Setting Goals – Achieving Success – Creating Values

ANNUAL REPORT 2004



KEY FINANCIALS (IAS)

	IAS 12/31/2004 € 000s	IAS 12/31/2003 € 000s	IAS 12/31/2002 € 000s
Revenues	121,251	122,164	142,391
EBITDA	14,908	16,944	20,638
EBIT	21,934	5,406	20,453
EBT	3,249	-15,887	2,294
Consolidated earnings	2,065	-15,132	1,054
Total assets	560,688	605,696	576,619
Shareholders´ equity*	100,822	101,617	112,607
Equity ratio	17.98 %	15.22 %	19.53 %
Capitalization ratio	25.23 %	16.78 %	23.21 %
Current ratio	72.47 %	77.58 %	75.44 %
Financing (capital buildup)	22.58 %	18.66 %	22.68 %

* including minority interests

Equity ratio = Shareholders´ equity : Total assets x 100
Capitalization ratio = Fixed assets : Total assets x 100
Current ratio = Current assets : Total assets x 100
Financing (capital build up) = Equity : Dept x 100

TAG is a real estate stock corporation focusing on the German market. It intends to supplement its Residential Properties and Special-Purpose Properties core business segments through expansion of its housing portfolio on a reduced-price basis and through services.

TAG has prudently prepared itself for the changes in the market and achieved initial successes. It plans to actively seize the opportunities offered by the continued transformation of the real estate market.

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Preface by the Management Board

Dear Shareholders,
Ladies and Gentlemen

We are pleased to be able to commence our 2004 Annual Report with good news. With a net annual income of € 2.1 million at TAG Group, we have achieved our goal of bringing TAG back into the profit zone. This means that the work performed in the last two years has paid off, and it bears testimony to management's ability to tackle the challenges resulting from banks' reduced willingness to provide finance. This result is particularly pleasing against the background of what is still a difficult macro-economic environment.

More than ever before, German companies are faced with competition from foreign players. In order to preserve and enhance their attractiveness for domestic and international capital, they must, for example, comply with more stringent profitability and transparency requirements. At the same time, they are also offered an opportunity to win new investors, expand their own market position through alternative cooperation and financing approaches and tap new markets in collaboration with international partners.

In the German real estate market, too, the year 2004 was characterized by increasing internationalization and takeovers. Sizeable transactions took place in the publicly held residential sector in 2004, which were supplemented by deals in the private-enterprise sector and show that the residential property market offers considerable potentials and is attracting massive amounts of foreign capital. With the acquisition of Bau-Verein zu Hamburg AG in 2001, we recognized the attractiveness of this market at an early stage and positioned TAG accordingly.

The legislature, too, has realized that measures such as the introduction of real estate investment trusts (REITs) in the U.S. mould can help enhance the attractiveness of the German real estate market. In the future, this will set the stage for additional activities allowing today's players to benefit. TAG is prepared for this.

The focus of our activities was on the implementation of measures aimed at improving our opportunities for an expansion of our business activities. Step by step, we have adjusted the structures of the group companies to take account of the changed market requirements.

Dr. Lutz R. Ristow
Chairman of the
Management Board

Despite a deterioration in the underlying conditions in 2004 compared to the previous year, we have largely achieved our goal. TAG and Bau-Verein zu Hamburg AG – by far our largest participation – have been successful in terms of both structural measures and operating business. The streamlining has had a favorable effect on the cost and balance sheet structure of the TAG Group. At JUS AG, additional measures will be implemented in fiscal 2005.

Concurrently, we worked on a substantial improvement in our equity capital base in 2004. Here, we scored two important successes. First, follow-up negotiations resulted in a reduction in the purchase price paid for Bau-Verein zu Hamburg AG by € 5.1 million, helping us reduce our level of indebtedness. Second, we staged a successful cash capital increase, by € 4.4 million, at the beginning of the year, despite the fact that the stock market environment was still in a dismal state.

These structural measures were supplemented by efforts to step up our group companies' operating business. Sales activities in the individual business segments were intensified and multi-year projects were brought into the final stage. Here, we expect further progress at JUS AG and Bau-Verein zu Hamburg AG in 2005.

