the Management Board. In addition, telephone conferences were held to consult on the interim financial statements. No member of the Supervisory Board attended fewer than half of the meetings.

The acquisition proposals submitted as a basis for a decision primarily entailed commercial land acquired by TAG Gewerbeimmobilien-Aktiengesellschaft. At its meeting held in February, the Supervisory Board approved the acquisition of the Unterschleißheim property as well as the Werther Carré property in Wuppertal, contracts for which had been signed at the end of 2006. In addition, it approved the purchase of the properties located in Planckstraße and Stahltwiete in Hamburg.

At its meeting dated 11 April 2007, the Supervisory Board approved the annual financial statements for 2006 after discussing these and the Company's results of operations in detail with the auditor. In addition, it adopted an updated version of the rules of conduct for the Management Board.

At its meeting in June, the Supervisory Board passed a resolution to convert TAG Gewerbeimmobilien-Aktiengesellschaft into a REIT. It approved the commencement of preparations for floating this company on the stock market in the 4th quarter of the year. During further meetings in the second half of the year, the Supervisory Board repeatedly addressed matters relating to the establishment of a REIT. At the meeting held in December, however, a decision was made to postpone the stock market flotation until 2008 on account of conditions prevailing in the capital markets.

In addition, the Supervisory Board repeatedly deliberated on the development of the "Alte Wöhr" project in Hamburg-Winterhude, a project executed by Bau-Verein zu Hamburg Eigenheim-Immobilien GmbH and its partner DESIGN Bau AG Kiel. It was particularly required to make a decision on the purchase, sale and development of individual plots by Bau-Verein zu Hamburg Eigenheim-Immobilien GmbH as well as the possibility of an outright sale of the entire project. In this connection, it was necessary to weigh up the advantages and disadvantages of an outright sale and the realization of profit in 2007 versus the prospect of retaining the project for development over a period of several years.

Finally, the Supervisory Board discussed the establishment of a joint venture with HSH Real Estate for the management of commercially used real estate in Germany. For this purpose, HSH Real Estate acquired around 50 percent of the capital of BuP Projektmanagement GmbH, Leipzig.

Auditors of 2007 financial statements

In accordance with the recommendations of the Corporate Governance Code, the Supervisory Board engaged the auditors Wirtschaftsprüfungsgesellschaft Nörenberg • Schröder GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, which had been elected by the shareholders at the annual general meeting as the auditors of the annual financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft for 2007.

The auditors submitted the declaration of independence stipulated by Article 7.2.1 of the German Corporate Governance Code, to which no objections were raised. The requirements specified in Article 7.2.3 of the German Corporate Governance Code with respect to the relations between the Company and the auditors have been observed.

Approval of annual financial statements and consolidated financial statements

The auditors, Nörenberg • Schröder GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, carried out the audit of the annual financial statements and the management report as well as the consolidated financial statements and the Group management report for 2007, which had been prepared in accordance with the International Financial Reporting Standards (IFRS). In accordance with Section 315a of the German Commercial Code, no consolidated financial statements were prepared on the basis of German GAAP. An unqualified auditor's report was issued.

The financial statements and the audit reports were forwarded to all members of the Supervisory Board in good time and deliberated upon in detail at the meeting of 17 April 2008 at which the Supervisory Board was to approve the annual financial statements. The auditors also attended the meeting, during which they elaborated on their report and were available to answer any questions. The auditors additionally confirmed that the risk early detection system which had been installed by management was suitable for detecting in good time any developments liable to jeopardise the Company's going-concern status.

The Supervisory Board accepted the auditors' results and, on the basis of its own review of the parent-company and consolidated financial statements together with the respective management reports, did not raise any objections. Accordingly, the parent-company and consolidated financial statements prepared by the Management Board were approved and accepted by the Supervisory Board. At its meeting held on 17 April 2008, the Supervisory Board additionally approved the resolutions which the shareholders were asked to pass at the annual general meeting.

Corporate Governance

In the year under review, the Supervisory Board paid particular attention to monitoring compliance by management with the principles of good corporate governance. In particular, there was a risk of conflicting interests in that the members of the Management Board of TAG also held offices on the Management Board of Bau-Verein zu Hamburg Aktiengesellschaft. No such conflicting interests arose in 2007.

At its meeting in December, the Supervisory Board and the Management Board jointly issued the declaration of conformance prescribed by Section 161 of the German Stock Corporations Act regarding the recommendations set out in the German Corporate Governance Code. The recommendations are largely followed save for a small number of justified exceptions. Given its current size, which permits efficient and swift decisions, the Supervisory Board still does not see any need to establish separate committees.

Personnel

At the annual general meeting held on 15 June 2007, Dr. Lutz R. Ristow, who had previously been appointed to the Supervisory Board by virtue of an order issued by the Local Court of Munich of 30 January 2007, was elected to the Supervisory Board in accordance with Article 5.4.3 of the German Corporate Governance Code in the version dated 14 June 2007 as a representative of the shareholders. Dr. Lutz R. Ristow's office expires at the end of the annual general meeting at which the actions of the Supervisory Board for 2007 are ratified by the shareholders.

With their great dedication, the employees of TAG and its subsidiaries made a great contribution to the Group's performance in 2007. The Supervisory Board wishes to thank the Management Board and all employees for the work performed.

Hamburg, April 2008

The Supervisory Board
Dr. Lutz R. Ristow, Chairman

Group Management Report for the year 2007

Corporate Overview

2007 was the most successful year in the history of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft ("TAG" for short). During the year, the Company was able to successfully continue its strategy in all core business segments. With an increase in total assets in the IFRS consolidated balance sheet to EUR 886.6 million and an equity ratio of 35 percent, TAG is ideally positioned to face the challenges of the future. In 2007, earnings before tax (EBT) rose five-fold to EUR 31.1 million on a 36 percent increase in revenues to EUR 146.1 million. The Group's Asset Management segment was reinforced appreciably with the forging of a joint venture with HSH Real Estate. The Management Board and the Supervisory Board will be asking the shareholders to approve a dividend of EUR 0.10 per share.

The TAG Group

Business activity and Group structure

TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft is the holding company in a diversified and clearly structured real estate group. The Company's activities are targeted at German metropolitan regions including Hamburg, Berlin, Munich and Leipzig. TAG is divided into three subgroups covering residential real estate, commercial real estate and services.

The subsidiary Bau-Verein zu Hamburg AG (or "Bau-Verein" for short), which is also a listed company, is responsible for residential real estate within the TAG Group. TAG's commercial real estate activities are handled by TAG Gewerbeimmobilien-AG, which achieved pre-REIT status in June 2007. TAG Asset Management GmbH provides real estate services within the Group. At the end of 2007, it forged a joint venture with HSH Real Estate for the provision of management services for commercial real estate covering both its own portfolio and, more particularly, third-party assets.

Stahltwiete, Hamburg

Strategy and goals

The Company's strategy is to unlock long-term value by means of acquisitions and by investing in its portfolio. TAG seeks to strengthen and extend its core business segments on a sustained basis by systematically pursuing a buy, build and hold strategy. Thus, it taps potential for growth and value enhancement in metropolitan regions and engages in active asset management to boost its enterprise value and profitability. One key aspect of these activities concerns the acquisition of new residential and commercial real estate portfolios as well as the management and development of existing ones to achieve stable returns and strong cash flows. These goals are achieved in the following ways:

- Extensions to the portfolio of residential and commercial real estate by acquiring individual properties, entire portfolios and real estate companies in Germany.

- Unlocking value in existing portfolios by specifically acquiring residential and commercial real estate offering potential for boosting rental and sales income.

- Active management of existing real estate assets to heighten rental income and to unlock value.

- Execution of new construction projects tailored to meet the special demands of individual buyer groups in urban locations either alone or as part of joint ventures.

- Increase in service activities in all segments of the real estate industry either independently or in joint ventures with HSH Real Estate and other strategic partners.

Siemens building in Berlin

Corporate management/asset management

The Company uses a modern financial tracking system allowing it to calculate value growth and returns in line with capital market requirements in order to manage its growth targets. In this connection, TAG is managed via the results achieved at the property level of the individual business segments. The decisive factors here include feasibility studies, optimisation of utilisation, costing, cost controlling and returns.

In addition, all results and project calculations are reviewed at least once a year by independent international valuers with high market expertise such as Cushman & Wakefield and Rödl & Partner, after which reports are produced.

Underlying economic conditions

The overall economy

The global economy remained on a growth trajectory in 2007. Despite individual problems in the international financial markets, global economic growth continued to accelerate, with global gross domestic product (GDP) expanding by 5.1 percent (previous year 5.4 percent). The German economy also remained on an upswing and continued to grow.

Despite some turbulence, the euro-zone economy remained upbeat in 2007. GDP rose by 2.6 percent, compared with 2.8 percent in 2006. According to the calculations of the German Federal Bureau of Statistics, the German economy widened by 2.5 percent in 2007, compared with 2.9 percent in 2006 despite the strain exerted by the VAT hike and uncertainty in the capital market. This growth was driven by an increase in capital spending and strong foreign demand. By contrast, private consumption remained flat, not least of all due to the strains exerted by fiscal policy, e.g. the VAT hike.
(Source: FTD, 28 December 2007, page 18)

Given the solid economic situation and mounting inflation risks in the euro zone, the European Central Bank raised its base rate twice in the first half of the year by a total of 0.5 percentage points to 4.0 percent. Although it did not rein in money supply any further in the second half of the year, money market rates rose massively. The mutual distrust amongst banks spread to the money markets, resulting in sharp premiums on bank lending rates. As a result, the 3-month Euribor hit a peak of 4.95 percent and remained at close to 4.7 percent at the end of the year, resulting in an unusually broad spread over the ECB rate.

The real estate industry

The German real estate market performed well in 2007, with the highest office real estate transaction volumes registered since the record year of 2001 in Berlin, Düsseldorf, Hamburg, Frankfurt and Munich. As a result, the vacancy rates which had arisen over the past few years receded again substantially. This was accompanied by an appreciable increase in rental rates. Given the currently still small volume of speculative completions and the resultant shortage of premium new constructions in first-class locations, this trend looks set to continue for now.

Even though the global crisis of confidence afflicting the financial markets is not a German real estate crisis, the fallout can be felt by all market participants. Bank lending has now become more restrictive, while project finance is increasingly being made contingent on more demanding covenants.

European Investment Market Prospects

Moscow	6.75
Istanbul	6.74
Hamburg	6.39
Munich	6.36
Paris	6.13
Lyon	6.11
Frankfurt	5.90
Stockholm	5.85
Berlin	5.74
Helsinki	5.69
Milan	5.68
Prague	5.67
Rome	5.57
Brussels	5.53
London	5.53
Warsaw	5.51
Zurich	5.50
Vienna	5.42
Madrid	5.39
Barcelona	5.31
Copenhagen	5.29
Amsterdam	5.27
Lisbon	5.26
Edinburgh	5.21
Athens	5.02
Budapest	5.00
Dublin	4.74

1 Abysmal — 5 Fair — 9 Excellent

(Source: Emerging Trends in Real Estate Europe 2008; PricewaterhouseCoopers, Urban Land Institute)

Whereas the real estate market in cities such as Paris and London appears to have reached its zenith, the German cycle has not yet progressed as far. Hamburg, Berlin and Leipzig are the cities with the best prospects of growth in Germany.

TAG has a very strong presence at these top national locations. Its portfolio of commercial and residential real estate is located in the metropolitan regions of Hamburg, Berlin, Munich and Leipzig. The major German metropolitan regions in particular harbour particular development and rental potential in the commercial and office real estate segment, something from which TAG stands to benefit materially.

Looking ahead over the next few years, the top German locations are expected to see a further increase in rental and purchase prices. In the market for owner-occupied residential apartments, there was already an appreciable trend towards premium-quality properties in central CBD locations last year. In particular, living in the city is enjoying something of a renaissance at the moment in the face of rising mobility costs. On the other hand, buyers are turning away from remote locations and properties with only an average quality. By far the highest prices for owner-occupied apartments continue to be fetched in Munich.

Demand for residential space will also continue to grow. One reason for this is what by international standards is the still lower proportion of home owners of 43 percent in Germany. This is generating potential for growth particularly in large cities such as Berlin (home ownership ratio: 13 percent) and Hamburg (home ownership ratio: 22 percent). Demographic aspects are also additionally spurring the real estate market – at least in the metropolitan regions: According to forecasts, population growth will be confined to urban areas. At the same time, the proportion of one and two-person households widened from 55 percent in 1970 to 70 percent in 2004. As well as this, a study conducted by market research institute Empirica indicates that average residential space per capita will rise from 46 to 56 square metres in the old German states by 2030.

All in all, the experts at PricewaterhouseCoopers and the Urban Land Institute expect the European real estate market to calm down. Despite the subprime crisis, the German real estate market is still in an upswing. Decisive factors are the sustained upbeat economic conditions and the reasonably limited risks.

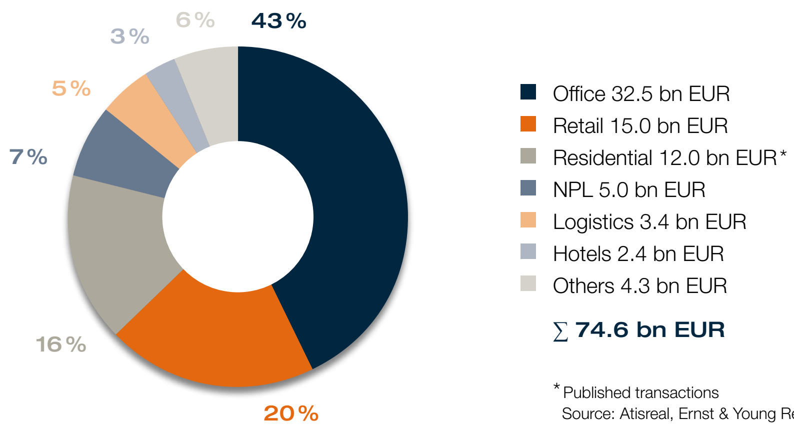
(Source: Emerging Trends in Real Estate Europe 2008; PricewaterhouseCoopers, Urban Land Institute)

Rising investment volumes in Germany

Transaction volumes in the German real estate market rose from EUR 69.7 billion in 2006 to EUR 74.6 million in 2007, an increase of 7 percent. The commercial real estate segment, which accounts for EUR 53.3 billion, widened by 22 percent year on year, while the residential real estate segment rose by a particularly strong 26 percent to EUR 12.0 billion. The dominance of foreign investors receded considerably in the second half of the year. Private equity investors were to be found on the buying side in the first half of the year in particular.

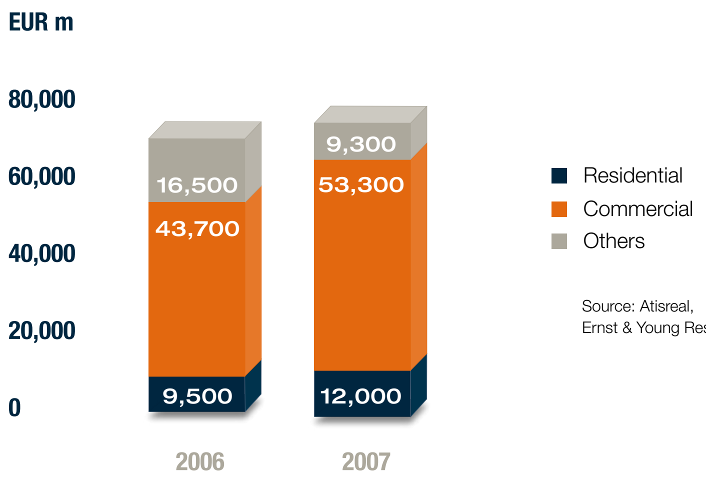
(Source: Immobilien-Investmentmarkt Deutschland 2008 Perspektiven & Trends, Ernst & Young Real Estate GmbH, February 2008)

Transaction volumes in 2007 by utilisation type



* Published transactions
Source: Atisreal, Ernst & Young Research, 2008

Changes in investment volume by type 2006-2007



Source: Atisreal,
Ernst & Young Research, 2008

Legal conditions

In Germany, the REIT Act came into force in June 2007. Several German real estate companies, including TAG's subsidiary TAG Gewerbeimmobilien-AG, have already applied for and received pre-REIT status. REITS are listed real estate investment trusts, which under German REIT legislation may primarily only invest in commercial real estate. Residential real estate built before 1 January 2007 is excluded from this. REITs' main area of activity is the purchase, development, management and sale of real estate. They enjoy a special legal status and are exempt from corporate and trade tax.

In view of the unsatisfactory conditions in stock markets, TAG's management decided to postpone the flotation of the planned TAG REIT until a later date. At the moment, there is no guarantee of a fair valuation being achieved for the stock. At the same time, alternative placement options are being considered to achieve a stock market flotation in 2008.

Accounting principles

In accordance with Regulation (EC) No. 1606/2002, the consolidated financial statements of TAG Tegernsee Immobilien und Beteiligungs-Aktiengesellschaft as at 31 December 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as supplemented by the provisions contained in Section 315a (1) of the German Commercial Code. The financial statements of TAG Tegernsee Immobilien und Beteiligungs-Aktiengesellschaft as well as those of the Group companies were again prepared in accordance with the provisions of the German Commercial Code. In accordance with Regulation (EC) No. 1606/2002, the consolidated subgroup financial statements of Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg, (Bau-Verein) as at 31 December 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as supplemented by the provisions of Section 315a (1) of the German Commercial Code.

Earnings

Operating performance

All of TAG's segments performed well in 2007, with revenues rising by 36.1 percent to EUR 146.1 million, underpinned by a sharp rise in rental income, service income and sales proceeds.

Consolidated net profit rose six-fold over 2006 to EUR 16.5 million.

Under its buy, build and hold strategy, the Group was able to actively unlock value from its own portfolio by buying and developing its own properties and then renting or selling them.

An outstanding example of this in 2007 was the "Wohnen und Arbeiten am Stadtpark" project. Bau-Verein zu Hamburg, a subsidiary of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, and Kiel-based DESIGN Bau AG sold this project located in Hamburg-Winterhude to an international investor, earning a margin of 45 percent on a capital commitment of less than two years.

