TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

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Report for the quarter ending March 31, 2004

- **TAG reporting consolidated earnings of EUR 2.5 million after the year-ago loss of EUR 2.2 million**
- **Bau-Verein zu Hamburg AG and JUS AG with strong start to sales**
- **Reduction of EUR 5 million in the price of the stake in Bau-Verein zu Hamburg AG and extended payment terms achieved**
- **Cash capital increase of EUR 4.4 million completed in January 2004**



Business performance

Dear shareholders and business associates,

The slight economic recovery emerging in autumn 2003 began to falter in the first quarter of 2004. Thus, the signs pointing to a rebound in the economy in the autumn gave way to disillusionment in spring 2004. Negative factors such as the bomb attacks in Madrid and the escalating situation in the Middle East again heightened market participants' concern, taking their toll on sentiment in the markets. The property sector continued to face challenging business conditions. Against this backdrop, international investors have discovered the German residential property market and are increasing their exposure to it. This bears out our expectations that German property companies face substantial changes in 2004.

TAG stock

On an encouraging note, TAG stock posted substantial gains in the first quarter of 2004, rising by around 22% from EUR 6.20 at the beginning of the year to EUR 7.55 at the end of the first quarter of 2004 and temporarily peaking at EUR 8.50 in February 2004. Equity per TAG share on the Group level stood at EUR 15.91 on March 31, 2004. In January 2004, Augendum GmbH acquired a stake in TAG AG via a cash capital increase, for which the other shareholders' subscription rights were excluded. In this way, the Company's issued capital rose by approximately 10% to EUR 6,228,926, generating for TAG cash proceeds of roughly EUR 4.4 million, which are to be used to finance the Company's continued growth. In February 2004, TAG secured Seydler AG's services as a second designated sponsor. This resulted in an improvement in daily trading volumes of TAG stock, thus enhancing its market depth.

Bau-Verein zu Hamburg AG

Bau-Verein zu Hamburg AG continued to focus on residential properties and systematic cost management, achieving consolidated earnings again in the first quarter of 2004 in spite of the muted state of the sector. Although revenues slid from EUR 18.1 million in the previous year to EUR 13.4 million, the subgroup's net loss contracted from EUR 0.5 million to EUR 0.4 million thanks to lower personnel costs of EUR 1.2 million (previous year: EUR 1.4 million) and a further reduction in net borrowing costs to EUR 2.8 million (previous year: EUR 3.1 million). Given the substantial increase in residential units sold in the first quarter of 2004, the company expects a further improvement in operating earnings. The number of residential units sold in the first quarter rose from 24 to 36, of which 21 (previous year: 12) were newly constructed. However, most of these sales did not show up in the company's revenues or earnings as the properties have not yet been released to the buyers. Bau-Verein zu Hamburg AG had total assets of EUR 416.3 million at the end of the first quarter of 2004, up from EUR 438.5 million one year earlier and essentially unchanged over December 31, 2003.

JUS AG

At JUS AG, sales volumes are traditionally the lowest in the first quarter. On an encouraging note, however, it was able to increase its sales volumes from EUR 5.2 million in the previous year to EUR 5.9 million in the first quarter. This comprised 32 residential units as well as a number of underground/above-ground parking slots. Of these sales, 54% concerned properties in Leipzig and 46 % Berlin, testifying to the growing importance of the Berlin market for JUS AG. The JUS subgroup's revenues came to EUR 5.5 million, up from EUR 5.1 million in the previous year. The larger

Business performance

volume of projects resulted in higher expenditure, causing JUS AG's net loss to widen from EUR 0.4 million in the previous year to EUR 0.5 million. Thanks to the high sales figures both this year and last, it was possible to commence work on restoring the historical buildings as the necessary pre-sales level was achieved. This triggered disbursements of funds in accordance with bank loan contracts for financing the construction activities and an increase in the subgroup's total assets from EUR 119.2 million in the previous year to EUR 170.6 million. These figures thus reflect the marketing activities and the historically high figure of some 30 projects in JUS AG's portfolio. As individual projects are to be completed and released to the individual buyers in 2004, the loan volume and total assets will contract again towards the end of the year. This, in turn, will release the equity currently committed to individual projects. JUS AG's major "Stuttgart-Südtor" project has now entered a decisive phase. After the completion of a one-year competition, the German Labor Agency, which is currently searching for office space with a floor area of 16,000 square meters, will be making a selection from two offers in the near future. JUS AG has so far been able to prevail over several competitors and is now on the short list.