Dr. Lutz R. Ristow	**Michael Haupt**	**Olaf G. Borkers**
Group planning and strategy	Real Estate Properties	Finance

The management of non-performing loans has increasingly become a topic of discussion in the last few months. Here, banks mostly act very discreetly. Only high-profile large-scale transactions are registered by a broader public, when portfolios with volumes running into the billions change hands, often after substantial concessions on the part of the seller. Such losses can be avoided or contained if banks cooperate with real estate partners in the active restructuring of such properties.

REAL Immobilien GmbH, a joint venture between TAG and Landesbank Sachsen, has set itself the goal of acquiring such "opportunity properties", optimizing them and making them marketable with the help of professional management in order to subsequently place them in the market with a corresponding value creation. Landesbank Sachsen and TAG are satisfied with their cooperation in this joint venture to date. In the year under review, REAL succeeded in noticeably boosting its business volume, to € 150 million, thereby implementing the goals it had set for itself.

TAG is open-minded with respect to new and additional enterprise valuation approaches. For investors, assessment of a company's management, for instance, is gaining in significance and will probably have an increasing influence on investment decisions in the future. So far, management ratings are still the exception to the rule in Germany, and this is why the "Best Managed Firms" fund issued by the Munich-based investment company PeopleInvest GmbH is a novelty. TAG's management has submitted itself to assessment by PeopleInvest GmbH and has received a good rating. Flat hierarchies, good networks and experienced managers are just as important for the effectiveness of a company as so-called "hard factors", such as solid equity capital base, a stable ROI and high NAV.

Our risk-aware, discerning business policy paid off in 2004. The most important goal we had proclaimed for 2005 was an improvement in our earnings. The strengthening of our equity capital base and debt reduction continue to rank at the very top of our list of priorities.

Bau-Verein zu Hamburg AG satisfied banks' demands that debt levels should be lowered with a reduction of about € 31 million in the group. Special redemption payments accounted for € 7 million of this amount – funds we would have preferred to use for new projects if they had been available as equity capital. A new business volume of approximately € 30 to 40 million would have been conceivable even in 2004.

At JUS AG, significant loan repayments will be effected in 2005 after the completion of various projects. This will have a favorable effect on JUS AG and the TAG Group.

In the last few years, we were often criticized for our decision to refrain from acquisitions in the Commercial Properties segment. We also showed restraint in the purchase of residential portfolios. The market trend showed that we were right in both respects. For many of our competitors, seeming "bargains" in the commercial property market turned out to be the exact opposite, and the potential offered by several million state-owned apartments alone should fuel a revival in the market for residential properties. Our goals remain realistic.

In 2005, TAG will continue to seize the opportunities offered by market trends, develop new business models and strike a reasonable balance between risk and return.

We thank our shareholders for their trust in the actions we have taken so far. We would also like to thank our business associates and, of course, all employees in our group companies who have contributed to the successes achieved in fiscal 2004.

Hamburg, April 2005

TAG Tegernsee Immobilien- und Beteiligungs-AG

Dr. Lutz R. Ristow **Olaf G. Borkers** **Michael Haupt**

TAG acts as a holding company of a diversified real estate group, which is active in the individual core business segments, Residential Properties and Special-Purpose Properties, via management companies. In this context, the TAG Group focuses on properties in German metropolitan areas and uses the existing markets and value appreciation potential in these regions to enhance the enterprise value and earning power of the group through active portfolio management.

Setting Goals – Achieving Success – Creating Values

TAG
TAG Tegernsee Immobilien- und Beteiligungs-AG

6 ORGANIZATIONAL STRUCTURE OF THE TAG GROUP

RESIDENTIAL PROPERTIES

Acquisition, management and privatization of residential portfolios and housing companies

SPECIAL-PURPOSE PROPERTIES

Acquisition and management of logistic centers and serviced apartments

Bau-Verein zu Hamburg AG is the management company for Residential Properties and pursues the goal of expanding its residential property portfolio. With its specialization in the refurbishment of listed buildings, JUS AG offers an optimum blend of tax-saving financial investments and high-quality net worth. We will give increased attention to the service sector in our industry and keep an eye out for strategic partnerships.