Floor area increased to 310,618 square metres (previous year 278,759 square metres) in the residential segment and to 345,660 square metres (previous year 127,094 square metres) in the commercial segment. The vacancy rate stood at 2 percent for commercial and 4 percent for residential properties.

Revenues and earnings

In the year under review, the TAG Group achieved a 36.1 percent increase in revenues from EUR 107.3 million in the previous year to EUR 146.1 million. At the same time, rental income rose by 60.6 percent from EUR 25.1 million in 2006 to EUR 40.3 million in 2007. Service income surged by some 160 percent to EUR 24.9 million in the year under review, up from EUR 9.5 million in 2006. Sales proceeds climbed by 11 percent from EUR 72.7 million in 2006 to EUR 81.0 million in 2007.

In 2007, TAG was able to achieve prices on sales transactions in excess of those stated in market reports. The greatest success was the sale of the Hamburg “Wohnen und Arbeiten am Stadtpark” project to an international investor in December 2007. In Behrenstrasse in Berlin-Mitte, eleven of the 28 lavishly appointed owner-occupied apartments in a classic modern style were sold in 2007 for a total price of EUR 6.3 million. Launched in 2007 in Mainz-Finthen, the construction project comprising a total of 23 terraced houses achieved a number of sales in the year under review far ahead of the commencement of construction.

Other operating income rose by 29.1 percent to EUR 8.1 million (previous year EUR 6.3 million) due, among other things, to profit earned on the sale of shares in connection with the establishment of the joint venture with HSH Real Estate.

The net gains of EUR 30.3 million arising from remeasurement of investment properties at their fair values, up from EUR 11.6 million in the previous year, made a material contribution to earnings. The higher fair value was due to spending on investment properties together with a steady reduction in vacancies in tandem with the acquisition of real estate and higher rental levels as well as the reclassification of available-for-sale properties as investment properties. The Company sees this as confirming its strategy of reinforcing the profitability of investment properties by means of active project management and ongoing spending.

Gross profit

The TAG Group’s gross profit almost doubled in 2007, rising to EUR 79.6 million, up from EUR 39.4 million in the previous year. Gross profit includes the profit contributed by the individual segments as well as the net gains from fair value remeasurements and other operating income.

Gross profit rose in all segments. Gross profit from facility management came to EUR 26.2 million in 2007, up from EUR 12.8 million in 2006, EUR 10.5 million from the sale of properties, up from EUR 5.5 million in 2006, and EUR 4.5 million in the service segment, up from EUR 3.3 million in 2006. Net gains from fair value remeasurements stood at EUR 30.3 million (previous year EUR 11.6 million), with other operating income coming to EUR 8.1 million (previous year EUR 6.3 million).

Expenses

Consolidated personnel expenses came to EUR 12.4 million (previous year EUR 10.1 million). This increase was particularly due to efforts to establish and extend asset management activities. However, personnel expenses rose less quickly than revenues as a whole and total capital spending.

Other operating expenses - including the cost of gaining REIT status for TAG-Gewerbeimmobilien AG of EUR 0.8 million - climbed to EUR 14.5 million (previous year EUR 11.5 million). Otherwise, this increase was also due to the rise in borrowing costs in connection with additions to the commercial real estate portfolio.

EBIT

EBIT surged threefold in 2007, coming to EUR 51.1 million (previous year EUR 17.1 million).

Net borrowing costs

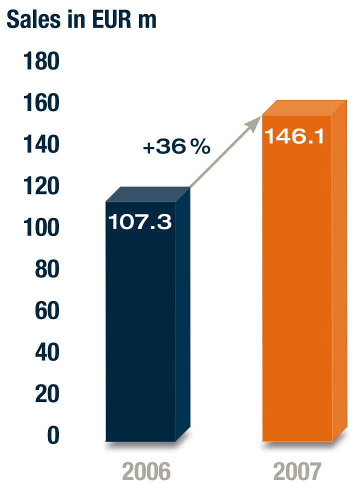
Net borrowing costs came to EUR 19.1 million (previous year EUR 10.5 million). Lending volumes widened in line with plans particularly as a result of the acquisition of major items of property. However, the increase in capital and money market rates in the wake of the subprime crisis also contributed to the higher borrowing costs. To hedge interest exposure, the TAG Group entered into interest derivatives worth EUR 223.1 million at an average interest rate of 4.5 percent.

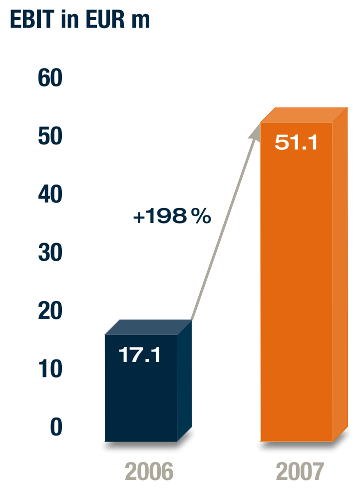
Earnings before tax (EBT)

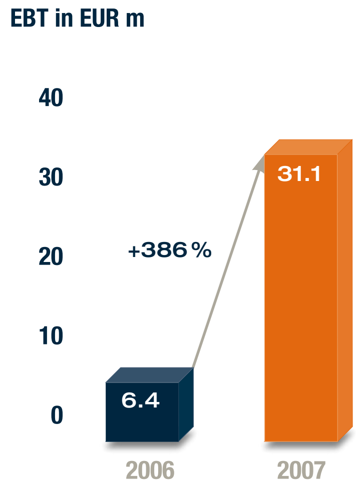
Earnings before tax (EBT) rose five-fold to EUR 31.1 million in 2007 (previous year EUR 6.4 million).

Consolidated net profit

The TAG Group achieved consolidated net income after tax and minorities of EUR 16.5 million in 2007, up from EUR 2.8 million in the previous year.







TAG's segments

The following section describes the performance of the Group's individual segments.

Bau-Verein zu Hamburg Aktien-Gesellschaft (residential real estate segment) Revenues and earnings

Revenues in this subgroup rose by 23 percent in 2007 to EUR 96 million, up from EUR 78.6 million in the previous year. Specifically, proceeds from the sale of properties climbed from EUR 49.3 million in 2006 to EUR 52.1 million. The high proceeds in 2007 are primarily due to the sale of the "Wohnen am Stadtpark" project in Hamburg following planning and development work by Bau-Verein. The shares in Bau-Verein zu Hamburg Gewerbeimmobiliengesellschaft mbH, Hamburg, were sold by the Bau-Verein Group to its parent company TAG at the end of 2006. Facility management income came to EUR 19.9 million in 2007, down from EUR 22.4 million in 2006. In this connection, it should be noted that in 2006 part of the income (EUR 5.7 million) was generated in the commercial real estate segment, which was sold to TAG at the end of 2006. Thus, adjusted for commercial real estate activities, facility management income rose by EUR 3.2 million in 2007. As a result of the decision to concentrate solely on the residential real estate market, no income was generated in the commercial real estate segment in 2007. Net profit from facility management activities rose to EUR 4.0 million in 2007, up from EUR 1.2 million in 2006.

Adjusted for the commercial real estate activities, net profit from facility management activities rose by 21 percent in 2007 to EUR 10.9 million (previous year EUR 9.0 million). Including income from commercial real estate activities, gross profit from facility management activities contracted by EUR 0.9 million in 2007, down from EUR 11.8 million in the previous year.

Gross profit for the subgroup came to EUR 36.8 million in 2007, down from EUR 38.9 million in the previous year. Compared with the previous year (EUR 1.4 million) internally generated activities dropped to EUR 0.6 million in the year under review due to the greater use of external service providers. The share of other operating income in gross profit contracted by EUR 7.6 million, from EUR 8.5 million in 2006 to EUR 0.9 million in 2007. Modernisation and maintenance activities aimed at enhancing asset values resulted in net gains of EUR 7.6 million from fair-value remeasurement, compared with EUR 12.0 million in the previous year. The steady reduction in vacancies together with ongoing spending on the investment properties in tandem with rising rental levels at all sites will continue to result in sustained increases in value in the long term. In 2007, the carrying amount of the investment properties increased by 15.5 percent to EUR 128.2 million , up from EUR 111.1 million in the previous year. The Management Board sees this as confirming its strategy of reinforcing the profitability of investment properties by means of active project management and ongoing spending.

Personnel expenses rose from EUR 6.8 million in 2006 to EUR 6.9 million in 2007, with wages and salaries coming to EUR 5.9 million, up from EUR 5.7 million in 2006. Social security costs stood at EUR 0.8 million (previous year EUR 0.9 million), while pension and support expenses remained unchanged at EUR 0.2 million. At the same time, services within the TAG Group as well as for third parties were extended. This was accompanied by a substantial increase in service income.

Interest income rose to EUR 2.6 million, up from EUR 1.1 million in the previous year. Interest expense climbed from EUR 10.2 million in the previous year to EUR 11.2 million in 2007.

Net borrowing costs declined from EUR 9.0 million in the previous year to EUR 8.6 million in the year under review.

Impairment losses on other financial assets (investments) were valued at EUR 0.7 million in 2007 (previous year EUR 0.0 million).

Other operating expenses were lowered from EUR 6.5 million in 2006 to EUR 6.3 million in 2007. Adjustments to receivables dropped by EUR 0.8 million, loan-raising costs by EUR 0.3 million, legal and consulting costs by EUR 0.1 million, expenditure on fund companies by EUR 0.4 million and the cost of premises by EUR 0.1 million in 2007. Other personnel expenses climbed by EUR 0.1 million, project start-up costs by EUR 0.1 million and the cost of the annual general meeting and publications by EUR 0.1 million. Service expenditure within the Group came to EUR 0.7 million, while expenditure relating to subsidiaries consolidated for the first time amounted to EUR 0.4 million.

At EUR 23.4 million, earnings before interest and taxes (EBIT) were down on the previous year (EUR 25.5 million).

Deferred tax liabilities were valued at EUR 2.7 million in 2007, up from EUR 1.4 million in the previous year. The share of deferred taxes on gains from the fair-value remeasurement of investment properties stands at EUR 0.7 million, compared with EUR 5.3 million in the previous year. The tax rate was changed in 2007, resulting in tax expense of EUR 1.9 million. Current income taxes came to EUR 3.4 million in 2007, up from EUR 0.5 million in the previous year. Other taxes dropped from EUR 0.7 million in 2006 to EUR 0.6 million in the year under review.

Post-tax earnings of EUR 7.1 million were recorded in 2007, down from EUR 14.6 million in the previous year.

TAG Gewerbeimmobilien-AG (commercial real estate segment)

The commercial real estate segment benefited from upbeat market conditions in 2007. In the year under review, a number of properties in Munich and other German cities acquired under a contract signed in 2006 were transferred to the portfolio. A further major portfolio with a total value of EUR 180 million was acquired in 2007 from Siemens Real Estate GmbH & Co. OHG using the exit tax method.

Revenues increased to EUR 39.4 million in 2007, up from EUR 37.7 million in the previous year. At the same time, revenues from facility management tripled from EUR 5.6 million in 2006 to EUR 16.1 million in 2007 due to rental income from properties acquired as well as new leases. Net profit from facility management increased to EUR 12.6 million in the year under review, up from EUR 2.8 million in the previous year. The sale of commercial properties previously held in the portfolio generated revenues of EUR 23.3 million (previous year EUR 32.1 million).

As a result, TAG was able to optimise its portfolio of commercial real estate for the REIT by selling four retail properties in the Rhine/Main region for a sum of around EUR 13.4 million.

In 2007, net gains from fair-value remeasurement came to EUR 24.2 million (previous year EUR 0.0 million) as a result of the first-time fair-value measurement of the real estate acquired in the year under review or reclassified from current assets as of the balance sheet date.

Other operating expenses rose from EUR 2.4 million in 2006 to EUR 4.5 million in 2007 primarily as a result of the increase in loan-raising costs, legal and consulting costs and services provided by affiliated companies. Personnel numbers are deliberately kept low as it is possible to make use of the TAG Group's resources for accounting, finance, legal advice, controlling and acquisition as well as in other areas. Expenditure on these services increased in line with the growth in real estate volumes. The cost of the planned stock market flotation of TAG-Gewerbeimmobilien-AG stood at EUR 0.8 million in 2007.

Net borrowing costs came to EUR 13.1 million in 2007, up from EUR 2.7 million in 2006. Although current liabilities were converted into non-current ones, the increase in the real estate portfolio resulted in higher borrowing costs in 2007.

Gross profit widened to EUR 36.2 million (previous year EUR 8.3 million). Earnings before tax rose six-fold to EUR 18.4 million in 2007, up from EUR 3.2 million in the previous year. With the acquisition of pre-REIT status in 2007, the basis for converting the company into a REIT was created.

TAG Asset Management (services segment)

Revenues contracted from EUR 25.8 million in 2006 to EUR 14.2 million in 2007. In this connection, proceeds from the sale of properties contributed EUR 5.5 million (previous year EUR 22.7 million), income from facility management EUR 1.7 million (previous year EUR 2.0 million) and the share in income from management and other services EUR 7.0 million (previous year EUR 1.2 million).

Gross profit widened to EUR 10.6 million in 2007, up from EUR 6.7 million in 2006, with other operating income climbing from EUR 3.9 million in 2006 to EUR 7.0 million in 2007. This increase was materially due to gains from the partial sale of shares in connection with the establishment of the joint venture with HSH Real Estate. Net gains from fair-value remeasurement dropped from EUR 2.0 million in 2006 to EUR -2.0 million in 2007.

Earnings before interest and taxes (EBIT) increased from EUR 2.0 million in 2006 to EUR 3.3 million in 2007. Personnel expenses rose from EUR 1.5 million in 2006 to EUR 2.2 million in 2007. Other operating expenses came to EUR 3.6 million in 2007 (previous year EUR 2.9 million). Adjustments to receivables increased by EUR 1.2 million in 2007.

Earnings before tax rose to EUR 1.6 million in 2007, reversing the loss before tax of EUR 1.4 million in 2006. Net profit came to EUR 1.1 million in the year under review (previous year net loss of EUR 1.5 million).

TAG holds an interest of almost 100 percent in this company.

At the end of 2007, HSH Real Estate acquired a 49.8 percent stake in B.u.P. Projektmanagement GmbH, formerly a wholly owned subsidiary of TAG Asset Management. This transaction generated proceeds of EUR 3.6 million and marked a continuation of efforts to expand asset management activities.

Financial condition and net assets

Total assets

Total assets stood at EUR 886.6 million at the end of 2007, up from EUR 692.5 million at the end of 2006. This was accompanied by a decline in the equity ratio to 34.6 percent, compared with 41.6 percent in the previous year. Equity rose from EUR 288.0 million at the end of 2006 to EUR 306.5 million at the end of 2007.

Total assets of the Bau-Verein zu Hamburg Aktien-Gesellschaft subgroup were valued at EUR 365.8 million at the end of 2007 (previous year EUR 328.4 million), ¬with equity coming to EUR 123.9 million (previous year EUR 116.8 million). As a result, the equity ratio remained steady compared with the previous year, coming to 33.9 percent (previous year 35.6 percent). The total assets of TAG Gewerbeimmobilien-AG climbed by around 140 percent to EUR 403.9 million in 2007, up from EUR 165.3 million in the previous year, accompanied by an equity ratio of 6.3 percent in 2007 (2006: 9.1 percent). The total assets of TAG Asset Management GmbH came to EUR 80.7 million at the end of 2007, up from EUR 84.7 million in the previous year. At 19.0 percent at the end of 2007, the equity ratio was unchanged over the previous year.

The value of the investment properties increased from EUR 172.1 million at the end of 2006 to EUR 556.7 million at the end of 2007 as a result of acquisitions, investments, reclassifications and fair-value remeasurement.

Capital spending

Total capital spending including new acquisitions rose from EUR 21.3 million in 2006 to EUR 268.8 million in 2007. Of this, commercial real estate accounted for EUR 253.0 million (previous year EUR 5.6 million) and residential real estate EUR 11.7 million (previous year EUR 15.5 million). Capital spending and major maintenance to existing properties came to EUR 24.5 million in 2007. Spending of around EUR 150 million is planned for 2008 through 2010.

One of the aims of TAG's buy, build and hold strategy is to generate long-term value by investing in existing real estate. In 2007, extensive portfolio development activities were implemented. Thus, at the Bärenparksiedling in Berlin, a residential estate with 885 apartments and floor area of around 48,000 square metres, additional residential space of 9,000 square metres was created by converting the attics into apartments. Further modernisation will result in changes to the floor plans of the apartments with the aim of modifying and enlarging them in the light of market requirements. A total of EUR 1.2 million was spent on a variety of different enlargement and modernisation activities at Bärenparksiedlung in 2007. Further spending is planned for 2008. In another residential project in Berlin, three townhouses are being built in Gormannstrasse in Berlin-Mitte, all of which were sold prior to completion at the end of 2007. They are scheduled for full completion in the first half of 2008. Capital spending on this project stands at EUR 1.6 million. Extensive modernisation activities have been performed at the residential complex in the Asberg part of Moers comprising 18 buildings. Thus, windows, stairways, foyers and facades were modernised in several buildings. The capitalised expenses came to EUR 1.7 million in 2007. One key aspect of capital spending in 2007 entailed the development of a residential project comprising around 750 units close to the Hamburg city park. After successful planning and development, the project was sold with a return of 45 percent on a capital commitment of less than two years.

TAG acquired two major commercial real estate portfolios in 2007: the Siemens Real Estate GmbH & Co. OHG portfolio comprising six properties for around EUR 180 million and the Hamburg/Nuremberg commercial real estate portfolio with a transaction volume of EUR 40 million.

Within current assets, the value of land with unfinished and finished buildings decreased to EUR 204.6 million, down from EUR 338.7 million in the previous year.

Finance

Current and non-current liabilities increased in 2007 by EUR 174.7 million to EUR 579.2 million, up from EUR 404.3 million in the previous year. This was largely due to the increase in bank borrowings from EUR 308.8 million at the end of 2006 to EUR 513.0 million at the end of 2007.