Assets

The TAG Group's total assets contracted from EUR 616,2 million in the previous year to EUR 631,0 million on account of the factors outlined above. Since the year-ago period, the carrying value of the goodwill has been cut to EUR 27.1 million (previous year: EUR 37.5 million). At the same time, there have been changes in the breakdown and value of current assets. On the liabilities side, short and long-term bank loans have been reduced, while other short-term liabilities have risen on account of delivery obligations to buyers and the reclassification of residual purchase price obligations of EUR 8.9 million.

Revenues and earnings

The TAG Group's revenues contracted from EUR 23.6 million in the previous year to EUR 19.3 million as a result of the revenues contributed by JUS AG and Bau-Verein AG. As a result, JUS AG's share in total revenues widened to 28 %. Including other operating income of EUR 5.5 million primarily as a result of the reduction of EUR 5.0 million in the purchase price payable for the stake in Bau-Verein AG and corresponding expenses, the TAG Group achieved EBITDA of EUR 8.1 million (previous year: EUR 3.5 million). On account of a recent amendment to the IFRS accounting rules, the previous scheduled goodwill charge was waived as TAG complies with the conditions for application of the new IFRS 3 (see notes). With net borrowing costs contracting from EUR 4.9 million in the previous year to EUR 4.6 million, the TAG Group delivered net consolidated earnings after tax of EUR 2.5 million, thus reversing the net loss of EUR 2.2 million posted in the year-ago period. This is TAG's best-ever performance in a single quarter and testifies to the fact that the Company entered the new year with a surge in profits.

The figures for 2004 also show that what in some cases were the radical measures taken by the Management Board in the form of a clampdown on costs, revaluation and negotiations are now beginning to bear fruit.

Employees

On March 31, 2004, the TAG Group had 143 employees, up from 142 one year earlier. Whereas Bau-Verein AG reduced its headcount,

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JUS AG engaged in additional recruiting to handle the larger volume of projects.

Outlook

In view of the non-recurring factors, the Company's figures for the first quarter of 2004 cannot be assumed to be indicative of its full-year performance. The encouraging sales figures, which were well up on the previous year, do however show that TAG got off to a good start in 2004 and thus warrant a healthy portion of optimism. The German property market is currently undergoing change and consolidation. At the same time it is seeing mounting internationalization. TAG would like to play an active role in this process.

Business performance

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CONSOLIDATED BALANCE SHEET

ASSETS

			31.03.2004 EUR 000s	31.12.2003 EUR 000s
A.	Fixed assets			
	I.	Investment properties	85.940	85.940
	II.	Tangible assets	7.933	7.457
	III.	Intangible assets	108	113
	IV.	Goodwill	27.053	27.053
	V.	Financial assets		
		Shares in associated companies	980	1.345
		Other financial assets	3.601	3.581
			4.581	4.926
B.	Deferred taxes		10.947	10.101
C.	Current assets			
	I.	Land available for sale and other inventories		
		Properties and leasehold rights with finished buildings	330.843	330.504
		Properties and leasehold rights with unfinished buildings	52.230	50.634
		Other inventories	18.364	17.003
			401.437	398.141
	II.	Receivables and other assets		
		Trade receivables	35.909	28.632
		Receivables from construction orders	17.594	15.524
		Other assets	12.299	10.129
			65.802	54.285
	III.	Cash and cash equivalents	26.945	17.460
D.	Prepaid expenses		255	220
			631.001	605.696