BAU-VEREIN ZU HAMBURG
Aktien-Gesellschaft
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Bau-Verein zu Hamburg AG is active in the “housing portfolio management”, “housing portfolio development” and “new-housing construction” segments. Its portfolio comprises about 3,800 apartments located in the metropolitan areas of Munich, Hamburg and Berlin. TAG will increase its housing portfolio via Bau-Verein. TAG holds an 88% stake in Bau-Verein.

J·U·S AG
AKTIENGESELLSCHAFT FÜR GRUNDBESITZ

JUS AG specializes in the refurbishment of old buildings and is a market leader in the sale of “loft apartments”. The activities of JUS AG focus primarily on refurbishing valuable listed buildings as well as sophisticated revamping of housing estates from the 1920s and 1930s. TAG holds a 94% stake in JUS AG.

REAL
Immobilien GmbH

REAL acquires so-called “opportunity properties” in order to further develop them and make them marketable. With REAL Immobilien GmbH, the TAG Group has positioned itself in a promising market. REAL Immobilien GmbH is a joint venture of Landesbank Sachsen and TAG. TAG holds a 49% stake in REAL.

TRINOM
BUSINESS APARTMENTS GMBH

Trinom, a subsidiary of JUS AG, bundles the activities of the “Serviced Apartments”/Boarding Houses segment.

KRAFTVERKEHR TEGERNSEE IMMOBILIEN GmbH

Single-property company owning about 15,000 square meters of land and buildings in Tegernsee Valley. TAG holds a 98% stake for historical reasons.

TEGERNSEE BAHN

TBG operates a section of the railroad tracks linking Tegernsee and Munich. This line has been leased to a railroad company until 2013. TAG holds a 100% stake for historical reasons.

AGP AG

AGP AG is a single-property company owning a book and media store in Erfurt. TAG holds a 67% stake in this company.

BAU-VEREIN
ZU HAMBURG
Aktien-Gesellschaft

Berlin · Frankfurt · Hamburg · München

Tradition-rich company on a future-oriented course

Originally a non-profit housing company, Bau-Verein zu Hamburg AG has been active in the residential sector since its establishment under the name of “Bau- und Sparverein” in 1892.

Its core business segments are the management of its own residential portfolio including rental activities, portfolio development and the construction of affordable new housing. The portfolio of Bau-Verein zu Hamburg AG is comprised of approximately 3,800 dwelling units, mainly located in the urban centers of Hamburg, Berlin, Munich and the Rhine/Main region. The company has been a member of the TAG Group since 2001.

Bau-Verein is a company that is both rich in tradition and thoroughly modern. It taps earnings potential and markets by combining many years of experience and expertise with new and innovative strategies. Bau-Verein zu Hamburg AG thus sees itself as a profit-oriented housing company that has not relinquished its claim to social responsibility originating in its corporate history. With its tenant-oriented approach to optimizing existing properties, Bau-Verein can rely on know-how that ensures favorable growth opportunities for the company, given the development of the German housing market.

Growth and optimization

Bau-Verein zu Hamburg AG intends to grow and realize earnings potentials in all three business segments.

To this end, the company plans to significantly expand its portfolio management business segment in order to broaden its stable earnings base. By purchasing small packages of 500 to 2,000 dwelling units, the portfolio will be extended at existing locations and expanded to include further established locations.

In portfolio development, numerous value-adding and earnings-enhancing measures are being taken, such as adding annexes or new stories to buildings, creating additional living space on hitherto unbuilt spaces or constructing underground parking facilities and spaces. The existing living and utilizable space will thus be extended by 40 to 60%. The resulting value appreciation of these properties will help stabilize tenant structures and lays the foundation for sustainable, higher income flows from these portfolios.