As of the end of 2007, the TAG Group had the following funding structure:

	Total TEUR 2007	Percentage of total assets	Total TEUR 2006	Percentage of total assets
Equity	306,513	34.6	288,010	41.6
Bank borrowings	512,958	57.9	308,846	44.6
Other borrowings	67,384	7.5	95,682	13.8

Bank borrowings rose from EUR 308.8 million at the end of 2006 to EUR 513.0 million at the end of 2007. Of these, bank borrowings due for repayment in more than one year came to EUR 295.6 million, compared with EUR 37.7 million in 2006. The increase in non-current liabilities rose disproportionately on account of the extensions to holdings of investment properties. The average interest rate on these non-current receivables stood at 5.39 percent allowing for the hedges utilised. In accordance with the investment strategy, current bank borrowings contracted from EUR 271.1 million in 2006 to EUR 217.4 million in 2007. The average interest rates on these liabilities was 5.58 percent.

Current liabilities contracted from EUR 362.5 million at the end of 2006 to EUR 273.3 million at the end of 2007. Non-current liabilities rose from EUR 41.8 million at the end of 2006 to EUR 305.9 million at the end of 2007.

General statement on the Group's net assets, financial condition and results of operations

TAG grew sharply in 2007, with total assets widening by 27.9 percent and the value of the investment properties tripling. Given consolidated net income of EUR 16.5 million following EUR 2.8 million in the previous year, the Group's results of operations have been substantially reinforced. Accordingly, the basis for continued growth has been created.

The increase in total assets reflects the TAG Group's expansionary strategy. At 34.6 percent, the equity ratio remains at a high level by sector standards. TAG has sufficient liquidity and is solidly financed. Cash and cash equivalents stood at EUR 14.1 million at the end of 2007.

Employees

TAG had 181 employees at the end of 2007, an increase of 21 in the course of the year. Adjusted for part-time employees, this is equivalent to 172 full-time equivalents.

The Company is particularly committed to ongoing staff training and skills development and offers its employees language and IT courses via external training institutions. The training program also includes numerous internal courses for staff. Given the intensified competition for qualified staff and demographic trends, the availability of internal training is becoming an increasingly important competitive factor. TAG is a recognised career trainer in the real estate industry with a rising number of traineeships. In 2007, the Group had a total of 8 school leavers in traineeships. At the same time, it was able to offer most of them permanent positions upon the completion of their traineeships.

Remuneration report

In accordance with the recommendations of the German Corporate Governance Code, the remuneration received by the members of the Management Board comprises fixed components which are paid on a monthly basis as well as a variable bonus, which is determined and paid once a year on the basis of the Group's business performance.

The amount of the variable bonus is tied to the Group's operating profit calculated on the basis of the IFRS consolidated financial statements and is determined by the chairman of the Supervisory Board after the adoption of the consolidated financial statements. It is capped by a maximum amount. However, as Andreas Ibel and Erhard Flint are also members of the Management Board of Bau-Verein zu Hamburg Aktien-Gesellschaft, they are subject to a provision which stipulates that the bonus which they receive for their activities for Bau-Verein is netted against the bonus to which they are entitled as members of the Management Board of TAG. The purpose of this provision is to avoid double payment on account of their simultaneous activities as members of the Management Board of TAG and of Bau-Verein as the latter's earnings are included in TAG's consolidated financial statements.

There are no stock options or similar variable remuneration arrangements in force with the members of the Management Board.

In the event of a change of control, i.e. if one of more shareholders acquires a majority of the voting rights or a controlling influence over TAG, the members of the Management Board have a right to terminate their service contracts. Upon this right being exercised, the member in question is entitled to compensation equalling two annual salaries provided that as of the date on which the termination takes effect the service contract would normally run for at least a further two years and provided that the service contract with Bau-Verein zu Hamburg Aktien-Gesellschaft is simultaneously terminated.

The service contracts with the members of the Management Board do not provide for any pension entitlement to accrue. In the event of premature termination of the service contract for any other reason there is no entitlement to claim compensation. Reference should be made the notes to the consolidated financial statements for further information on the Management Board remuneration.

Disclosures in accordance with Section 315 (4) of the German Commercial Code

The Company's share capital stands at EUR 32,566,364.00 as of 31 December 2007 and is dividend into 32,566,364 shares. The same rights are attached to all shares. There is one vote per share; dividend entitlement is determined by the number of shares held.

In a resolution passed at the annual general meeting held on 30 June 2006, the shareholders authorised the Management Board subject to the Supervisory Board's approval to increase the Company's share capital by a total amount of no more than EUR 6,278,182.00 by issuing up to 6,278,182 no-par-value ordinary shares on a cash and/or non-cash basis once or repeated times on or before 29 June 2011. On 15 June 2007, the shareholders passed a further resolution authorising the Management Board to buy back the Company's own shares up to a value of EUR 3,256,636.00 of its share capital with a notional share in its capital of EUR 1.00 per shares on or before 14 December 2008 for certain purposes.

In addition, at the annual general meeting held on 5 July 2005, the shareholders authorised the Management Board subject to the Supervisory Board‘s approval to issue convertible and/or option bonds with a total nominal amount of up to EUR 50 million with a term of no more than ten years on or before 30 June 2010 and to grant the bearers or creditors of such bonds conversion or option rights on new shares in TAG with a proportionate share of its share capital of up to EUR 3,424,463.00 in accordance with the terms and conditions determined.

TAG is managed and represented by its Management Board. The Management Board comprises at least two persons who are appointed for a period of no more than five years in accordance with Section 84 of the German Stock Corporation Act. A repeated appointment or renewal of the period of office for a further maximum of five years is permissible.

The Supervisory Board names one of the members of the Management Board as Chairman. The Supervisory Board may dismiss the members of the Management Board and revoke the office of chairman of the Management Board for good cause, e.g. in the case of a material breach of duty, inability to engage in proper management or a resolution passed by the shareholders providing for a vote of no confidence.

The scope of the activities which the Company may perform is defined in its bylaws. These bylaws may only be modified by a resolution passed by the shareholders in accordance with Section 133 of the German Stock Corporations Act. In the absence of any mandatory statutory provisions, the shareholders pass their resolutions in accordance with the bylaws with a simple majority of the votes cast and, where applicable, a simple majority of the capital represented. A majority of 75 percent of the share capital represented is required for any amendment to the Company's purpose in accordance with Section 179 (2) Sentence 2 of the German Stock Corporations Act.

TAG itself has not entered into any material agreements which include change-of-control clauses. Only Bau-Verein zu Hamburg Aktien-Gesellschaft has entered into a contract with conwert Immobilien Invest AG, Vienna, governing their joint subsidiary GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg, under which the other party is entitled to exercise a call option in the event of any change in the shareholder structure or if any competing company is able to exercise material influence on the jointly held subsidiary, in this case GAG Grundstücksverwaltungs-Aktiengesellschaft. Finally, the service contracts entered into between TAG and the members of the Management Board, Andreas Ibel and Erhard Flint, include a provision granting them a right of immediate termination in the event of any change in TAG's current majority structure and entitling them to claim compensation in an amount to be determined on a case-by-case basis in the effect of such right of termination being exercised. However, the termination of their office as members of the Management Board of TAG does not result in the termination of their office as members of the Management Board of Bau-Verein zu Hamburg Aktien-Gesellschaft.

The Management Board understands that as of 31 December 2007 Taube Hodson Stonex Partners Limited holds 16.36 percent of TAG's capital.

Risk report

Risk and opportunities management system

The main purpose of risk and opportunities management is to safeguard the TAG Group and to ensure its continued development. All organisational units within TAG are obliged to observe the requirements of risk management to reduce exposure to risks, to safeguard the Group's assets and to support its continued successful performance.

The conscious management of risks permits the resultant opportunities to be harnessed with greater security. The Management Board of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft is responsible for implementing an extensive and appropriate risk management process. As in the previous year, a risk early detection system is utilised in accordance with Section 91 (2) of the German Stock Corporations Act. Group controlling supports the Management Board and the organisational units required to submit reports on a methodical basis by means of recurring internal report controls. Risks are recorded and evaluated once a quarter, with the countermeasures taken reviewed and updated. In addition, the Management Board and the Supervisory Board are kept regularly informed via defined reporting routes. In addition, the Management Board is immediately notified of all material risks and provided with the necessary information to take the requisite steps with minimum delay. The review did not give rise to any evidence questioning the appropriateness, efficacy and functioning of the risk management system.

Risk identification
In order to identify risks, TAG monitors general conditions and trends in the financial services and real estate sectors as well as internal processes. Risk identification is an ongoing task on account of the constant changes in conditions and requirements and is integrated in operative processes through the use of checklists, for example. As a matter of principle, all organisational units are required to identify risks likely to arise from present or future activity. Regular meetings, controlling discussions, department meetings and one-on-ones also help to identify risks.

Sector risks
TAG is exposed to general risks in connection with the real estate sector. This includes all risks along the value chain, i.e. portfolio, development and construction. These risks typically entail the following:

- cyclical movements in the real estate market in general and in international and local marketsVerkaufsrisiken, Vermietungsrisiken
- sales and rental risks
- the risk of damage
- construction risks and the risk of construction budgets being exceeded

Description of individual risks

The head of each organisational unit is responsible for assessing risks. Each risk must be evaluated in terms of its potential loss and its probability of occurrence so as to identify the extent of the TAG Group's exposure. Individual risks must be evaluated in terms of their interdependencies with other risks. Controlling is integrated in the buying and selling processes with a risk relevance.

General and sector risks
TAG is exposed to various risks in the real estate sector. In the rental market, surplus supply may exert pressure on prices and margins and result in vacancies. TAG minimises this risk by means of intensive examinations of the local market ahead of an investment. In addition, it has via its subsidiary TAG Asset Management a nationwide management system providing a full range of real estate services.

TAG's real estate portfolio is subject to risks in the rental and investment markets. Market risks relate to possible changes in underlying economic conditions which may have an adverse effect on rental income and market conditions, resulting in heightened vacancy rates and lower revenues. On the demand side of the rental market, cyclical effects and long-term structural shifts may give rise to risks. Many experts expect the European economy and employment market to come under pressure from the recent turbulence afflicting the financial markets, the problems in the US housing market, the high value of the euro and rising oil prices. The current subprime crisis could result in a reduction in real estate requirements in the banking and financial services segment, one of the most important target groups for premium-quality office space.

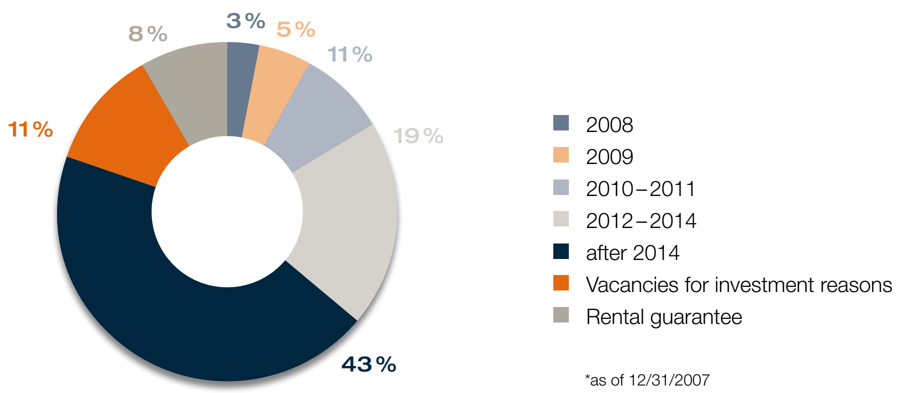
In contrast to peripheral locations, the dynamic metropolitan regions which form the focus of TAG's strategy will not be materially affected by demographic factors, meaning that TAG does not see any demographic risk over the next ten years.

Unexpected changes on the supply and demand side of the rental markets are reflected in actual rental income, vacancies, future market expectations and thus ultimately also real estates prices. TAG sees little risk of any impairment in the fundamental appeal of real estates as an asset class: Various studies demonstrate that the particular risk/reward profile of real estate compared with other asset classes, the combination of security (inherent value of a tangible asset) and regular rental income will ensure that real estate plays a greater role in the asset portfolios of institutional investors.

Regulatory and political risks
TAG is exposed to general risks arising from changes in regulatory or legislative conditions. As its activities are confined to Germany and such changes normally do not occur suddenly or unexpectedly, there is sufficient time to adjust. We consider this risk to be marginal in 2008.

Rental risks
TAG addresses the risk of payment defaults under rental leases by leasing its properties to companies with a good credit rating in conjunction with a consistent and low-risk business model. In the case of residential tenants, a standard credit check is performed prior to the contract being signed. TAG attempts to avoid risk clustering, i.e. a small number of tenants accounting for a large proportion of rental income. Siemens at the largest tenant is considered to be an investment-grade premium tenant.

Structure of lease terms in commercial segment (based on sqm of leased floor area)*



*as of 12/31/2007

In addition, the risk of rental payment defaults is averted by an intensive analysis of the property, location and tenants ahead of the acquisition as well as ongoing observation of the relevant real estate markets. The scope for third-party utilisation also plays a crucial role in investments. Generally speaking, long-term leases are sought. At the same time, measures are taken at an early stage to ensure that expiring leases are renewed. Although there is an individual risk of default, we consider it to be marginal in its entirety.

Financial risks
TAG's business activities expose it to various risks of a financial nature. These risks include interest, liquidity and credit risks and, to a small extent, exchange rate risks. On the basis of the guidelines issued by the Company's managing bodies, risk management is based in the central finance department.

The counterparty default risks for derivative financial instruments and financial transactions are minimised by selecting investment-grade financial institutions.

Appenzeller Straße, Munich

Credit risk
TAG is dependent upon the receipt of bank loans to finance further acquisitions. Similarly, it must renew these loans when they expire or find alternate sources of finance. In all these cases, there is a risk of not being able to renew the loans at the same or other terms. However, the terms of these loans are increasing steadily, meaning that this risk is declining substantially.

Liquidity risk
Extensive liquidity planning instruments are used in both the short and medium term area at the level of the individual operating subsidiary and the Group as a whole to ensure that business transactions are based on forecast data. Extensive liquidity reports are submitted to the Management Board.

As of the balance sheet date, the Group had unused committed credit facilities of around EUR 29.6 million in addition to its own cash and cash equivalents.

Interest risk
The Group's activities primarily expose it to risks arising from changes in interest rates. It uses derivative financial instruments to a necessary extent to manage existing interest risks. These include interest swaps as well as caps to minimise the risk of changing interest rates and sensitivity in the event of rising interest rates.

The TAG Group uses derivatives based on hedged assets to actively manage and reduce interest risks. In the course of 2007, the subsidiaries Bau-Verein zu Hamburg AG and TAG Gewerbeimmobilien-AG utilised conservative interest derivatives (mostly payer swaps) in a volume of around EUR 223 million. Payer swaps constitute synthetic fixed-rate agreements in connection with a variable underlying. In this way, the Group is able to reduce its exposure to changes in the money market and also heighten the plannability of debt servicing with respect to the hedged repayments.

The Group's interest management works actively with credit management and Group planning. As a result, it is possible to structure derivatives in such a way that they generate the greatest possible benefits and maximum stability for the Group's current and future status. The contracting of derivatives is prepared by reference to regular economic reports to ensure that the decision-makers are kept informed at all times of trends in the interest markets and the factors influencing them. In this way, it is also possible to utilise interest volatility to achieve an optimum finance structure.

In the event of any changes in market interest rates, derivatives accounted for by means of hedge accounting may have an impact on the hedge accounting reserve under equity.

Currency risk
The risks arising from transactions in a foreign currency are limited. As a matter of principle, all new loans are denominated in euros. Only one property has been financed in Swiss francs for a considerable period of time. As of the balance sheet date, it has a volume of around EUR 7 million with a fixed interest rate and matures at the end of 2011.

Personnel risks
The TAG Group requires qualified specialists and executives to reach its strategic and operating goals. Dynamic and committed staff are crucial for its business success. Accordingly, the Group attaches key importance to bonding staff especially as the constant changes in undergoing conditions give rise to new tasks which can only be performed by committed and qualified staff.

It is a permanent challenge to recruit and retain employees for the Group in the face of intensive competition. Staff training at all levels of the Group ensures that employees have the competence required. This ensures strong employee bonding and a high number of qualified staff. In addition, employees can be assigned tasks most matching their particular skills thanks to the fact that the subgroups concentrate on separate core business segments. Appropriate provisions have been set aside in the financial statements for all future material personnel-related risks.

IT risks
A loss of data or a protracted failure of the systems utilised could result in disruptions in TAG's business operations. For this reason, the Company has established its own network to avert external attacks on its IT systems. All relevant data is backed up on a daily basis. We therefore consider this risk and its possible ramifications to be small.

Legal risks
In the year under review, no particular claims for damages or compensation were asserted against the TAG Group. Appropriate provisions are set aside to cover such risks. TAG supports the financing of its subsidiaries with guarantees and letters of comfort. In addition, finance is made possible in the first place or granted at more favourable terms and conditions. These guarantees involve risks for TAG due to the risk of recourse being taken in the event of unforeseen project developments.

Overall view
In the light of the risks described above and the current business outlook, we do not see any risks liable to impair TAG's status as a going concern.

Events occurring after the balance sheet date

The partnership agreed upon between TAG Asset Management GmbH and HSH Real Estate in 2007 was successfully commenced in the first quarter of 2008. An extensive volume of assets was transferred to the joint venture, in which both parties hold around 50 percent. As a result, this joint venture has been managing assets worth an initial amount of EUR 1.2 billion since January 2008. The portfolio comprises commercial properties owned by TAG and HSH Real Estate as well as third-party real estate. Effective 1 April 2008, Hans-Ulrich Sutter was appointed chief financial officer of TAG.

Outlook

Underlying economic conditions

Most analysts assume that economic growth in Europe will at most weaken slightly in 2008 as a result of the subprime crisis and the appreciation of the euro. The International Monetary Fund forecasts growth of 2.1 percent for the euro zone and 2.2 percent for Germany in 2008.

The discounts on many listed companies of over 40 percent of their net asset value and over 30 percent of their carrying amounts are not justified by fundamentals and are due to the negative sentiment in the wake of the subprime crisis. However, base formation now appears to be emerging in the real estate segment.

Innere Kanalstraße, Cologne

Expected earnings / opportunities

With its buy, build and hold strategy, the TAG Group constantly optimises its portfolio. This also includes the possibility of selling individual properties after all potential for unleashing value has been utilised. In addition, strategic options are analysed and negotiations for purchases conducted to tap fresh potential for growth for the Company. The successful implementation of the various measures will have a positive effect on profitability and the Group's future business performance.