CONSOLIDATED BALANCE SHEET

		EQUITY AND LIABILITIES	
		31.03.2004	31.12.2003
		EUR 000s	EUR 000s
A.	Shareholders' equity		
	I. Subscribed capital	6.229	5.663
	II. Capital reserve	90.574	86.744
	III. Revenue reserves	6.689	6.689
	IV. Accumulated deficit	-4.362	-6.929
		99.130	92.167
B.	Minority interests	9.369	9.450
C.	Long-term liabilities		
	Liabilities to banks	97.993	99.335
	Pension provisions	2.444	2.453
	Other long-term liabilities	887	1.098
		101.324	102.886
D.	Short-term liabilities		
	Liabilities to banks	295.080	303.354
	Trade accounts payable	28.396	40.337
	Tax provisions	2.087	1.593
	Other short-term liabilities	84.725	45.669
		410.288	390.953
E.	Deferred taxes	10.802	10.147
F.	Deferred income	88	93
		631.001	605.696

Business performance

CONSOLIDATED INCOME STATEMENT

	Q1 2004 EUR 000s	Q1 2003 EUR 000s
Revenues	19.306	23.587
Other operating income	5.533	1.054
Changes in inventories of unfinished goods and services	833	9.728
Other own work capitalized	116	135
Cost of materials	-12.551	-25.982
Personnel expenses	-1.925	-2.003
Other operating expenses	-3.163	-2.963
EBITDA	**8.149**	**3.556**
Depreciation excluding goodwill amortization	-343	-141
Revaluation of investment properties	0	-200
EBITA	**7.806**	**3.215**
Goodwill amortization	0	-520
EBIT	**7.806**	**2.695**
Net income from investments	0	0
Net income from associated companies	-365	-46
Net income from financial assets	-4.589	-4.919
EBT	**2.852**	**-2.270**
Income taxes	-360	17
Minority interests	75	83
Consolidated earnings	**2.567**	**-2.170**
Earnings per share (EUR), basic	0,42	-0,39

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CONSOLIDATED CASH FLOW STATEMENT

	Q1 2004 EUR 000s	Q1 2003 EUR 000s
Consolidated earnings	**2.567**	**-2.170**
Depreciation excluding goodwill amortization	343	141
Changes in the value of investments/associated companies	365	0
Goodwill amortization	0	520
Changes in value of properties held as investments	0	200
Increase/decrease in other long-term liabilities (excluding financial liabilities)	0	-10
Increase/decrease in deferred tax liabilities	-191	-178
Cash flow in accordance with DVFA/SG	**3.084**	**-1.497**
Profit from the disposal of fixed assets	0	0
Increase/decrease in receivables and other assets	-15.048	-31.763
Increase /decrease in accounts payable and other liabilities (excluding financial liabilities)	27.382	3.576
Cash flow from operating activities	**15.418**	**-29.684**
Proceeds from sale of properties held as investments	0	0
Payments for investments in intangible assets	-6	-1
Proceeds from sale of intangible assets	0	0
Payments for investments in tangible assets	-609	-53
Proceeds from sale of tangible assets	0	5
Payments made for investments in financial assets	-20	-4
Proceeds from sale of financial assets	0	0
Payments for acquisition of consolidated companies	0	0
Cash flow from investing activities	**-635**	**-53**
Payments received from capital increases (less cost of capital increase)	4.397	4.150
Raising/repayment of debt	-9.614	33.771
Cash flow from financing activities	**-5.217**	**37.921**
Net change in cash and cash equivalents	9.566	8.184
Consolidation-related changes	-81	0
Cash and cash equivalents at the beginning of the period	17.460	9.622
Cash and cash equivalents at the end of the period	**26.945**	**17.806**

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CONSOLIDATED STATEMENT OF EQUITY CHANGES

	Subscribed capital	Capital reserves	Revenue reserves	Accu. deficit	Own shares	Total
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
1/1/03	**5.163**	**97.777**	**6.689**	**-6.455**	**0**	**103.174**
Consolidated earnings				-15.132		-15.132
Withdrawal from capital reserves		-14.658		14.658		0
Cash capital increase	500	3.650				4.150
Miscellaneous		-25				-25
12/31/2003	**5.663**	**86.744**	**6.689**	**-6.929**	**0**	**92.167**
Consolidated earnings				2.567		2.567
Cash capital increase	566	3.830				4.396
3/31/2004	**6.229**	**90.574**	**6.689**	**-4.362**	**0**	**99.130**

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CONSOLIDATED SEGMENT REPORTING