With its active portfolio development, Bau-Verein zu Hamburg AG is pursuing two goals. First, it is building up a stock of high-quality properties for retention on the company's own books, thus ensuring long-term rental income. Second, sophisticated portfolio cultivation also results in sound and profitable marketable properties in attractive environments. Sale of some of the apartments from this optimized portfolio to tenants, owner-occupiers and investors allows Bau-Verein zu Hamburg AG to secure an additional earnings source, supplementing the continuous cash flow from pure portfolio management.

heidberg.villages, Hamburg

heidberg.villages, Hamburg

Dock 4, HafenCity, Hamburg

The third business segment pursued by Bau-Verein zu Hamburg AG is new-housing construction. The use of standardized products, efficient space utilization and fast and cost-effective construction processes enable Bau-Verein to create affordable living space for owner-occupiers.

Transformation of the housing sector

Residential property as old-age provisions

The desire to live within "one's own four walls" is still a major goal for the overwhelming majority of German residents. It has been considerably boosted in the last few years, the topic of residential property as an integral part of retirement provisions having gained renewed significance. Strained public-sector and state-pension budgets will force German citizens to increasingly resort to personal provisions in the future.

For the German housing sector, this desire to own property has translated into considerable demand potential, which should remain stable in the medium term because of a number of other factors.

Residential property is gaining in significance

Reasons cited by tenants for their desire to live within their own four walls	in %
Independence from landlords	98
Residential property as sound old-age provision	90
Higher quality of living	88

The desire to own residential property is strong among young people	in %
Tenants wishing to become owners	57
Up to 30 years	80
30 to 44 years	68

Source: LBS Research/TNS Emnid, 2004

Residential ownership in Europe in 2004	in %
Spain	86
Norway	86
Belgium	74
United Kingdom	69
France	55
Netherlands	53
Western Germany	45
Germany	43
Switzerland	36
Eastern Germany	35

Source: Consult Cao

Germany has catching-up potential

Within Europe, Germany is still among the group of countries trailing at the bottom of the league in terms of residential ownership. The number of potential home and apartment buyers is all the higher, because the German market is also Europe’s largest in terms of sheer size.

Contrary to some forecasts, the demographic trend in Germany will not lead to an easing of tensions in the demand for living space, because the number of households will increase further in the coming years and demands placed on living space have also increased.

Affordable living space remains in demand ...

For people with medium and low incomes, debt-free residential property is the most secure form of old-age provision. The risk of continuing to spend a large share of their incomes on rent is high for these sections of the population and ultimately means a significant reduction in their standard of living.

... and is scarce

This demand for affordable living space is accompanied by scarce supply. Today, construction activities no longer suffice to even maintain the existing housing stock. Projections for 2005 indicate that fewer than 250,000 approved dwelling units will be built – a figure considerably below the medium-term requirement of 300,000 units per annum cited by the Germany Ministry of Construction.

Changes in the housing market

For the housing industry, this means that it must respond to sustained demand on the part of less affluent demographic groups. Cost-effective new construction and attractive selling prices from existing portfolios will gain in significance. Housing companies’ growth will also be shaped decisively by their ability to acquire additional portfolios at acceptable prices, optimize them in a manner providing reasonable price/performance ratio and place them in the market.

Hamburg – a growing city

Hamburg is Northern Germany's economic center and one of Germany's most important metropolitan regions with some 1.7 million inhabitants within its city limits and some 3 million in the greater metropolitan area including the surrounding communities. This Hanseatic city is home to numerous industries focusing on future-oriented technologies such as large-capacity aircraft construction at Airbus, the DESY Technology Center, medical engineering and biotechnology. As a leading port, Hamburg is benefiting to an outstanding degree from the development of global markets in general and trade with Asia and Eastern Europe in particular.

Its location on the banks of the Elbe and Alster rivers allows Hamburg to offer a high quality of life and housing. In the last few years, important urban development measures have been initiated, which will further enhance the city's position as an innovative and competitive economic center.

Bau-Verein zu Hamburg AG has participated in the development of the Hamburg region via a variety of very diverse projects, including "heidberg.villages", "Wohnen am Roland", and „Dock 4". In Hamburg, the TAG subsidiary holds approximately 1,700 dwelling units.

Dock 4, HafenCity, Hamburg

heidberg.villages, Hamburg

Here, the last few years have brought changes to the German housing market. In a number of large-scale transactions, housing companies previously held by public-sector entities or large corporations have been sold, bringing new units that had previously been inaccessible to purchasers into the market.