We expect a continued improvement in revenues thanks to an increase in rental income in the commercial and residential real estate segments as well as increased service business. TAG's portfolio holds potential for unlocking added value by means of increased rentals. Thus, for example, the current rentals on a large part of the real estate held by TAG Gewerbeimmobilien-AG (pre-REIT) are substantially below market levels in some cases. Following the decline in real estate prices after the high hit in 2007, TAG will increasingly make use of opportunities for buying. With its above-average equity ratio of around 35 percent, TAG has sufficient scope for achieving this.

Despite the still difficult conditions in the capital and financial markets, we see opportunities for benefiting from the growth in the German real estate market in 2008 again. On this basis, the Company expects to be able to report a moderate increase in earnings before tax (EBT) for 2008.

Hamburg, 31 March 2008

Andreas Ibel **Erhard Flint**

Consolidated balance sheet

ASSETS in TEUR	(Notes)	12/31/2007	12/31/2006
Non-current assets			
Investment properties	(1)	556,702	172,545
Intangible assets	(2)	83	34
Property, plant and equipment	(3)	2,130	4,344
Investments in associates	(4)	3,831	3,762
Other financial assets	(5)	1,536	2,270
		564,282	**182,995**
Current assets			
Land with unfinished and finished buildings	(6)	204,610	338,667
Other inventories	(6)	10,969	5,355
Trade receivables	(7)	65,685	37,273
Income tax refund claims	(7)	458	1,021
Other current assets	(7)	26,485	10,017
Cash and cash equivalents	(8)	14,114	113,070
		322,321	**505,403**
Non-current available-for-sale assets	(9)	**0**	**4,180**
		886,603	**692,538**

EQUITY AND LIABILITIES in TEUR	(Notes)	12/31/2007	12/31/2006
Equity			
Equity holders of the parent			
Subscribed capital	(10)	32,566	32,566
Share premium	(11)	219,606	219,714
Other reserves	(12)	-208	420
Unappropriated surplus	(13)	20,049	3,582
Minority interests	(14)	34,500	31,728
		306,513	**288,010**
Non-current liabilities			
Bank borrowings	(15)	295,580	37,727
Retirement benefit provisions	(16)	10,962	2,188
Other non-current liabilities	(17)	8	424
Deferred taxes	(18)	8,352	1,458
		305,902	**41,797**
Current liabilities			
Other provisions	(19)	22,148	12,359
Income tax liabilities	(20)	4,190	2,727
Liabilities to banks	(15)	217,378	271,119
Trade payables	(21)	20,166	72,411
Other current liabilities	(22)	10,306	3,853
		274,188	**362,469**
Liabilities in connection with the non-current available-for-sale assets	(9)	**0**	**262**
		886,603	**692,538**

Consolidated Income Statement

in TEUR	(Notes)	2007	2006
Revenues	(23)	146,134	107,334
a) Sale of properties		80,962	72,732
b) Rental income		40,277	25,077
c) Construction management and others		24,895	9,525
Other operating income	(24)	8,141	6,303
Fair-value remeasurement of investment properties	(25)	30,263	11,558
Cost of goods and services purchased	(26)	-104,898	-85,783
a) Sale of properties		-70,445	-67,223
b) Rental income		-14,070	-12,323
c) Construction management and others		-20,383	-6,237
Gross profit		**79,640**	**39,412**
Personnel expenses	(27)	-12,398	-10,145
Depreciation/amortisation	(28)	-1,650	-621
Other operating expenses	(29)	-14,495	-11,547
EBIT		**51,097**	**17,099**
Share of profit of investees	(30)	-627	-52
Share of profit of associates	(31)	-295	-110
Net borrowing costs	(32)	-19,083	-10,512
EBT		**31,092**	**6,425**
Income taxes	(33)	-10,469	-545
Other taxes	(34)	-1,335	-967
Consolidated net profit before minorities		**19,288**	**4,913**
Minorities	(14)	-2,821	-2,068
Consolidated net profit after minorities		**16,467**	**2,845**
Earnings per share (EUR), basic	(35)	0.51	0.14

Consolidated Statement of Cash Flows

in TEUR	(Notes)	2007	2006
Consolidated net profit		**16,467**	**2.845**
Depreciation/amortisation	(28)	1,650	621
Impairment losses on financial assets	(30)	700	28
Share of profit of associates	(31)	295	110
Impairment losses on receivables and inventories	(6,7)	1,171	1,419
Fair-value remeasurement of investment properties	(25)	-30,263	-11,558
Changes in deferred taxes	(18)	6,894	-108
Changes in provisions	(16,19)	9,563	-3,686
Profit for deconsolidation and disposal of non-current assets	(24)	-3,059	-804
Changes in receivables and other assets		-27,137	-83,136
Changes in payables and other liabilities		-45,402	78,548
Cash flow from operating activities		**-69,121**	**-15,721**
Investments in investment properties	(1)	-249,301	-20,011
Payments received from the disposal of investment properties	(1)	10.065	804
Investments in intangible assets and property, plant and equipment	(2,3)	-391	-1,257
Investments in consolidated companies and financial assets		-331	-6.668
Payments received from the sale of consolidated companies		3,643	7,325
Cash flow from investing activities		**-236,315**	**-19,807**
Payments received from equity issues (less transaction costs)	(15)	141	171,927
Payments received from new bank loans		261,609	105,671
Payments made to repay bank loans	(15)	-68,998	-119,305
Repayment of loans and settlement of purchase price obligations	(22)	0	-21,281
Cash flow from financing activities		**192,752**	**137,012**
Cash changes in cash and cash equivalents	(8)	-112,684	101,484
Cash and cash equivalents at the beginning of the period		124,571	23,087
Cash and cash equivalents at the end of the period	(8)	**11,887**	**124,571**

Statement of changes in Consolidated Equity

in TEUR	(Notes)	Sub-scribed capital	Share premium	Retained earnings	Hedge accoun-ting reserve	Unap-prop-riated surplus	Total	Minority interests	Total equity
Balance on 01/01/2006 before adjustments		10,045	76,663	6,689	0	-11,194	82,203	8,038	90,241
Correction in accordance with IAS 8		0	0	-6,162	0	5,576	-586	0	-586
Balance on 01/01/2006 after adjustments		**10,045**	**76,663**	**527**	**0**	**-5,618**	**81,617**	**8,038**	**89,655**
Consolidated net pro-fit/loss		0	0	0	0	2,845	2,845	2,068	4,913
Cost of equity issue	(11)	0	-9,500	0	0	0	-9,500	0	-9,500
Total revenues and expenses		0	-9,500	0	0	2,845	-6,655	2,068	-4,587
Cash equity increases	(10,11)	22,521	158,906	0	0	0	181,427	0	181,427
Withdrawals from share premium account	(11)	0	-6,355	0	0	6,355	0	0	0
Other changes in mino-rities	(14)	0	0	0	0	0	0	21,622	21,622
Balance on 12/31/2006 before adjustments		32,566	219,714	527	0	3,582	256,389	31,728	288,117
Adjustment in ac-cordance with IAS 8		0	0	0	-107	0	-107	0	-107
Balance on 12/31/2006 after adjustments		**32,566**	**219,714**	**527**	**-107**	**3,582**	**256,282**	**31,728**	**288,010**
Consolidated net profit		0	0	0	0	16,467	16,467	2,821	19,288
Cost of equity issue	(11)	0	141	0	0	0	141	0	141
Changes in hedge ac-counting reserve	(13)	0	0	0	-628	0	-628	0	-628
Total revenues and expenses		0	141	0	-628	16,467	15,980	2,821	18,801
Business combination without change of status	(11)	0	-249	0	0	0	-249	0	-249
Other changes in mino-rities	(14)	0	0	0	0	0	0	-49	-49
12/31/2007		**32,566**	**219,606**	**527**	**-735**	**20,049**	**272,013**	**34,500**	**306,513**

Segment Report

in TEUR	Residential real estate 2007	Commercial real estate 2007	Services 2007	Recon-ciliation 2007	Group 2007
Total revenues	98,854	41,205	12,769	-6,694	146,134
previous year	67,192	38,134	6,137	-4,129	107,334
• of which external revenues	98,854	41,205	10,661	-4,586	146,134
previous year	63,064	38,134	4,840	1,296	107,334
• of which external revenues	0	0	2,108	-2,108	0
previous year	4,128	0	1,297	-5,425	0
Segment EBIT	21,495	30,843	-272	-968	51,097
previous year	20,052	4,025	1,063	-8,041	17,099
• of which non-cash impairment losses on properties and receivables	-402	-190	0	-827	-1,419
previous year	-3,463	-594	-431	1,493	-2,995
Segmentvermögen	436,940	428,010	11,935	9,260	886,145
previous year	482,403	177,133	9,534	22,447	691,517
• of which shares in associates	3,831	0	0	0	3,831
previous year	3,762	0	0	0	3,762
Segment liabilities	286,855	387,306	15,101	-112,714	567,548
previous year	326,148	161,711	1,724	-89,240	400,343
Segment investments	12,155	236,982	19	867	250,023
previous year	15,468	5,593	187	6,688	27,936

Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, Tegernsee (hereinafter also referred to as "TAG" or "the Company", or, within the context of the overall group "TAG Group") for the fiscal year ending 31 December 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) subject to compulsory adoption on the balance sheet date, and their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) in accordance with the provisions contained in Regulation (EC) No. 1606/2002 of the European Parliament and the Council dated 19 July 2002. In addition, the provisions contained in Section 315a (1) of the German Commercial Code were observed.

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

The following standards new or revised as of the balance sheet date and in some cases not yet endorsed by the European Union are not applicable until after the balance sheet date - pending endorsement by the European Union - and were not early adopted on a voluntary basis.

IFRS 3	Business combinations (revised)
IFRS 8	Operating segments
IAS 1	Presentation of financial statements (revised)
IAS 23	Borrowing costs (revised)
IAS 27	Consolidated and separate financial statements (revised)
IFRIC 11	Group and treasury share transactions
IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14	The limit on a defined benefit asset

Future application of the new and revised standards is not expected to have any material impact on the Group's consolidated financial statements.

Belziger Lofts, Berlin

The financial year of the parent company and the consolidated subsidiaries is the calendar year. Uniform recognition and measurement methods have been applied to the financial statements prepared by the consolidated companies. The consolidated financial statements are prepared in euros. For the most part, amounts are cited in thousands of euros (TEUR). As a result, rounding differences may occur.

The consolidated income statement is prepared using the type of expenditure method. EBIT stands for earnings before interest including other net financial result and income and other taxes. EBT stands for earnings before income and other taxes.

TAG, which is filed with the Commercial Register of the Munich Local Court under HRB 41651, has its registered office in Tegernsee, Bahnhofsplatz 5, Germany. The material part of its business is performed at the offices located at Steckelhörn 9, 20457 Hamburg. The Company's object is to acquire and manage domestic and foreign real estate, to acquire and market equity interests including in real estate funds and to engage in all other related business as well as to build and operate railways and to construct, acquire, lease and operate transport companies of all kinds particularly motorised transport companies and to engage in all kinds of transportation including forwarding.

The consolidated financial statements and Group management report of TAG were prepared by its Management Board on 31 March 2008 and presented to the Supervisory Board for approval on 17 April 2008.

Consolidation

The consolidated financial statements include all companies in which TAG is entitled directly or indirectly to exercise a majority of the voting rights. These enterprises are included in the consolidated financial statements from the date on which the TAG Group obtains control. If shares in subsidiaries are considered to be of subordinate significance from the Group's perspective, they are recognised as financial instruments in accordance with IAS 39. The following companies are consolidated in full:

- TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, Tegernsee
- Tegernsee-Bahn Betriebsgesellschaft mit beschränkter Haftung, Tegernsee (98.12 percent)
- Feuerbachstr. 17/17 a Leipzig Grundstücksverwaltung AG & Co. KG, Leipzig (99.55 percent)
- Kraftverkehr Tegernsee Immobiliengesellschaft mbH, Tegernsee (98.00 percent)
- TAG Asset Management GmbH, Hamburg (99.97 percent)
- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg (71.23 percent)
- AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Tegernsee (94.00 percent)

- TAG Gewerbeimmobilien-Aktiengesellschaft, Hamburg (94.40 percent)
- Wenzelsplatz Grundstücks GmbH, Leipzig (99.97 percent)
- Wasserkraftanlage Gückelsberg oHG, Leipzig (99.47 percent)
- JUS AG & Co. Heimat KG, Leipzig (99.97 percent)
- Wohnen im Loft JUS AG & Co. oHG, Leipzig (99.97 percent)
- Ingenieur-Kontaktbau Gesellschaft für Ingenieurfertigbau mit beschränkter Haftung, Leipzig (99.97 percent)
- TAG Stuttgart-Südtor Verwaltungs GmbH, Leipzig (99.97 percent)
- TAG Stuttgart-Südtor Projektleitungs GmbH & Co. KG, Leipzig (99.97 percent)
- Wenzelsplatz GmbH & Co. KG Nr 1 KG, Leipzig (99.97 percent)
- Trinom Hausverwaltungs GmbH i.L. , Leipzig (99.97 percent)
- Bau-Verein zu Hamburg Altbau-Immobilien GmbH, Hamburg (71.23 percent)
- Bau-Verein zu Hamburg Wohnungsgesellschaft mbH, Hamburg (71.23 percent)
- BV Hamburger Wohnimmobilien GmbH, Hamburg (71.23 percent)
- G+R City Immobilien GmbH, Berlin (71.23 percent)
- VFHG Verwaltungs GmbH, Berlin (71.23 percent)
- Wohnanlage Ottobrunn GmbH, Hamburg (71.23 percent)
- Bau-Verein zu Hamburg Eigenheim-Immobilien GmbH, Hamburg (71.23 percent)
- Bau-Verein zu Hamburg „Junges Wohnen“, Hamburg (71.23 percent)
- URANIA Grundstücksgesellschaft mbH, Hamburg (71.23 percent)
- Bau-Verein zu Hamburg Hausverwaltungsgesellschaft mbH, Hamburg (71.23 percent)
- VFHG Haus- und Grundstücks GmbH & Co. Wohnanlage Friedrichstadt KG, Berlin (66.96 percent)
- ARCHPLAN Projekt Dianastraße GmbH, Dortmund (47.44 percent)
- Fürstenberg’sche Häuser GmbH, Berlin (93.97 percent)
- Bau-Verein zu Hamburg Bauregie GmbH, Hamburg (71.23 percent)
- Trinom Business Apartments GmbH, Leipzig (99.97 percent)
- Patrona Saxoniae Grundbesitz GmbH, Leipzig (99.97 percent)
- Patrona Saxoniae GmbH & Co. KG, Leipzig (99.97 percent)
- Lunova Hausverwaltung GmbH, Puchheim (71.23 percent)
- TAG Logistik Immobilien Verwaltungs GmbH, Hamburg (100 percent)
- TAG Logistik Immobilien GmbH & Co. KG, Hamburg (100 percent)

The following companies are consolidated on a proportionate basis:

- B.u.P. Projektmanagement GmbH, Leipzig (as of 31 December 2007, previously consolidated in full) (49.79 percent)
- Neue Ufer GmbH & Co. KG, Leipzig (37.44 percent)
- DESIGN Bau BV Hamburg Verwaltungs GmbH, Hamburg (35.62 percent)
- DESIGN Bau BV Hamburg GmbH & Co. KG, Hamburg (35.62 percent)
- An den Obstgärten Verwaltungs GmbH, Ingelheim (35.62 percent)
- An den Obstgärten Bauträger GmbH & Co. KG, Ingelheim (35.62 percent)

With respect to the joint venture, the shares in Neue Ufer GmbH & Co. KG, Leipzig, B.u.P. Projektmanagement GmbH, Leipzig and DESIGN Bau BV Hamburg GmbH & Co. KG are considered significant as of the balance sheet date. The following financial information is available for these companies as of 31 December 2007:

Joint venture	Assets In TEUR	Liabilities In TEUR	Income In TEUR	Net profit/loss In TEUR
B.u.P. Projektmanagement GmbH	1,297 (py 2,444)	517 (py 667)	1.251 (py 907)	-269 (py 1,305)
Neue Ufer GmbH & Co. KG	2,572 (py 3,639)	7,322 (py 7,537)	867 (py 6,816)	-797 (py 222)
DESIGN Bau BV Hamburg GmbH & Co. KG	75,878 (py 32,288)	51,027 (py 31,271)	75,591 (py 0)	20,354 (py - 3)

B.u.P. Projektmanagement GmbH had an average headcount of 13 in 2007 (previous year 9). As in the previous year, the other joint ventures did not have any personnel.

The following companies are accounted for as associates using the equity method of accounting:

- GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg (17.18 percent)
- Verwaltung GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH, Hamburg (35.62 percent)
- GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH & Co. KG, Hamburg (35.62 percent)

The following combined financial information on these associates is available as of 31 December 2007:

Associates	Assets In TEUR	Liabilities In TEUR	Income In TEUR	Net profit/loss In TEUR
GAG Grundstücksverwaltungs-Aktiengesellschaft	133,125 (py 88,715)	118,214 (py 74,191)	3,972 (py 2,911)	-1,069 (py –1)
GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH & Co. KG	5,676 (py 5,650)	5,463 (py 5,441)	463 (py 436)	-55 (py 27)
Verwaltung GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH	30 (py 30)	0 (py 0)	1 (py 1)	0 (py 0)

In addition, there are companies which are of subordinate importance for the consolidated financial statements and are therefore not consolidated on account of their immateriality. The following table sets out these companies with details of their equity and net profit/loss as calculated in accordance with German accounting rules together with TAG's other associates (in accordance with Sections 315a (1), 313 (2) of the German Commercial Code):

	Share (%)	Shareholders' equity In TEUR	Net profit/loss In TEUR
BVV Bau-Verein Fonds Verwaltungsgesellschaft mbH, Hamburg	71.23	412	10
Zweite BVV Bau-Verein zu Hamburg Fonds Verwaltungsgesellschaft mbH, Hamburg	71.23	42	2
B.N. Bauregie Nord GmbH, Hamburg	71.23	56	2
Zweite Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG, Hamburg	19.44	2,460	-171
Vierte Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG, Hamburg	42.77	1,168	121
TAG Beteiligungsverwaltungs GmbH, Hamburg	49.60	17	-3
TAG Beteiligungs GmbH & Co. KG, Hamburg	99.50	349	-1
Adamshof Grundstücks GmbH, Leipzig	6.00	33	74

Disclosures on the shares held in fully and proportionately consolidated companies as well as associates and other investments refer to the shares held directly or indirectly by TAG.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The excess of the cost of acquisition over the fair value is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. If shares are acquired or sold in companies which are previously or subsequently consolidated in full (business combination without any change of status), the differences between the purchase price and the carrying amount of the assets acquired or sold are recognised directly in equity.