	Railway infra-structure Q1 2004 EUR 000s	Building manage-ment Q1 2004 EUR 000s	Construct-ion activity Q1 2004 EUR 000s	Reconcil-iation Q1 2004 EUR 000s	Con-solidated Q1 2004 EUR 000s
External revenues	318	2.191	16.571	226	19.306
Previous year	*271*	*2.477*	*20.838*	*0*	*23.586*
Internal revenues	0	306	79	-385	0
Previous year	*0*	*272*	*56*	*-328*	*0*
Revenues	318	2.497	16.650	-159	19.306
Previous year	*271*	*2.749*	*20.894*	*-328*	*23.586*
Segment earnings	**131**	**1.118**	**-1.233**	**2.835**	**2.851**
Previous year	*128*	*527*	*-793*	*-2.132*	*-2.270*
- of which earnings from associated companies	0	0	0	-365	-365
- of which depreciation/amortization	-15	-68	-56	-204	-343
- of which interest income	0	411	268	-493	186
- of which interest expenses	0	-1.288	-3.713	226	-4.775
- of which non-cash	0	330	-95	335	570
Segment liabilities	**482**	**107.267**	**429.184**	**-14.430**	**522.503**
Previous year	*1.157*	*116.881*	*404.869*	*-11.890*	*511.017*
Segment assets	**2.696**	**203.052**	**457.172**	**-31.919**	**631.001**
Previous year	*2.750*	*223.701*	*434.335*	*-44.615*	*616.171*
-of which associated companies	0	0	0	980	980
Segment investments	**0**	**603**	**19**	**0**	**622**
Previous year	*0*	*24*	*11.610*	*0*	*11.634*

NOTES

General information

The interim consolidated financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft (TAG) for the quarter ending March 31, 2004 have been prepared in accordance with the International Accounting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The standards which have already been adopted and published and are therefore binding have been applied.

The accounting and valuation principles as well as the notes and explanations on the interim consolidated financial statements are fundamentally based on the accounting and valuation principles applied to the consolidated financial statements for the year ending December 31, 2003.

On March 31, 2004, the IASB published IFRS 3 “Business Combinations”, which marked the completion of the first phase of the “Business Combinations” project. At the same time, IAS 36 and IAS 38 were re-issued in a revised and improved form. This has resulted in modifications to the provisions relating to business combinations, the measurement of goodwill and the recognition and measurement of intangible assets. The scheduled amortization of goodwill acquired is now no longer permitted (“impairment-only approach”). Provided that certain conditions are met, these rules may also be applied before March 31, 2004. As TAG complies with these conditions, it is no longer writing down goodwill on a scheduled basis as of this quarter.

For more details of the accounting and valuation principles applied, please refer to the consolidated financial statements for the year ending December 31, 2003 compiled pursuant to IFRS, which pursuant to IAS 34 form the material basis for these interim financial statements.

Material transactions

In January 2004, a cash capital increase, for which the subscription rights held by the existing shareholders were excluded, was executed and 566,265 new shares issued. This was entered in the companies register on January 21, 2004. As a result, TAG's equity capital increased to € 6.229 million. The residual purchase price of € 15 million carried in the financial statements for the year ending December 31, 2003 was reduced by one third in March 2004 pursuant to an agreement entered into with the original sellers. At the same time, the revised residual purchase price of € 10 million was converted into a loan to be repaid in installments over a period ending in 2006.

No other material transactions occurred in the period under review. Reference is made to the consolidated financial statements for the year ending December 31, 2003 concerning the further disclosures stipulated by IAS 34.17.

Consolidation group

There were no material changes to the consolidation group, which comprises TAG as the parent company and a further 70 entities, compared with the consolidated financial statements for the year ending December 31, 2003. Reference is made to the details contained in our annual report for 2003.

Personnel

Changes to the Group's Management Board and Supervisory Board are set out in the Management Board's report. The number of employees (including members of the Management Board) within the Group came to 143.

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

Schedule of events

May 5, 2004

Analyst conference in Hamburg

May 5, 2004

Annual press conference in Hamburg

July 1, 2004

121st annual shareholder meeting at “Haus der Patriotischen Gesellschaft” in Hamburg

August 2004

Publication of figures for the first half of 2004

November 2004

Publication of the figures for the first nine months of 2004

Contact details

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