The purchase prices offered and paid by international investors in these deals have not always seemed to make sense to domestic investors. Within this context, the opportunity arises for Bau-Verein to acquire smaller portfolios offered outside of or subsequent to these bidding contests.

Here, Bau-Verein zu Hamburg AG has a decisive competitive edge. The fact that it is a former non-profit organization traditionally associated with the issue of social responsibility and has successfully honed its expertise in the last few years is a factor that should not be underestimated and enhances its chances in the marketplace.

Large transactions in the housing industry in 2004

Housing company/seller	Purchaser	Units
GSW Gemeinnützige Siedlungs- und Wohnungsbauges.	Whitehall	65,000
GAGFAH	Fortress	82,000
WCM-Bestände	Blackstone	31,000
ThyssenKrupp	Morgan Stanley/Corpus	48,000
RWE	Deutsche Annington	4,500

Source: Consult Cao

"heidberg.villages"

With its largest project, "heidberg.villages" in the Hamburg-Langenhorn district in the northern part of the city, Bau-Verein zu Hamburg AG has proven its expertise in affordable and sophisticated new-housing construction. A new residential area measuring 19.2 hectares is emerging there. The construction of a total of 524 dwelling units began four years ago. Completion of this project with an investment volume of approximately € 70 million is scheduled for 2007. At the end of 2004, a total of 247 dwelling units had been completed, of which approximately 80% have already been sold.

heidberg.villages is distinguished by the diverse architecture of its three to four-story buildings. All in all, the complex will include four quarters, each with its own, distinct style. The "villages" will be comprised of 200 condominium units and 300 townhouses. The portfolio will include not only terraced houses but also maisonette and whole floor apartments of different sizes for families, singles, and senior citizens. Garden plots are an integral part of "heidberg.villages", just like the four centrally

New construction of terraced houses and duplexes, Mainz-Weisenau

Mainz-Weisenau

The Mainz-Weisenau project, completed in 2004, is also committed to the goal of creating affordable living space. This new-housing construction initiative comprises 34 terraced houses and 10 semi-detached houses with a utilizable space of 7,800 square meters. Three different types of homes together with special dormer and roof shapes and roof terraces ensure a high degree of individuality. The buildings, which comply with the low-energy-house standard and come with full basements, are also highly functional, due to a variety of customized floor plans. At this location, which offers excellent links to Mainz, Wiesbaden and Frankfurt and is located in the midst of the scenic Rhinehesse wine-growing region, Bau-Verein zu Hamburg AG has developed a project ideally reflecting its "affordable living" corporate philosophy.

Duplex, Mainz-Weisenau

located “village squares”, which will differ in their design and can be used by residents as meeting points for neighborhood gatherings, flea markets or summer parties.

Work on the third construction phase, with 63 units, will commence in early 2005. For the first time, this phase will include the construction of terraced houses without basements, the goal being to offer attractive purchase prices.

Wedel – “Wohnen am Roland”

Wedel is located west of Hamburg’s city limits in the suburban zone known as “Speckgürtel”, directly on the banks of the Elbe river. In 2003, Bau-Verein initiated the new-housing construction project “Wohnen am Roland”, comprising 64 dwelling units with a total living space of 6,206 square meters. The five buildings are characterized by a high degree of diversity and functionality. The apartments come with garden plots or feature roof terraces. All houses afford direct access to the centrally located underground parking lot.

HafenCity – “Dock 4”

“HafenCity”, one of Europe’s largest self-contained inner-city urban development projects, will lead to the construction of attractive living and working quarters with high residential and leisure value in the immediate vicinity of the port, directly in the city center.

Measuring about 155 hectares, the plot links the port and downtown Hamburg. In the early 20th century, it was still used as a transshipment point for shipping and freight traffic. Changes in the transportation and logistics sectors have led to a sustained transformation of this part of Hamburg. One hundred years ago, approximately 20,000 people still lived in these quarters; by the 1990s, the area had become virtually “deserted”.