Joint ventures are recognised in the consolidated financial statements on a prorated basis. The assets and liabilities as well as revenues and expenses of jointly controlled entities are recognised in the consolidated financial statements in accordance with the size of the share held in these entities.

Enterprises over which the Group may exercise significant influence (associates) are accounted for using the equity method of accounting.

Income and expenses as well as receivables and liabilities between fully consolidated companies are eliminated. Intercompany transactions not realised by a sale to third parties are eliminated.

Minority interests in consolidated equity capital and consolidated net profit are recorded under “Minorities” in the consolidated balance sheet and the consolidated income statement. The effects of purchase accounting recognised directly in the income statement are also included in calculating the share in consolidated net profit attributable to minorities.

Changes in consolidation group

In comparison with 31 December 2006, the consolidation group has been extended with the addition of TAG Logistik Immobilien GmbH & Co. KG, Hamburg, and its general partner TAG Logistik Immobilien Verwaltungs GmbH, Hamburg. Both entities were acquired in full by TAG as “shelf entities” on 8 June 2007 at a cash price of TEUR 3 and TEUR 28, respectively. As of the date of acquisition, these two entities did not have any material assets or liabilities and had not yet commenced business operations. The cash and cash equivalents gained in connection with this acquisition largely matched the purpose prices. After being consolidated, TAG Logistik Immobilien GmbH & Co. KG acquired a logistics centre, which is to be developed and held as a long-term investment property. TAG Logistik Immobilien Verwaltungs GmbH is this entity’s general partner. Since being acquired, TAG Logistik GmbH & Co. KG has sustained a loss of TEUR 2,374 and TAG Logistik Immobilien Verwaltungs GmbH a loss of TEUR 2.

In addition, the consolidation group has been extended compared with 31 December 2006 with the addition of Lunova Hausverwaltung GmbH, Puchheim. A majority stake had already been held in this entity as of 31 December 2006. However, it was not consolidated on the grounds of immateriality. The shares were acquired on 25 August 2006 at a price of TEUR 359. The cash and cash equivalents gained in connection with this acquisition were of subordinate importance. The entity was consolidated for the first time as of 1 January 2007. It does not have any notable assets or liabilities. The difference between the purchase price and the fair value of the assets and liabilities of TEUR 397 was recognised in profit and loss as part of acquisition accounting. This company has sustained a loss of TEUR 48 since being consolidated for the first time.

On 17 December 2007, 50.2 percent of the capital of B.u.P. Projektmanagement GmbH, Leipzig, was sold for a price of TEUR 3,614. The partial deconsolidation of these shares resulted in a gain of TEUR 3,059, which is reported within other operating income. With the exception of the deferred tax assets of TEUR 547, the carrying amounts of the assets (including cash and cash equivalents) and liabilities sold were of subordinate importance. Following this transaction, a share of 49.79 percent was held in this entity as of the balance sheet date.

Recognition and measurement principles

Principles

These financial statements are based on the going-concern principle. Amounts are measured at cost for the most part. This does not apply to investment properties or hedges, which are recognised at their fair value.

Investment properties

Investment properties are classified as properties held by the Group which it does not use itself and which are not available for sale. Available-for-sale properties are classified as current assets. No marketing activities are performed in connection with investment properties. They are to be held in the portfolio and leased on a medium to long term basis and used to enhance the Group's enterprise value. Real estate held under operating leases is not classified or reported as financial assets.

Investment properties are initially recognised at cost including transaction costs. They are subsequently measured at their fair value, which reflects market conditions as of the balance sheet date. Any gains or losses from changes in fair value are recognised in the income statement.

If investment properties are reclassified as current assets, they are subsequently measured at their fair value as of the date of reclassification. If current assets are reclassified as investment properties, any difference between the fair value and the carrying amount as of the date of reclassification is recognised in the income statement. When the Group completes the production of an internally generally investment property, any difference between the fair value and the carrying amount as of that date is also recognised in the income statement.

The fair values of investment properties were calculated with the assistance of external valuers based on current market data and using acknowledged valuation methods. For the most part, this involved the discounted cash flow method and the capitalised income value method. The independent valuers retained are suitably qualified and experienced in the light of the location and type of the real estate to be valued.

Intangible assets

Individual intangible assets are initially recognised at cost. Intangible assets acquired as part of the acquisition of a company are recognised at their fair value as of the date of acquisition. Thereafter, they are recognised at cost less cumulative amortisation and any impairment losses accruing.

Intangible assets with a definite useful life are written down on a straight-line basis over their expected useful life (generally three years) and tested for impairment in the event of any indication of any impairment in their value. The amortisation period and method are reviewed at the end of each year at least and any resultant changes treated as a change to the estimate.

Intangible assets with an indefinite life expectancy undergo impairment testing at least once a year at the level of the individual asset or at the level of the cash-generating unit. These intangible assets are not systematically written down. The indefinite life expectancy assumption is reviewed for its continued justification at least once a year. If the assumption no longer applies, the definite useful life is applied prospectively.

Property, plant and equipment

Property, plant and equipment are shown at cost less cumulative systematic depreciation and cumulative impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets in question (generally 3 - 10 years). The depreciation methods and useful lives are reviewed at the end of each fiscal year and adjusted if necessary. The carrying amounts of property, plant and equipment are reviewed for any impairment upon any evidence arising indicating that the carrying amounts exceed the recoverable values.

Investments in associates

Investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant control but which is not a subsidiary or joint venture. In contrast to full consolidation, the assets, liabilities, income and expenses of the associate are not included in the consolidated financial statements when the equity method of accounting is applied. The cumulative post-acquisition movements in the associate's equity are adjusted against the carrying amount of the investment on an annual basis. The Group's share of the associate's post-acquisition profits or losses is recognised in the income statement.

Other financial assets

This item includes investments and other financial assets which are initially recognised at their fair value. If it is not possible to reliably determine their fair value (e.g. in the case of non-listed shares in incorporated or non-incorporated entities), they are recognised at cost. The Group determines the classification of its financial assets upon initial recognition and reviews this classification at the end of each fiscal year to the extent that this is permissible and appropriate.

Financial assets at fair value through profit or loss are held for short-term trading purposes. Derivative financial instruments are also assigned to this category unless they are designated as derivatives and are effective as such. Gains and losses from changes in the fair value of financial assets held for trading purposes is recognised in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed payment dates are classified as held-to-maturity investments and measured at cost less repayments and an amount representing the difference between the original and repayable amount using the effective interest method. Impairments are recognised in the income statement.

Available-for-sale financial assets are assets which are not held for trading purposes or are designated as held-to-maturity investments and do not constitute loans and receivables. After initial recognition, they are measured at their fair value provided that this can be reliably determined, with any gains or losses recorded in a separate item under equity. When the asset is sold or if it is found to be impaired, the amount previously carried under equity is taken to the income statement.

Land with finished and unfinished buildings and other inventories

Land with finished and unfinished buildings and other inventories is reported at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Borrowing costs in connection with the acquisition or construction of land are capitalised provided that the applicable conditions for this are satisfied.

Trade receivables and other current assets

Trade receivables primarily result from the sale of real estate, rentals and facility management and are recorded at the original invoice amount less an adjustment for non-recoverable receivables. Receivables are adjusted if there is substantial objective evidence that the Group will not be able to recover the receivables. They are derecognised as soon as they are unrecoverable.

Current and deferred income tax assets and liabilities

Actual income tax refund claims and liabilities are recognised at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred income taxes are calculated using the balance-sheet oriented liability method for all temporary differences arising as of the balance sheet date between the carrying value of an asset or liability and its tax base. Excluded from this is goodwill arising from acquisition accounting.

Deferred income tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that realisation of the related income tax benefit through future taxable profits is probable. The carrying amount of deferred income tax assets is reviewed on each balance sheet date and reduced to the extent that sufficient taxable profits will not be available. Deferred income tax assets and liabilities are measured on the basis of tax rates expected to apply in the period in which an asset is realised or a liability settled. For this purpose, the tax laws in force or announced as at the balance sheet date are taken into account.

Deferred income tax assets are set off against deferred income tax liabilities of the same taxable entity if they relate to income taxes levied by the same taxation authority and the enterprise has a legally enforceable right to set off current tax assets against current tax liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and short-term deposits with an original maturity period of less than three months.

Non-current available-for-sale assets and related obligations

A non-current asset or group of available-for-sale assets are designated as available for sale if the carrying amount is predominantly realised via a sales transaction rather than through continued use. They are recognised at the lower of the carrying amount and fair value net of the cost of disposal. These assets or groups of assets and the related liabilities are shown separately on the face of the balance sheet.

Equity transaction costs

Equity transaction costs (e.g. all costs related to equity issues) net of the resultant income tax benefits, are deducted from equity and netted with other paid-in capital.

Hedges (cash flow hedge accounting)

The effective portion of the change in the fair value of derivatives suitable for use as cash flow hedges and designated as such are recorded in equity within a hedge accounting reserve. The gains or losses attributable to the ineffective portion are recognised in profit and loss.

Hedge relations are removed from the balance sheet when the Group dissolves the hedge relationship or the hedging instrument expires or is sold, terminated or exercised or is no longer suitable for hedging. The gain or loss recognised in equity in full at this date is retained in equity and not released to the income statement until the expected transaction is also recognised in the income statement. If the expected transaction is no longer likely to materialise, the entire gains or losses recognised in equity are immediately released to the income statement.

Liabilities

When liabilities, these predominantly being bank borrowings to finance real estate, are initially recognised, they are measured at cost, i.e. the fair value of the consideration given net of transaction costs. After initial recognition, liabilities are measured at amortised cost using the effective interest rate method.

Retirement benefit provisions

In the past, the Group had a defined-benefit retirement benefit plan for former members of the Management Board of its subsidiary Bau-Verein zu Hamburg Aktien-Gesellschaft and their family members. Expenses incurred with the benefits granted under this plan are calculated using the projected unit credit method. The amount to be carried as a liability is the sum total of the present value of the defined-benefit obligation and the unrecognised actuarial gains and losses less unrecognised past service costs and the fair value of the plan assets used to directly settle the liability.

Other provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation is probable.

Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue from the sale of real estate is recognised when the risks and opportunities arising from ownership of the real estate have passed to the buyer (transfer of ownership rights, benefits and obligations arising from the real estate). Rental income from investment properties as well as available-for-sale properties which are regularly leased when acquired or sold is recorded on a straight-line basis over the term of the lease. Revenue from facility management activities is recognised as soon as legal entitlement to the fee in consideration of performance of the agreed services arises. Profit expected to be derived from long-term construction contracts is recognised in accordance with the percentage-of-completion methods based on the progress achieved in the construction project in question. The percentage of completion is the ratio of costs so far incurred to expected total costs. A surplus of realised profit over advance payments received for the construction contract in question is recognised as a receivable and a shortfall as a liability.

Holstentwiete, Hamburg

Foreign currency

The consolidated financial statements are prepared in euros. The euro is the currency of the primary economic environment in which the Group operates and is therefore the functional currency. Foreign-currency transactions are translated into the functional currency of the applicable Group company at the exchange rate applying on the date of the transaction. Monetary foreign-currency items are subsequently translated at the applicable end-of-year exchange rate. Any exchange-rate differences arising in the settlement of foreign-currency transactions or from the translation of monetary foreign-currency items are taken to the income statement as exchange-rate gains or losses.

Critical accounting estimates and assumptions

In applying the recognition and measurement methods, the Management Board has applied the following accounting estimates and assumptions which have a material effect on the amounts shown in the consolidated financial statements:

- In connection with the recognition of deferred income tax assets on tax losses, it is necessary to forecast the Group's future taxable earnings. For this purpose, it is assumed that in the absence of any evidence of specific legal risks jeopardising the continued availability of the tax losses the tax losses are available in full in the future. Deferred income tax assets on tax losses are valued at TEUR 20,937 as of the balance sheet date (previous year TEUR 21,809).

- With respect to other provisions, various assumptions have been made, e.g. with respect to the probability and amount of utilisation of provisions for rental guarantees and litigation risks. For this purpose, the Management Board has taken into account all information available as of the balance sheet date. As of the balance sheet date, other provisions were valued at TEUR 22,148 (previous year TEUR 12,359).

Changes in accounting estimates and errors in prior periods in accordance with IAS 8

Changes and corrections to accounting estimates

Compared with the previous year's financial statements, the following changes have been made. At the same time, the corresponding figures for the previous year as of 31 December 2006 have been restated accordingly:

- Gains and losses from the remeasurement of investment properties are reported within gross profit after other operating income for the first time as of 31 December 2007. Prior to this, they had been included as the final item after other operating expenses above EBIT.
- In line with the method applied to the recognition of revenues, expenses occurring in connection with properties held for sale are broken down into the segments Property Sales, Rental Income, Construction Management and Unallocated.
- Consolidated net profit or loss before minority interests is now shown as a separate subtotal in the income statement.
- In the cash flow statement, payments made and received in connection with bank loans are no longer netted (as of 31 December 2006 they were presented as a net amount of TEUR 13,634) with payments received of TEUR 105,671 and payments made of TEUR 119.305. In addition, the cash and cash equivalents acquired in connection with business combinations are deducted from the payments made for investments in consoli dated companies and financial assetss (now investments of TEUR 6,668) (as of 31 December 2006, an amount of TEUR 333 was reported separately as changes in cash and cash equivalents as a result of changes to the companies consolidated).
- The retained earnings of TEUR 6,689 as of 31 December 2006 included effects of TEUR 6,162 arising in earlier years from the adoption of IFRS and the Company's retained earnings of TEUR 527 as calculated in its financial statements prepared in accordance with German GAAP. Now, however, consolidated retained earnings are reported in such a way that they match the amount shown in the annual financial statements. The remaining amount arising from the adoption of IFRS has been allocated to the unappropriated surplus.

The accounting changes do not have any effect on consolidated net profit, earnings per share or consolidated equity. The Company takes the view that these accounting changes provide a clearer view of the Group's business activities and afford a better understanding of its net assets, financial condition and results of operations.

Correction of errors - property, plant and equipment and deferred tax liabilities

In the previous year, the change in the expected useful life of a certain item of property, plant and equipment necessitated by the results of the external tax audit were not applied on an anticipatory basis by changing the future depreciation but recognised in profit and loss. The correction charged to profit carried forward (unappropriated surplus) resulted in a reduction of TEUR 62 in property, plant and equipment (previous carrying amount TEUR 4,406, after correction TEUR 4,344), while deferred tax liabilities dropped by TEUR 20 (previous carrying amount TEUR 1,478, after correction TEUR 1,458). This did not have any effect on consolidated net profit or earnings per share in either 2006 or 2007.

Correction of errors - shares in associates and other provisions

As of 31 December 2006, the book amount of the shares in associates was retroactively reduced by TEUR 107 (previously TEUR 3,869, now TEUR 3,762). In line with this, other provisions dropped (provisions for hedge accounting previously TEUR 0, now TEUR -107). The correction concerns the proportionate recognition of the effects of cash flow hedge accounting at one of the associates. This did not have any effect on consolidated net profit or earnings per share in either 2006 or 2007.

Correction of errors - other current assets

In prior years, revenues from the sale of apartments were recognised even though these apartments still formed part of the Group's assets in economic terms. As a result, the profit carried forward from earlier years, which is contained in the unappropriated surplus, and other current assets was reduced by TEUR 544 as of 1 January 2006. The carrying amount of the other current assets stood at TEUR 10,560 prior to correction and TEUR 10,017 after correction. This did not have any effect on consolidated net profit or earnings per share in either 2006 or 2007.

Notes on the balance sheet

1. Investment properties

On account of a change in utilisation, various properties previously designated as available-for-sale properties were reclassified as investment properties. These properties were measured at their fair value upon reclassification. In 2007, impairments of TEUR 4,426 (previous year TEUR 2,417) and reversals of prior impairments of TEUR 34,689 (previous year TEUR 13,975) were recognised. The changes in fair value thus resulted in net gains and losses of TEUR 30,263 (previous year TEUR 11,558)

The table below sets out the movements in the real estate portfolio:

Investment properties	In TEUR
Balance on 1 January 2006	119,004
Additions as a result of acquisition	20,011
Additions through subsequent cost of acquisition or production	409
Disposals as a result of sales	-848
Reclassification of available-for-sale properties	19,391
Additions as a result of business combinations	7,200
Reported under available-for-sale non-current assets	-4,180
Net gains/losses in fair value as at 31 December 2006	11,558
Balance on 31 December 2006	172,545
Additions as a result of acquisition	242,929
Additions through cost of acquisition or construction	6,372
Additions from under available-for-sale non-current assets	4,180
Disposals as a result of sales	-10,066
Reclassification of available-for-sale properties	110,479
Net gains/losses in fair value as at 31 December 2007	30,263
Balance on 31 December 2007	556,702

Of the investment properties, real estate with a carrying amount of TEUR 556,702 (previous year TEUR 138,127) is secured by real property liens.

The income statement contains the following significant amounts relating to investment properties:

Investment properties	2007 TEUR	2006 TEUR
Rental income	29,133	9,706
Operating expenses (maintenance, facility management, land taxes etc.)	-11,066	-4,463
Total	18,067	5,243

2. Intangible assets

The table below sets out the movements in tangible assets. Currently, there are no intangible assets with an indefinite useful life.

Intangible assets **Cost**	**Concessions and licences TEUR**
Balance on 1 January 2006	267
Additions in 2006	12
Disposals in 2006	-71
Balance on 31 December 2006	208
Additions in 2007	89
Disposals in 2007	-10
Balance on 31 December 2007	287

Intangible assets **Depreciation/amortisation**	**Concessions and licences TEUR**
Balance on 1 January 2006	228
Additions in 2006	17
Disposals in 2006	-70
Balance on 31 December 2006	175
Additions in 2007	33
Disposals in 2007	-4
Balance on 31 December 2007	204
Carrying amount on 31 December 2007	83
Carrying amount on 31 December 2006	34

3. Property, plant and equipment

The table below sets out the movements in property, plant and equipment.

Property, plant and equipment Cost	Land with residential buildings TEUR	Land with commercial buildings TEUR	Buildings on lease-hold land TEUR	Machinery TEUR	Operat-ing and business equipment TEUR	Total TEUR
Balance on 1 January 2006	175	3,297	81	2,769	2,860	9,182
Additions in 2006	0	0	0	0	533	533
Disposals in 2006	0	0	-62	-9	-254	-325
Reclassifications	175	0	0	172	-406	409
Balance on 31 December 2006	0	3,297	19	2,932	2,733	8,981
Additions in 2007	0	0	0	7	301	308
Disposals in 2007	0	-823	-19	-17	-275	-1,134
Balance on 31 December 2007	0	2,474	0	2,922	2,759	8,155

Property, plant and equipment Depreciation/ amortisation	Land with residential buildings TEUR	Land with commercial buildings TEUR	Buildings on lease-hold land TEUR	Machinery TEUR	Operat-ing and business equipment TEUR	Total TEUR
Balance on 1 January 2006	0	1,187	80	1,202	1,868	4,337
Additions in 2006	0	88	1	265	250	604
Disposals in 2006	0	0	-62	-9	-234	-305
Balance on 31 December 2006	0	1,275	19	1,458	1,884	4,636
Additions in 2007	0	200	0	1,121	295	1,616
Disposals in 2007	0	-85	-19	-16	-107	-208
Balance on 31 December 2007	0	1,390	0	0	2,072	6,025
Carrying amount on 31 December 2007	0	1,084	0	359	687	2,130
Carrying amount on 31 December 2006	0	2,022	0	1,474	849	4,345

Within property, plant and equipment, properties with a carrying amount of TEUR 1,084 (previous year TEUR 2,022) are secured with land charges.

Depreciation of machinery includes impairments of TEUR 1,039 (previous year TEUR 0).

Behrenstraße, Berlin

4. Investments in associates

Movements in associates were as follows:

Investments in associates Cost	TEUR
Balance on 1 January 2006	6,252
Additions in 2006	260
Disposals in 2006	-1,643
Reclassifications	-1,000
Error corrections in accordance with IAS 8	-107
Balance on 31 December 2006	3,762
Additions in 2007	364
Disposals in 2007	295
Balance on 31 December 2007	3,831

Investments in associates Cost	TEUR
Balance on 1 January 2006	1,939
Disposals in 2006	-939
Reclassifications	-1,000
Balance on 31 December 2006	0
Additions in 2007	0
Balance on 31 December 2007	0
Carrying amount on 31 December 2007	3,831
Carrying amount on 31 December 2006	3,762

5. Other financial assets

Other financial assets comprise the shares in associates and other investments not consolidated for materiality reasons. Movements in these were as follows:

Other financial assets Cost	Investments in associates TEUR	Investments	Total TEUR
Balance on 1 January 2006	3,106	654	3,760
Additions in 2006	391	15	406
Disposals in 2006	0	-5	-5
Balance on 31 December 2006	3,497	664	4,161
Additions in 2007	362	0	362
Disposals in 2007	-392	-3	-395
Balance on 31 December 2007	3,467	661	4,128

Other financial assets Depreciation/amortisation	Investments in associates TEUR	Investments TEUR	Total TEUR
Balance on 1 January 2006	1,236	628	1,864
Additions in 2006	28	0	28
Balance on 31 December 2006	1,264	628	1,892
Additions in 2007	700	0	700
Balance on 31 December 2007	1,964	628	2,592
Carrying amount on 31 December 2007	1,503	33	1,536
Carrying amount on 31 December 2006	2,233	36	2,269

6. Land with unfinished and finished buildings and other inventories

The table below sets out the movements in land with unfinished and finished buildings in the year under review:

Land with unfinished and finished buildings	2007 TEUR	2006 TEUR
Balance on 1 January	338,667	249,680
Additions	30,977	131,730
Disposals as a result of sales	-54,309	-25,798
Reclassification as investment properties	-110,479	-19,391
Impairment	-246	-1,530
Reversal of impairments	0	804
Balance on 31 December	204,610	338,667
Of which secured with real-property liens	204,610	212,683

The impairment losses on available-for-sale properties were for the most part identified on the basis of valuation reports and were due to lower fair values less selling costs caused by reduced market acceptance of these properties. The impairments are reported in the income statement under expenses for available-for-sale properties. These properties had a carrying amount of TEUR 8,583 as of the balance sheet date (previous year TEUR 22,670).

The reversals in the previous year were recorded on the basis of a valuation report, which identified improved conditions for leasing or selling the property. They are reported within other operating income. The property had a carrying amount of TEUR 4,860 as of 31 December 2006.

As in earlier years, the option providing for the alternative method of capitalising borrowing costs was applied to available-for-sale properties in the year under review. Accordingly, all interest and borrowing costs incurred during the acquisition or production phase were capitalised unless it was possible to directly allocate them to the acquisition or production of land. The average borrowing cost rate stood at 5.58 percent (previous year 5.23 percent). All in all, capitalised borrowing costs came to TEUR 292 (previous year TEUR 144).

The percentage of completion method described in IAS 11 was applied to long-term construction contracts provided that the necessary conditions for doing so were satisfied. The table below sets out the significant factors resulting from long-term construction contracts and affecting the Company's financial position, net assets and results of operations:

Construction contracts	2007 TEUR	2006 TEUR
Revenues	0	9,605
Expenses	0	-8,316
Realised profits (net of deferred income taxes)	0	1.289
Advance payments received	0	0

Other inventories break down as follows:

Other inventories	12/31/2007 TEUR	12/31/2006 TEUR
Heating and operating costs not yet billed	10,857	5,172
Heating oil inventories	95	107
Other	16	76
Total	10,969	5,355

7. Trade receivables, income tax refund claims and other current assets

Other current assets primarily break down as follows:

Trade receivables	12/31/2007 TEUR	12/31/2006 TEUR
Receivables from the sale of properties	57,482	32,734
Rental receivables	2,680	1,911
Other	5,523	2,628
Total	65,685	37,273

In the year under review, impairments of TEUR 1,172 (previous year TEUR 1,419) of trade receivables were recognised in the income statement and reported within other operating expenses. The carrying amounts of the adjusted receivables stood at TEUR 640 as of 31 December 2007 (previous year TEUR 1,494).

The income tax reimbursement claims comprise corporate tax reimbursement claims including the solidarity surcharge and trade tax for the consolidated companies:

Other current assets primarily break down as follows:

Other current assets	12/31/2007 TEUR	12/31/2006 TEUR
Receivables from associates and investees	21,343	7,170
Derivative financial instruments	870	35
Other	4,272	2,812
Total	26,485	10,017

8. Cash and cash equivalents

Cash and cash equivalents include cash in hand at cash at banks. The cash flow statement as of 31 December 2007 includes the cash and cash equivalents freely available within the TAG Group (cash on hand and cash at banks net of current bank borrowings). In this respect, cash and cash equivalents in the cash flow statement differ from the corresponding item reported in the balance sheet. The latter also includes payments made by real estate purchasers that are not yet available.

9. Non-current available-for-sale assets

In the previous year, this item included the subsidiary Tegernsee-Bahn Betriebsgesellschaft mbH, which at that time was classified as an available-for-sale asset. The related liabilities were also recorded separately under liabilities.

In 2007, the intention to sell was abandoned due to the fact that the Company currently sees no chance of gaining a reasonable price in the market. This change of intention did not have any effect on consolidated net profit, consolidated equity or earnings per share.

10. Subscribed capital

As in the previous year, TAG's share capital stands at TEUR 32,566 and is divided into 32,566,364 no-par-value shares with equal voting rights. The share capital is paid up in full.

The Management Board has been authorised subject to the Supervisory Board's approval to increase the share capital once or repeatedly on or before 29 June 2011 by a maximum amount of TEUR 6,278 by issuing up to 6,278,182 shares. The Management Board has been authorised to exclude the shareholders' statutory subscription rights subject to the Supervisory Board's approval,

- to the extent to which this is necessary to eliminate fractional amounts,
- to acquire enterprises, parts of enterprises or investments in enterprises through the provisions of shares in suitable individual cases,
- to 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, including 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 Sections 203 (1) and (2), 186 (3) No. 4 of the German Stock Corporations 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.

The Company's share capital was increased on a contingent basis by up to TEUR 3,425 equivalent to up to 3,424,463 new bearer shares to ensure that the convertible and option bonds issued in accordance with the resolution passed by the shareholders on 5 July 2006 can be honoured. The contingent capital increase is executed only to the extent that convertible and option bonds are actually issued and the bearers or creditors of such convertible and option bonds make use of their options or the bearers or creditors of convertible and option bonds with an obligation of conversion satisfy such obligation.

11. Share premium

The share premium primarily contains the premium on the equity issues executed in former years as well as withdrawals to equalise the net losses for the year recorded in accordance with German commercial law. In 2007, the share premium additionally included a reduction of TEUR 249 from the acquisition of further shares of 40 percent (100 percent shareholding after acquisition) in the already fully consolidated company Bau-Verein zu Hamburg Hausverwaltungsgesellschaft mbH (business combination with no change of status) at a purchase price of TEUR 300. Reference should be made to the Group statement of changes in equity for details of the movements in this item in the year under review.

Rambachstraße, Hamburg

12. Other reserves

Other reserves break down as follows:

Other reserves	12/31/2007 TEUR	12/31/2006 TEUR
Retained earnings	527	527
Hedge accounting reserve	-735	-107
Total	-208	420

Retained earnings comprise the profit from earlier years available for distribution (TEUR 481) and the statutory reserve required by Section 150 of the German Stock Corporations Act (TEUR 46). The hedge accounting reserve includes gains and losses from hedges (cash flow hedges) recognised in equity after the deduction of deferred taxes. Of this, an amount of TEUR 364 (previous year TEUR 107) is attributable to the share in the profit and loss of associates.

13. Unappropriated surplus/accumulated deficit

The consolidated statement of changes in equity sets out the movements in the unappropriated surplus in the year under review.

14. Minority interests

This item refers to the shares held by minority shareholders in the equity and net profit or loss for the year of the consolidated subsidiaries. The net profit attributable to the equity holders of the parent company equals the difference between the consolidated net profit and the minority interests reported in the income statement.

15. Bank borrowings

Bank borrowings consist almost exclusively of liabilities arising in connection with the acquisition of investment properties or the acquisition and development of available-for-sale properties.

Investment properties are normally financed on a long-term basis and available-for-sale properties on a short-term basis. Lending terms and conditions (interest rates, repayments) are adjusted at regular intervals. Short-term loans are repaid upon the sale of the property. In the case of long-term finance, repayments are generally between 1 percent and 2 percent p.a. There were no premiums, discounts or interest-free liabilities as at 31 December 2007.

As in the previous year, all current and non-current liabilities to banks of TEUR 512,958 (previous year TEUR 308,846) are secured in full. For the most part, collateral takes the form of real property liens. In the previous year, extensive volumes of cash at banks TEUR was additionally pledged as collateral for securities.

16. Retirement benefit provisions

The retirement benefit provisions relate to the commitments made in earlier years to former members of the Management Board of the subsidiary Bau-Verein zu Hamburg Aktien-Gesellschaft. Movements in these were as follows:

Retirement benefit provisions	TEUR
Opening balance on 1 January 2006	2,329
Consumption	-211
Reversal	-135
Addition	205
Balance on 31 December 2006	2,188
Consumption	-209
Reversal	-222
Addition	205
Balance on 31 December 2007	1,962

The table below sets out the parameters used as a basis for calculating the retirement benefit provisions:

	12/31/2007	12/31/2006
Interest rate	5.25 %	4.25 %
Future salary increases	2.00 %	1.75 %
Retirement age	In accordance with Social Code VI	

As in earlier years, changes in the actuarial assumptions were recognised in profit and loss.

Of the retirement benefit provisions, an amount of TEUR 210 (previous year TEUR 205) is due for payment within one year. To simplify matters, these amounts are shown within non-current liabilities, Retirement benefit expense was as follows in the previous year:

	2007 TEUR	2006 TEUR
Retirement benefit expense	0	3
Interest expense	205	202
Retirement benefit expense in the period under review	205	205

Expenses resulting from interest accruing on pension rights vesting in previous years are recognised in the income statement under personnel expenses together with the other expenses resulting from retirement benefit obligations.

The table below sets out movements in the net liabilities recognised:

	2007 TEUR	2006 TEUR
Obligations recognised in the balance sheet as at 1 January	2,188	2,329
Retirement benefit expense	-16	70
Retirement benefit payments	-210	-211
Balance sheet obligations as at 31 January	1,962	2,188

As in the previous year, the present value of the defined-benefit obligation corresponds to the liability shown in the consolidated balance sheet. A reconciliation statement has been dispensed with. The present value of the defined-benefit obligation stood at TEUR 2,239 as of 31 December 2005, TEUR 2,467 as of 31 December 2004 and TEUR 2,453 as of 31 December 2003.

17. Other non-current liabilities

The movements in other non-current liabilities due for settlement in more than one year but in less than five years were as follows:

Movements in other non-current liabilities	TEUR
Balance on 1 January 2006	426
Consumption	-2
Balance on 31 December 2006	424
Consumption	-2
Reclassification as current liabilities	-414
Balance on 31 December 2007	8

18. Deferred tax liabilities

The deferred income tax liabilities recognised as of the balance sheet date break down as follows:

Deferred tax liabilities	2007 TEUR	2006 TEUR
Tax losses	20,937	21,809
Measurement of investment properties	-29,913	-23,266
Others	624	-1
Total	8,352	-1,458

19. Other provisions

Other provisions break down as follows:

Other provisions	Balance 01/01/2007 TEUR	Reversal TEUR	Consumption TEUR	Addition TEUR	Balance 31/12/2006 TEUR
Outstanding construction cost for real estate	4,135	334	3,714	12,182	12,269
Elimination of faults in real estate	1,407	39	694	1,035	1,709
Outstanding services in connection with sold properties	1,049	112	674	506	769
Outstanding invoices	898	139	644	1,727	1,842
Legal, consulting and auditing fees	629	28	441	643	803
Other	4,241	417	2,380	3,312	4,756
Total	12,359	1,069	8,547	19,405	22,148

20. Income tax liabilities

Income tax liabilities include provisions for current income tax liabilities for corporate tax (including the solidarity surcharge) and trade tax.

Boschstraße, Puchheim

21. Trade payables

Trade payables break down as follows:

Trade payables	12/31/2007 TEUR	12/31/2006 TEUR
Payables from purchases of properties and other trade payables	15,627	67,232
Rental liabilities	4,539	5,179
Total	20,166	72,411

22. Other current liabilities

Other current liabilities break down as follows:

Other current liabilities	12/31/2007 TEUR	12/31/2006 TEUR
Advance payments received	3,137	1,187
Derivative financial instruments	2,336	0
Loans to related parties	1,486	2,275
Value added tax	1,408	364
Property transfer tax	1,169	0
Other	770	27
Total	10,306	3,853

Notes on income statement

23. Revenues

As broken down in the income statement, the Group's revenues primarily comprise the proceeds from the sale of properties, rental income and construction management income. Rental income breaks down into income from investment properties and other rented properties held as inventories.

Rental income	2007 TEUR	2006 TEUR
Rental income on investment properties	29,133	9,706
Rental income on available-for-sale properties	11,144	15,371
Total	40,277	25,077

24. Other operating income

The table below breaks down the main items of other operating income:

Other operating income	2007 TEUR	2006 TEUR
Gains from deconsolidation	3,059	474
Income from earlier years	2,040	935
Income from the reversal of provisions	1,069	986
Currency translation gains	198	220
Waiver of loans by banks	0	1,565
Increase in fair value of available-for-sale properties	0	804
Other	1,775	1,319
Total	8,141	6,303

25. Difference arising from remeasured fair value of investment properties

This item comprises gains and losses from the fair-value measurement of investment properties as of the balance sheet date.

26. Cost of goods and services purchased

As broken down in greater detail in the income statement, the cost of goods and services purchased primarily comprise expenses in connection with the sale of properties, rental expense and expense in connection with construction management.

Expenses in connection with the sale of properties primarily comprise portfolio costs for properties sold in the year under review and thus match the expenses in connection with inventories sold, which are recognised through profit and loss. Rental expenses also include the increase/decrease in as yet unbilled rechargeable heating and operating costs in the year under review as well as billed heating and operating costs in the previous year (change in inventories).

27. Personnel expenses

Personnel expenses break down as follows:

Personnel expenses	2007 TEUR	2006 TEUR
Wages and salaries	10,728	8,584
Social security	1,297	1,142
Retirement benefit expenses	373	419
Total	12,398	10,145

Roughly half of the social security expense includes payments to the statutory pension fund.

28. Depreciation/amortisation

This item breaks down as follows:

Depreciation/amortisation	2007 TEUR	2006 TEUR
Amortisation on intangible assets	33	17
Depreciation	1,617	604
Total	1,650	621

29. Other operating expenses

The table below breaks down the major items under other operating expenses:

Other operating expenses	2007 TEUR	2006 TEUR
Legal, consulting and auditing fees	3,908	3,017
Cost or premises	1,550	1,034
Cost of raison loans and finance	1,744	654
Adjustments of receivables	1,172	1,419
Investor Relations	615	184
Other	5,506	5,239
Total	14,495	11,547

In the year under review, other operating expenses included payments under operating leases of TEUR 1,874 (previous year TEUR 1,752).