In the meantime, construction projects such as “H20” and “Ocean’s End” as well as “Dock 4”, the building erected by Bau-Verein zu Hamburg AG at Sandtorkai 62, have been completed.

More than 5,500 apartments are planned for HafenCity, and with its “Dock 4” project, Bau-Verein has taken a first step in the direction of revival of this historic part of the city. The apartments in “Dock 4” offer living space of between 52 and 215 square meters. As many as 16 of these 18 apartments had already been sold in December 2004. This prestigious project, with a sales volume of € 14 million, will be successfully completed by mid-2005.

Bau-Verein zu Hamburg AG is also a stock listed property company and publishes its own annual report.

J·U·S AG

AKTIENGESELLSCHAFT FÜR GRUNDBESITZ

Specialist in historic-building restoration

For more than ten years, JUS AG has been an acknowledged specialist in the refurbishing of historic buildings. Geographically, its activities focus on Leipzig and Berlin. The company has acquired particular expertise in the restoration of listed buildings such as architectural monuments from Germany's "Gründerzeit" and listed housing estates from the 1920s and 1930s. Refurbishing of historic buildings involves the preservation of unique building stock and the creation of new, high-quality living quarters through sophisticated restoration work. In its revamping projects, JUS AG protects the special charm of the old architecture and the ambience of historic buildings. Another business segment is the sale of loft apartments. Here, too, JUS AG can look back on many years of experience and is a market leader in this segment.

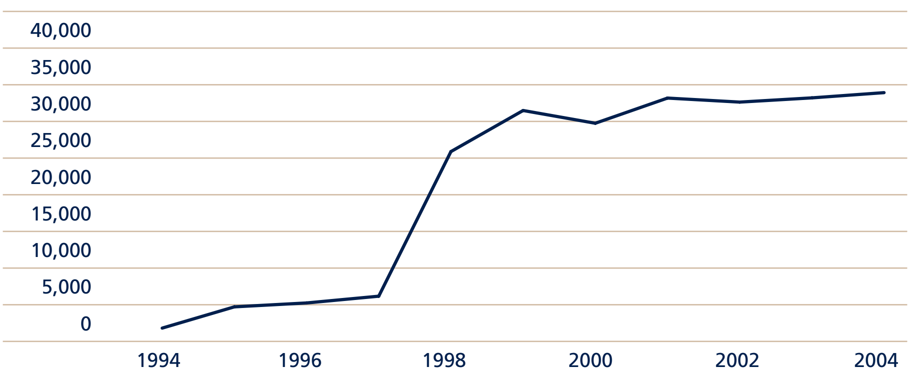
The company's track record for the period from 1992 through 2004 involves project management and refurbishing of more than 90 properties in the area of historic-building restoration. With 1,460 dwelling units with a combined space of 118,000 square meters and a sales value of € 250 million, JUS AG has seen stable longterm revenues growth.

The market

By specializing in the restoration of old buildings and the sale of loft apartments, JUS AG has tapped a business segment whose individuality makes it less dependent on the general performance of the Eastern German housing industry (which is characterized by high vacancy rates in prefabricated-slab buildings and the depopulation of rural locations) and the overall macroeconomic trend. Demand for valuable properties is mainly powered by affluent investors able to swim against the tide in economically difficult times, too. The high-quality unique properties sought by these investors ensure a certain independence from the overall situation in the real estate market.

Trend in sales volume, 1994–2004

JUS AG in Leipzig and Berlin — in € 000s



Source: JUS AG

Fechnerstraße/Weinligstraße, Leipzig

Leipzig

By selecting the location of Leipzig, JUS AG placed an early focus on an Eastern German economic center with considerable growth potential, permitting the company to generate steady sales volumes of € 20 million per annum in the last few years. With slightly under 500,000 inhabitants, Leipzig is one of the most populous cities in the state of Saxony. The establishment of operations by Porsche, BMW, Siemens and the EEX electricity exchange and the commissioning of a logistics hub at Leipzig Airport by Deutsche Post's DHL subsidiary will provide the city with important growth stimuli and prepare the ground for its development into a service location in the heart of the EU. Thanks to its excellent infrastructure, Leipzig has good prospects of being selected by companies as a location for their operations. The Leipzig-Halle Airport offers 24-hour operation and is attracting further logistics specialists. The A9 motorway from Berlin to Munich and the new ICE tracks are further elements optimizing the infrastructure of the Leipzig location.