30. Share of profit of investees

The share of profit of investees breaks down as follows:

Share of profit of investees	2007 TEUR	2006 TEUR
Absorption of loss from non-incorporated entities	73	-24
Impairment losses on investments	-700	-28
Total	-627	-52

31. Share of profit of associates

This item comprises the share of profit of associates accounted for using the equity method of accounting:

Share of profit of associates	2007 TEUR	2006 TEUR
Income from associates	0	14
Loss from associates	-295	-124
Total	-295	-110

William-Zipperer-Straße, Leipzig

32. Net borrowing costs

Net borrowing costs consist of the following items:

Net borrowing costs	2007 TEUR	2006 TEUR
Interest and similar expenses	-25,188	-13,128
Interest and similar income	6,105	2,616
Total	-19,083	-10,512

33. Income taxes

Income taxes recorded in the income statement break down as follows:

Income taxes	2007 TEUR	2006 TEUR
Current income taxes	-3,649	273
Deferred income taxes	-6,820	-818
Total	-10,469	-545

The table below sets out the material items under deferred income tax liabilities:

Deferred income taxes charged/credited to the income statement	2007 TEUR	2006 TEUR
Difference from remeasured fair value of investment properties	-6,647	-6,275
Recognition and measurement of provisions	-157	-662
Capitalisation of tax losses	-796	7,148
Other	780	-1,029
Total	-6,820	-818

Theoretical and current net tax expense is reconciled as follows. The theoretical tax result is the prodcut of earnings before tax and the theoretical tax rate:

Current net tax expense	**2007 TEUR**	**2006 TEUR**
Earnings before income taxes (EBT after other taxes)	29,757	5,458
Expected net tax expense	-11,945	-2,190
Reconciled with tax effects from:		
Income and expenses from earlier years	71	427
Subsequent capitalisation or non-capitalisation of tax losses	3,447	389
Tax-free income and non-deductible expenses	307	296
Changes in previously unrecognised temporary differences	0	467
Tax effect from change of tax rate	-996	0
EK02 withholding tax	-914	0
Other	-439	66
Current net tax expense	-10,469	-545

The tax effect from the change of tax rate arises from the remeasurement of deferred taxes due to the change in tax rates as of 1 January 2008 as a result of the corporate tax reform (new theoretical total tax rate previously 40.14 percent, in the future: 32.28 percent).

The theoretical tax rate is calculated as follows:

Theoretical tax rate	**2007 %**	**2006 %**
Corporate tax	15.00	20.30
Solidarity surcharge	0.83	1.14
Trade tax	16.45	18.70
Total	32.28	40.14

Deferred tax of TEUR 664 (previous year TEUR 641) was recognised under equity in the year under review.

As in the previous year, the Group has corporate tax credits of TEUR 180 as of the balance sheet date. The potential for increasing corporate tax of TEUR 5,013 reported in the previous year has now been discharged in an amount of TEUR 914 in accordance with mandatory statutory provisions („EK02 withholding tax").

Deferred tax assets do not include corporate tax losses of around EUR 41.6 million (previous year approx. EUR 63.3 million) and trade tax losses of around EUR 62.3 million (previous year approx. EUR 65.9 million) as it is currently not probable that there will be sufficient taxable profit against which they can be utilised.

34. Other taxes

Other taxes are mainly comprised of property tax and motor vehicle tax.

35. Earnings per share

Earnings per share state the earnings for a period attributable to a single share. For this purpose, consolidated earnings are divided by the weighted average number of shares outstanding. This ratio may be diluted by “potential shares” (convertible bonds and stock options). The TAG Group has not concluded any diluting stock purchase agreements. Consequently, the basic and diluted earnings per share are identical.

	2007	2006
Consolidated net profit/loss	TEUR 16,467	TEUR 2,845
Number of shares outstanding (weighted)	32,566,364	20,003,026
Basic earnings per share	EUR 0.51	EUR 0.14

The weighted number of shares outstanding in 2006 is calcualted as follows:

	Number of shares	Weighted
01/01-03/23/2006	10,044,901	2,229,142
03/23-08/08/2006	12,556,364	4,747,338
08/09-12/31/2006	32,566,364	13,026,546
Total		20,003,026

The changes in the number of shares outstanding in 2006 are due to the cash equity issues excuted in that year.

Notes on cash flow statement

The cash flow statement was prepared using the indirect method and distinguishes between operating, investing and financing activity. The cash and cash equivalents reported as of the balance sheet include all bank accounts and overdraft facilities with banks due for settlement within three months of the balance sheet date and break down as follows:

Cash and cash equivalents	12/31/2007 TEUR	12/31/2006 TEUR
Cash and cash equivalents carried on the balance sheet	14,114	113,070
Utilisation of overdraft facilities or current account balances in bank liabilities	-2,227	11,501
Total	11,887	124,571

TEURAs of the balance sheet date, cash and cash equivalents of TEUR 2,563 (previous year TEUR 55,255) had been pledged to secure liabilities to banks. Further cash flows included in the cash flow statement contain the following components:

Cash flows	2007 TEUR	2006 TEUR
Interest paid	-25,188	-13,128
Interest received	6,105	2,617
Taxes paid	219	209
Taxes received	14	192
Dividends received	73	72

Notes on segment report

Segment reporting is based on the existing segments within the Group. The segments used are those which management applies to distinguish the individual activities within the Group. The individual segments are as follows:

- Residential real estate: Rental of own residential real estate portfolio in German metropolitan regions (portfolio), acquisition of real estate portfolios offering high development potential in established locations in German metropolitan regions; following completion of development activities such as maintenance, modernisation, addition of further storeys, construction extensions and infrastructure improvements sale or long-term retention in portfolio (portfolio development) as well as construction and sale of inexpensive terraced houses, maisonette apartments and owner-occupied apartments (construction).
- Commercial real estate: Development and execution of commercial real estate projects in selected locations in major German cities.
- Services: Broad range of real-estate-related services particularly project development and management, construction and asset management, the exercise of due diligence processes for real estate purchase decisions and controlling activities. In addition, the historical railway infrastructure services are assigned to this segment.

Netting prices between the segments are calculated on the basis of market prices or costs incurred plus a profit mark-up of a usual amount.

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 arm's length terms.

Segment earnings are reported as earnings before taxes, interest and other net financial result (EBIT). For this reason, segment earnings do not include the share of profits of associates. The result which would be attributable to the residential real estate segment stood at TEUR -295 (previous year TEUR -110) in the year under review.

Depreciation/amortisation attributable to the individual segments is not disclosed in accordance with the principles of materiality. Total scheduled depreciation came to TEUR 611 (previous year TEUR 621) in the year under review. In addition, there was non-scheduled depreciation of TEUR 1,039 (previous year TEUR 0) for machinery attributable to the commercial real estate segment.

Segment assets and liabilities do not include any current or deferred income tax receivables or liabilities.

The "reconciliation" column eliminates income and expenses as well as receivables and liabilities between the individual segments and items which cannot be directly allocated to the segments.

Disclosures on financial instruments

Risks as a result of financial instruments

TAG's business activities expose it to various risks of a financial nature. These risks include interest, liquidity and credit risks and, to a small extent, exchange rate risks. On the basis of the guidelines issued by the Company's managing bodies, risk management is based in the central finance department.

The counterparty default risk in connection with derivative financial instruments and financial transactions is minimised by selecting investment-grade financial institutions.

Material accounting and valuation methods

Details of the main accounting polices applied including recognition criteria, the basis of measurements and the basis for recognising income and expenses are described in the section entitled "Significant accounting principles - details of recognition and measurement principles".

Capital risk management

The Group manages its capital by optimising its equity and debt capital with the aim of maximising income from its investments. In this connection, precautions are taken to ensure that all Group companies are able to operate in accordance with the going-concern assumption.

Risk management reviews the Group's capital structure on a quarterly basis in the light of the cost of capital and the risk inherent in each capital class.

The equity ratio as of the end of the year is as follows:

Equity ratio	12/31/2007 TEUR	12/31/2006 TEUR
Shareholders' equity	306,513	288,010
Total assets	886,603	692,538
Equity ratio	34.6 %	41.6 %

Categories of financial instruments

The following main categories of financial assets were in existence as of the balance sheet date:

Financial assets	12/31/2007 TEUR	12/31/2006 TEUR
Derivative instruments designated as hedge relationships	870	35
Loans and receivables	105,872	161,346
Available-for-sale financial assets	1,536	2,270

The available-for-sale financial assets are reported within other financial assets. Loans and receivables comprise trade receivables, income tax reimbursement claims, other current assets and cash and cash equivalents but exclude the derivative instruments designated for the purposes of hedge accounting, which are reported within other current assets.

Derivative instruments designated as hedge relationships are measured at their fair value. Loans and receivables are measured at amortised cost. Available-for-sale financial assets are recognised at cost less any impairments as it is not possible to reliably determine their fair values due to the absence of active markets for these assets.

As of the balance sheet date, financial assets worth TEUR 2,563 (previous year TEUR 55,255) were pledged as collateral for liabilities or contingencies.

The following main categories of financial liabilities were in existence as of the balance sheet date:

Financial liabilities	12/31/2007 TEUR	12/31/2006 TEUR
Derivative instruments designated as hedge relationships	2,336	0
Financial liabilities measures at amortised cost	545,292	388,261

Loans and receivables comprise liabilities to banks, income tax liabilities, other non-current liabilities, trade payables and other current liabilities as well as liabilities in connection with available-for-sale non-current assets but exclude the derivative instruments designated for the purposes of hedge accounting, which are reported within other current assets.

Derivative instruments designated as hedge relationships are measured at their fair value. Financial liabilities are measured at amortised cost.

In the year under review, interest expense, which was calculated in accordance with the effective interest method, was recorded for financial liabilities recognised at their fair values in equity at an amount of TEUR 157 (previous year TEUR 94).

Fee and commission expenses not included in the calculation of the effective interest rate and resulting from financial liabilities not recognised at fair value through profit and loss came to TEUR 1,587 (previous year TEUR 560).

Purposes of financial risk management

The main risks monitored and managed by means of the Group's financial risk management comprise interest, credit and liquidity risks.

The Group attempts to minimise the effects of interest risks by means of derivative financial instruments (interest swaps). The utilisation of financial derivatives is directly monitored by the Management Board. The Group does not engage or trade in financial instruments including derivative financial instruments for speculative purposes.

Interest risk

The Group's activities primarily expose it to risks arising from changes in interest rates. It uses derivative financial instruments to a necessary extent to manage existing interest risks. These include interest swaps as well as caps to minimise the risk of changing interest rates and sensitivity in the event of rising interest rates.

The TAG Group uses derivatives based on hedged assets to actively manage and reduce interest risks. In the course of 2007, the subsidiaries Bau-Verein zu Hamburg Aktien-Gesellschaft and TAG Gewerbeimmobilien-Aktiengesellschaft utilised conservative interest derivatives (mostly payer swaps) in a volume of around EUR 223 million. Payer swaps constitute synthetic fixed-rate agreements in connection with a variable underlying. In this way, the Group is able to reduce its exposure to changes in the money market and also heighten the plannability of debt servicing with respect to the hedged repayments.

The Group's interest management works actively with credit management and Group planning. As a result, it is possible to structure derivatives in such a way that they generate the greatest possible benefits and maximum stability for the Group's current and future status. The contracting of derivatives is prepared by reference to regular economic reports to ensure that the decision-makers are kept informed at all times of trends in the interest markets and the factors influencing them. In this way, it is also possible to utilise interest volatility to achieve an optimum finance structure.

If interest rates on constant liabilities to banks are assumed to increase (decrease) by 0.5 percentage points, net interest result deteriorates (improves) as follows:

Interest sensitivity	**12/31/2007 TEUR**	**12/31/2006 TEUR**
Net borrowing costs in the year under review	-19,083	-10,512
Average interest rate on non-current loans	5.39 %	4.61 %
Average interest rate on current loans	5.58 %	5.23 %
Change in interest expenditure in the event of a 0.5% increase in interest levels	-1,180	-1,066
Change in interest expenditure in the event of a 0.5% decrease in interest levels	1,180	1,066

The change in interest expenditure in this fictitious analysis would directly affect consolidated net profit and consolidated equity in the light of the effect on income tax considerations.

The Group entered into the interest swaps set out in the following table to hedge the interest risk. Under these contracts, fixed and variable contracts calculated on the basis of agreed nominal amounts are swapped.

Derivative	Hedged asset	Nominal volume		Interest rate	Term in years	Fair value	
		2007	2006			2007	2006
Payer swap Callable (09/2013)	Siemens portfolio	20,000,000	-	4.410 %	9.4	-191,484	-
Payer swap	Siemens portfolio	20,000,000	-	4.800 %	9.4	-394,663	-
Payer swap	Siemens portfolio	20,000,000	-	4.805 %	6.7	-411,218	-
Payer swap Callable (09/2012)	Siemens portfolio	30,000,000	-	4.545 %	9.4	-570,689	-
Payer swap	Hamburg-Ottensen	8,500,000	-	4.745 %	4.4	-113,618	-
Payer swap	Commercial RE package	25,000,000	-	4.000 %	4.5	453,549	-
Payer swap	Commercial RE package and Pegasuspark	10,000,000	-	4.000 %	4.5	162,463	-
Payer swap	Maximilian portfolio	10,000,000	-	4.450 %	7.7	19,824	-
Payer swap	Maximilian portfolio	11,619,000	-	4.818 %	9.0	-228,883	-
Payer swap	Maximilian portfolio	9,000,000	-	4.680 %	1.9	-46,382	-
Payer swap	Moers	11,000.000	-	4.235 %	9.1	220,490	-
Payer swap	Residential RE package	30,000,000	-	4.430 %	4.5	-15,284	-
Payer swap	Bärenpark	17,000,000	-	4.780 %	5.0	-273,812	-
Cap	Residential RE package	1,000,000	-	4.430 %	4.5	13,544	-
Bonus interest swap	Post package	10,000,000	10,000,000	n .a	7.0	-89,776	34,607
	Total	**233,119,000**	**10,000,000**	**4.50 %**	**6.8**	**-1,465,940**	**34,607**

In the event of any changes in market interest rates, derivatives accounted for by means of hedge accounting may have an impact on the hedge accounting reserve under equity.

	12/31/2007 TEUR	12/31/2006 TEUR
Change in market value in the event of a 0.5% increase in interest levels	4,878	387
Change in market value in the event of a 0.5% decrease in interest levels	-4,775	-387

The change in the value of the interest derivatives in this fictitious analysis would affect solely consolidated equity in the light of the effect on income tax considerations.

Payment default risk

The payment default risk is the risk of loss for the Group if a counterparty fails to honour its contractual obligations. The Group enters into business relations solely with credit-worthy counterparties and, if appropriate, requests collateral to reduce the risk of loss in the event of the counterparty's failure to comply with its duties. The Group uses available financial information including its own records to evaluate its customers. Risk exposure is monitored on an ongoing basis. There are trade receivables due from a large number of customers spread over different sectors and regions. Regular credit assessments are performed to determine the financial condition of the receivables. Material receivables are predominantly held against customers with good credit ratings.

As of the balance sheet date, financial assets overdue by more than three months but not adjusted stand at TEUR 2,307 (previous year TEUR 5,731). As in the previous year, there are no financial assets overdue by more than one year whose value has not been adjusted.

The Group is for the most part not exposed to any payment default risks on the part of a counterparty or group of counterparties with similar characteristics. The Group defines counterparties as those with similar characteristics if they are related parties. Only TAG Gewerbeimmobilien-Aktiengesellschaft is exposed to payment default risk clustering. Rental income from a new tenant gained in 2007 currently stands at TEUR 11,300 p.a. Given the tenant's credit rating, no payment defaults are expected.

With the exception of the figures contained in the following table, the carrying amount of the financial assets recognised in the consolidated financial statements less any value adjustments constitute the Group's maximum payment default risk. This does not include any collateral received.

	12/31/2007 TEUR	12/31/2006 TEUR
Guarantees in favour of associates	2,970	2,970
Guarantees in favour of joint ventures	5,100	0

Liquidity risk

The Management Board is responsible for liquidity risk management and has established an appropriate model for managing short, medium and long-term finance and liquidity requirements. The Group controls liquidity risks by maintaining reasonable reserves and bank and other facilities and by means of ongoing monitoring of forecast and actual cash flows and the reconciliation of the maturities of financial assets and liabilities.

The following tables set out the contractual durations of the Group's non-derivative financial liabilities based on the non-discounted cash flows of financial liabilities as of the earliest day on which the Group is under any settlement obligation. The table shows both interest and capital payments. The adjustment column contains possible future cash flows which are attributable to the instrument shown in the analysis of maturities and are not included in the carrying amount of the financial liability recognised in the balance sheet.

Residual maturity of non-derivative financial liabilities	12/31/2007 TEUR	12/31/2006 TEUR
Due for settlement in less than 1 year	249,704	350,110
1 – 5 years	113,381	14,188
Over 5 years	182,207	23,963
Total	545,292	388,261

The following table analyses the maturities of non-derivative financial assets expected by the Group based on the non-discounted contractual maturities of financial assets including interest. Interest is recognised for such assets unless the Group expects cash flows to arise in another period.

Maturity of non-derivative financial assets	12/31/2007 TEUR	12/31/2006 TEUR
Due for settlement in less than 1 year	105,872	161,346
1 – 5 years	0	0
Over 5 years	1,536	2,270
Total	107,408	163,616

The Group is able to utilise credit facilities. The total amount not utilised as of the balance sheet date stands at TEUR 84,945 (previous year TEUR 100,783). The Group expects to be able to settle its liabilities from operating cash flow, the inflow of financial assets due for settlement and existing credit facilities at all times.

Credit risk

TAG is dependent upon the receipt of bank loans for further acquisitions. Similarly, it must renew these loans when they expire or find alternative source of finance. In all these cases, there is a risk of not being able to renew the loans at the same or other terms. However, the terms of these loans are increasing steadily, meaning that this risk is declining substantially.

Foreign currency risk

The risks arising from transactions in a foreign currency are limited. As a matter of principle, all new loans are denominated in euros. Only one property has been financed in Swiss francs for a considerable period of time. As of the balance sheet date, it has a volume of around EUR 7 million with a fixed interest rate and matures at the end of 2011.

Fair value of financial instruments

Where applicable, the fair values of financial assets and liabilities are recorded in the following order:

- The fair value of financial assets and liabilities with standard durations and terms traded in active liquid markets is determined by reference to the quoted market prices.
- The fair value of other financial assets and liabilities (excluding derivative instruments) is determined using generally acknowledged measurement models based on discounted cash flow analyses and the prices of observable current market transactions and trader quotes on similar instruments.
- The fair value of derivative instruments is calculated by reference to quoted prices. If such prices are not available, discounted cash flow analyses are used on the basis of corresponding interest curves for the term of the instruments in the case of derivatives without any option components and option price models in the case of derivatives with optional components.

As in the previous year, the consolidated financial statements include investments in non-listed companies whose fair value cannot be reliably determined. Accordingly, they are recognised at cost less impairment, where applicable. These investments are predominantly subsidiaries engaged in the real estate sector with only minor business activities. There is no active market for these investments.
At the moment, there is no specific intention for these investments to be sold.

In the Management Board's view, the carrying amounts of the financial assets and liabilities recognised at amortised cost mostly match their fair values. One exception is bank borrowings, whose fair values are set out in the following table:

Fair value of bank borrowings	**12/31/2007 TEUR**	**12/31/2006 TEUR**
Current liabilities	295,552	37,725
Non-current liabilities	217,133	270,979
Total	512,685	308,704

Zehlendorf, Berlin

Other details

Contingent liabilities and other financial obligations

Contingent liabilities within the TAG Group towards non-consolidated companies comprise guarantee obligations valued at TEUR 2,970 (previous year TEUR 3,225). As well as this, there are contingent liabilities of TEUR 3,000 (previous year TEUR 0) in the form of possible additional purchase price payments in connection with the acquisition of real estate. In addition, the following other financial obligations due for settlement in up to five years of the following items are in existence:

Other financial obligations	12/31/2007 TEUR	12/31/2006 TEUR
Rental guarantees	2,993	3,388
Rentals for business premises	7,522	7,775
Leases	491	195
Total	11,006	11,358

As of 31 December 2007, there were purchase price obligations under software licence agreements and for IT hardware of around TEUR 520 due for settlement within one year.

Part of the other financial obligations of TEUR 991 (previous year TEUR 989) is due for settlement within one year. There are financial obligations due for settlement in more than five years of TEUR 2,561 (previous year TEUR 2,735).

Minimum lease payments under operating leases

As of 31 December 2007, there are fixed future claims to minimum lease payments of TEUR 131,087 (previous year TEUR 9,331) under operating leases entailing commercial real estate.

Related party disclosures

The following transactions with related parties arose in the year under review:

- In 2007, TAG provided a guarantee of EUR 5.1 million in connection with the sale of property in Hamburg in favour of the proportionately consolidated company DESIGN Bau BV Hamburg GmbH & Co. KG, in which Bau-Verein zu Hamburg Eigenheim-Immobilien GmbH holds 50 percent. TAG did not receive any remuneration for granting the guarantee.
- In 2004, Bau-Verein AG issued a guarantee towards a bank for TEUR 2,970 in favour of GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH & Co. KG, in which it holds 50 percent of the voting rights and accounts for as an associate. No remuneration has so far been agreed. However the Group charged fees of TEUR 33 (previous year TEUR 28) plus VAT for facility management and accounting/controlling services performed for this company.
- Fees for the provision of construction management, facility management and accounting/controlling services of TEUR 23,222 (previous year TEUR 6,643) were charged to the associate GAG Grundstücksverwaltungs-Aktiengesellschaft, in which the Group holds 25 percent of the voting rights, in the year under review.
- Sozietät Nörr Stiefenhofer Lutz, Rechtsanwälte Wirtschaftsprüfer Steuerberater, in which Prof. Dr. R. Frohne, a member of the Supervisory Board, is a partner, received payments of TEUR 420 (previous year TEUR 410) for legal counselling.
- Mr. Rolf Hauschildt and Dr. Lutz R. Ristow's wife waived loans granted with a total volume of TEUR 1,500 effective 30 June 2005. Up until 31 December 2007, this waiver was subject to a condition precedent, meaning that prior to that date there was a possibility of the loans being reinstated. However, the condition precedent was not discharged in the year under review, as a result of which the waiver became final.
- In 2007, shares in TAG Asset Management GmbH were acquired at a price of TEUR 321 by a company in which the chairman of the Supervisory Board, Dr. Lutz R. Ristow, holds a share.
- As of 31 December 2007, there are loan liabilities of TEUR 1,486 (previous year TEUR 2,275) towards a company in which members of TAG's Supervisory Board hold shares. The liabilities are subject to interest of 7.5 percent.
- In 2007, the members of TAG's Management Board, Andreas Ibel and Erhard Flint as well as the holder of general signing powers at Bau-Verein zu Hamburg Aktien-Gesellschaft, Dr. Harboe Vaagt, jointly acquired 51 percent of the capital of a shelf company at a book amount of TEUR 14.

Total remuneration received by the Supervisory Board and the Management Board

Remuneration paid to the Management Board in the year under review came to TEUR 2,720 (previous year TEUR 2,528).

Andreas Ibel received fixed remuneration of TEUR 278 (previous year TEUR 282) and Erhard Flint TEUR 282 (previous year TEUR 282). The variable remuneration for 2007 provisionally stands at TEUR 1,080 (previous year TEUR 360) for Andreas Ibel and TEUR 1,080 (previous year TEUR 190) for Erhard Flint. The final amount of this variable remuneration is still subject to confirmation by the Supervisory Board. Part of the remuneration received by Andreas Ibel and Erhard Flint was paid by the subsidiaries Bau-Verein zu Hamburg Aktien-Gesellschaft and Bau-Verein zu Hamburg Eigenheim-Immobilien GmbH.

The remuneration paid in the previous year additionally included remuneration for the former member of the Company's Management Board Dr. Lutz R. Ristow comprising a fixed amount of TEUR 539 and a variable amount of TEUR 875.

The remuneration received by the members of the Supervisory Board amounted to TEUR 43 (previous year TEUR 41).

Independent auditor's fee

The independent auditor's fee for the entire Group, which is reported as expense includes fees (plus value added tax) for the audit of the financial statements of TEUR 371 (previous year TEUR 358), fees for other auditing activities of TEUR 129 (previous year TEUR 180) as well as fees for other consulting activities of TEUR 65 (previous year TEUR 10) and, as in the previous year, a part amount of TEUR 6 for tax consulting activities.

Headcount

The Group had a total headcount of 181 as at 31 December 2007 (previous year 160). The annual average stood at 169 (previous year 150).

Supervisory board

Members of the Supervisory Board and offices held in 2007:

Dr. Lutz R. Ristow, Hamburg, businessman (Chairman)

Supervisory board offices held pursuant to Section 285 (10) of the German Commercial Code:

- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg (Chairman)
- TAG Gewerbeimmobilien-Aktiengesellschaft (Chairman as of 22 June 2007)

Offices held in comparable German and international executive bodies:

- EPRA PRA European Public Real Estate Association, Amsterdam, Netherlands (until 5 September 2007)

Prof. Dr. Ronald Frohne, New York, attorney and public auditor (Deputy Chairman)

Supervisory board offices held pursuant to Section 285 (10) of the German Commercial Code:

- Eckert & Ziegler Medizintechnik AG, Berlin
- Würzburger Versicherungs-AG, Würzburg
- Medienboard Berlin-Brandenburg GmbH, Potsdam
- TELLUX-Beteiligungsgesellschaft mbH, Munich

Offices held in comparable German and international executive bodies:

- AGICOA, Genf, Schweiz
- CAB, Kopenhagen, Dänemark

Rolf Hauschildt, Düsseldorf, bank clerk

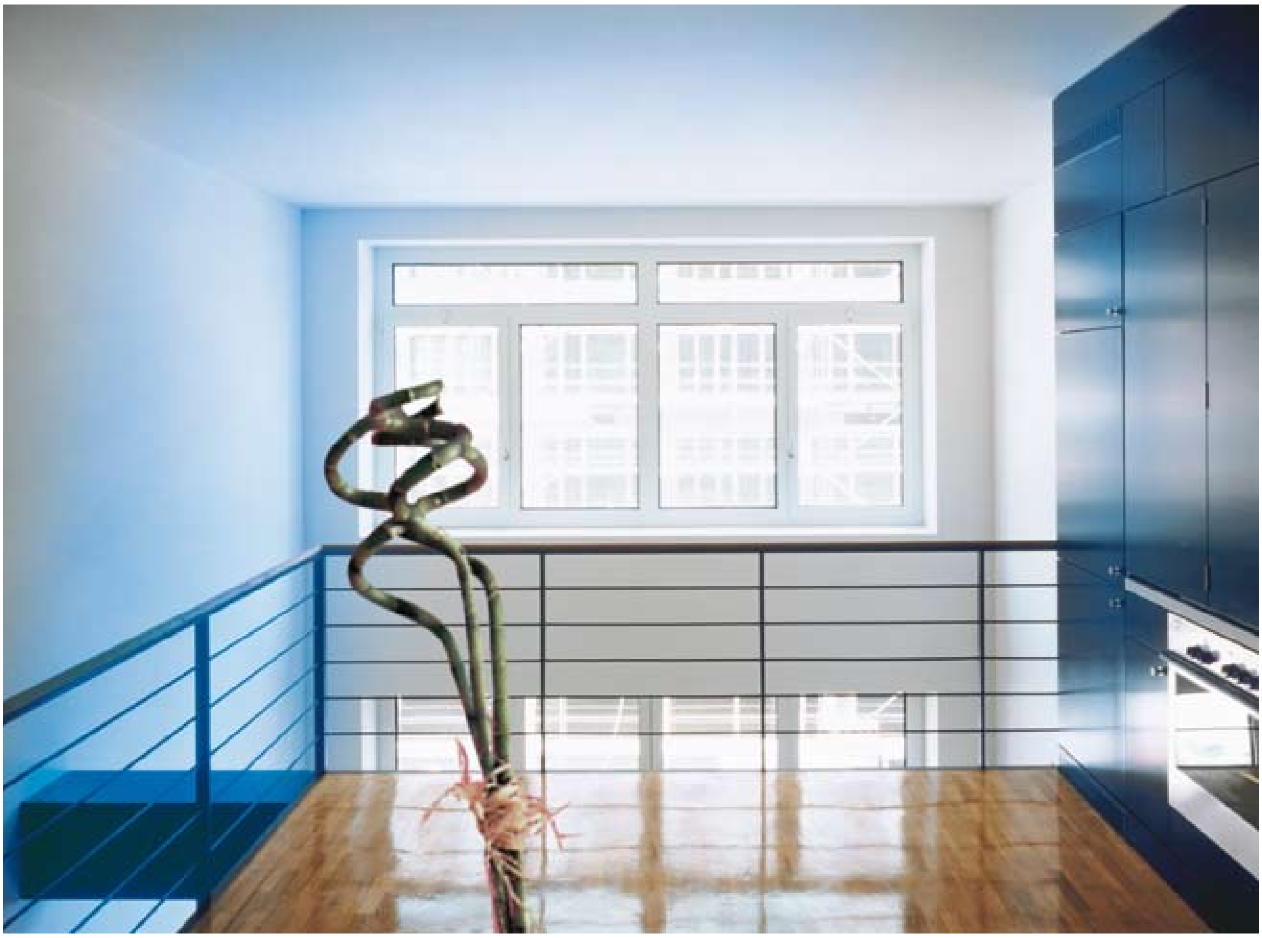
Supervisory board offices held pursuant to Section 285 (10) of the German Commercial Code:

- Germania Epe AG, Gronau-Epe
- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg
- ProAktiva Vermögensverwaltung, Hamburg
- Allerthal Werke AG, Grasleben
- Solventis AG, Frankfurt/Main
- Scherzer & Co. AG, Cologne

Dr. Wolfgang Schnell, chemist, Munich

Supervisory board offices held pursuant to Section 285 (10) of the German Commercial Code:

- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg
- GHH Facility-Management GmbH, Dortmund (from 18 April until 12 November 2007)



Behrenstraße, Berlin

Management board

Members of the Management Board and offices held in 2007:

Andreas Ibel, Hamburg, lawyer

Supervisory board offices held pursuant to Section 285 (10) of the German Commercial Code:

- GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg (Chairman)
- AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Tegernsee (Chairman)

Erhard Flint, Hamburg, engineer

Supervisory board offices held pursuant to Section 285 (10) of the German Commercial Code:

- AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Tegernsee

Notification of share transactions in accordance with Section 21 of the German Securities Trading Act

The Company received the following notifications in accordance with Section 21 of the German Securities Trading Act:

- In accordance with Section 21 of the German Securities Trading Act, we were notified by Tudor International L.L.C. Corporation Service Company (CSC), Wilmington, USA, the limited partner of the investment manager Tudor Capital (UK) L.P., Great Burgh, Epsom, Surrey, Great Britain, and its general partner Tudor Capital (UK) Ltd. and Tudor BVI GGP Ltd., the general partner of Tudor BVI Global Portfolio L.P. Fonds, both companies of George Town, Grand Cayman, Cayman Islands, British West Indies, that the thresholds of 3 percent and 5 percent were exceeded and that a share of 5.25 percent was held as of 18 January 2007. TAG was additionally notified effective 23 May 2007 that the threshold of 5 percent had been dropped below and that a share of 4.89 percent was now held. Further notification was received from these parties stating that the threshold of 5 percent had been exceeded again and that a share of 5.25 percent was held as of 31 May 2007. This threshold was dropped below on 11 September 2007, as a result of which a share of 4.99 percent was held in TAG.
- We were notified by Lehman Brothers International London, United Kingdom, that the threshold of 3 percent and 5 percent has been exceeded effective 23 January 2007 and that a share of 5.19 percent was now held. On 24 January 2007, we were notified by this company that the thresholds of 5 percent and 3 percent had been dropped below and that a share of 0.36 percent was now held.
- We were notified by Taube Hodson Stonex Partners Limited and St. James's Place Greater European Progressive Unit Trust, London, Great Britain on 28 February 2007 that the threshold of 15 percent had been exceeded and that a share of 16.36 percent was now held.
- In addition, we were notified that Invesco PLC (formerly AMVESCAP), London, United Kingdom, had dropped below the threshold of 3 percent and that as of 12 June 2007 a share of 2.72 percent was held.
- We were notified by Lansdowne Partners Limited Partnership and its general partner Lansdowne Partners Limited, London, United Kingdom on 10 July 2007 that the threshold of 5 percent had been dropped below and that a share of 4.80 percent was now held. On 15 August 2007, the threshold of 3 percent was also dropped below, with a share of 2.99 percent now held.
- We were notified by Skagen AS, Stavanger, Norway, that the threshold of 3 percent had been exceeded and that shareholdings stood at 4.49 percent as of 20 July 2007.

- We were additionally notified that Morgan Stanley, Morgan Stanley International Incorporated, Morgan Stanley International Holding Inc., Wilmington, USA, as well as Morgan Stanley International Limited, Morgan Stanley Group (Europe) and Morgan Stanley UK Group, London, United Kingdom, had exceeded the thresholds of 3 percent and 5 percent on 13 September 2007 and that the joint share stood at 6.24 percent. On 14 September 2007, the thresholds of 5 percent and 3 percent were again dropped below, with the result that the share held now stands at 0 percent.
- We were notified on 16 November 2007 by Ratio Asset Management LLP London, United Kingdom, that its share in TAG had exceeded the threshold of 3 percent and stood at 3.09 percent. We were additionally notified on 4 January 2008 that Ratio Asset Management LLP's share now stood at 5.06 percent.
- Finally, we were notified by Northwestern Mutual Life Insurance Company, Wisconsin, United States, on 20 December 2007 that the threshold of 3 percent had been dropped below and that its share stood at 2.97 percent.

Declaration of conformity with The German Governance Code – pursuant to Section 161 of the German Stock Corporation Act.

The joint declaration of the Management and Supervisory Board concerning the recommendations of the Government Commission on the German Corporate Governance Code required pursuant to Section 161 of the German Stock Corporations Act has been prepared and made available to shareholders on the TAG website. TAG's listed subsidiary, Bau-Verein zu Hamburg Aktien-Gesellschaft, has also issued the declaration required pursuant to Section 161 of the German Stock Corporations Act and made it available on its website.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Hamburg, 31 March 2008

(Andreas Ibel) (Erhard Flint)

Independent auditor`s report

We have audited the consolidated financial statements prepared by TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, Tegernsee, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement, notes to the consolidated financial statements and the management report for the business year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the Group management report in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the EU, the additional accounting provisions in accordance with Section 315a (1) of the German Commercial Code is the responsibility of the Company’s legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We audited the annual financial statements and consolidated financial statements pursuant to Section 317 of the German Commercial Code in connection with the principles for the proper auditing of financial statements laid down by the Institut der Wirtschaftsprüfer (IDW = Institute of German Public Auditors). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit includes an assessment of the financial statements of the companies included in the Group, the definition of the consolidation group, the accounting and consolidation principles applied and the significant estimates made by the legal representatives as well as an appraisal of the overall situation presented by the consolidated annual financial statements and the Group management report. We believe that our audit provides a reasonable basis for the opinion expressed above.

Our audit has not led to any reservations.

In our opinion based on the results of our audit, the consolidated financial statements comply with IFRS as they are to be applied in the EU, the supplementary provisions of German com-mercial law in accordance with Section 315a (1) of the German Commercial Code and the supplementary provisions in the Company’s articles of incorporation and in the light of these provisions give a true and fair view of the net assets, financial position and results of operations of the Group. The Group management report is consistent with the consolidated financial statements and on the whole provides a suitable understanding of the Group’s position and suitably presents the opportunities and risks to future development.

Hamburg, 2 April 2008

Nörenberg • Schröder GmbH Wirtschaftsprüfungsgesellschaft

Thiel, Wirtschaftsprüfer (German Public Auditor)

Cronemeyer, Wirtschaftsprüfer (German Public Auditor)

Menckestraße, Leipzig

TAG`s Financial calender

31 January	CIMMIT, Frankfurturt
12 February	DVFA Real Estate Conference, Frankfurt
27 February	HSBC Real Estate Conference, Frankfurt
9 April	Dresdner Kleinwort Financial/Real Estate Conference, London
24 April	Annual Report 2007
14 May	Interim Report – 1st quarter of 2008
20 June	125th shareholder meeting, Hamburg
21 August	Interim Report – 2nd quarter of 2008
4 – 5 September	EPRA Annual Conference, Stockholm
6 – 8 October	EXPO REAL, Munich
20 – 21 October	IIA Annual Conference, Frankfurt
10 – 12 November	Deutsches Eigenkapitalforum 2008, Frankfurt
13 November	Interim Report – 3rd quarter of 2008

Steckelhörn, Hamburg

Contact

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