Architecturally speaking, Leipzig has a large share of magnificent historic buildings, because its old districts, with their "Gründerzeit"structures, have largely remained intact. JUS AG is active in these prime locations.

Tschaikowskystraße, Leipzig

Davidstraße, Leipzig

Davidstraße, Leipzig

Schokoladen-Palais, Leipzig
March 2005

Schokoladen-Palais, Leipzig
Construction site in May 2004

Schokoladen-Kontor, Leipzig
Follow-up projekt of Schokoladen-Palais

"Schokoladen-Palais"

In 2004, JUS completed and successfully marketed a particularly prominent project: "Schokoladen Palais". The former Felsche chocolate factory, no longer in use, was acquired by JUS in 2002. After extensive refurbishing work, the listed building was converted into a magnificent property comprising a total of 100 dwelling units. At the end of 2004, JUS was able to announce that all apartments in "Schokoladen Palais", which is in one of Leipzig's prime locations, had been sold. After "Elsterlofts", JUS AG has thus completed another high-quality, renowned project and has again made a name for itself in sophisticated restoration of historic buildings.

New locations

In the last few years, JUS AG has intensified its activities in Berlin, the goal being to place its core business on a more diversified basis. Its sales structure, originally focusing mainly on the location of Leipzig, has now become even more balanced.

At its Berlin location, JUS AG can also exploit synergy effects within the TAG Group. Here, it can collaborate with Bau-Verein zu Hamburg AG and realize projects jointly. In Berlin, Bau-Verein zu Hamburg AG has both suitable structures for portfolio management and the technical expertise for steering construction projects, while JUS AG can play a role in the sales activities of Bau-Verein zu Hamburg AG by contributing its sales experience and tapping its supra-regional contacts.

Heinrich-Hubracht-Höfe in Berlin

With this loft project, located centrally in the vicinity of Berlin's Ostbahnhof in the Friedrichshain district, JUS AG has achieved an optimum combination for its business areas focusing on the development of "Gründerzeit" properties and sale of loft apartments. A large share of the 23 loft apartments with a sales volume of € 5.8 million and loft space of 2,500 square meters have already been sold. With approximately 27,000 square meters of loft space sold in the period from 1999 through 2003, JUS AG has garnered remarkable marketing successes in this segment.

Adamshof, Berlin

Grünberger Straße, Berlin

Belziger Straße, Berlin

REAL

Immobilien GmbH

Identifying market opportunities – Realizing value appreciation potentials

Established in 2002, REAL Immobilien GmbH is a joint venture in which TAG and Landesbank Saxony each hold stakes of 49%. The core business of REAL Immobilien GmbH is the revitalization and subsequent marketing of what are known as "opportunity properties".

Within two years, this joint venture has allowed the TAG Group to build up an expertise for which there is a growing market. The number of distressed loan exposures has increased in the real estate sector in the last few years, and many banks are trying to find better solutions for unattractive properties in their portfolios than value-destroying foreclosure sales or property administration in "work-out" departments. Here, banks mostly act very discreetly - with the exception of high-profile large-scale transactions in which non-performing loan portfolios running into the billions are sold to specialized large investors. Such sales frequently involve significant concessions on the part of the seller. Active restructuring of the properties from such portfolios by the banks in collaboration with real estate partners avoids such disadvantages and losses. The strategy of REAL Immobilien GmbH is also being pursued by numerous other banks and has already led to initial successes. Revitalization and optimization of these properties provides banks with an opportunity to bring promising properties back into the market successfully over a medium-term horizon and, hence, partially recover their loan-loss provisions or generate additional revenues. With REAL Immobilien GmbH, the TAG Group has positioned itself in a promising market.

"Städtisches Kaufhaus"

The "Städtische Kaufhaus" in Leipzig was acquired in 2004. This listed office and residential building with a utilizable space of approximately 24,000 square meters was originally built in the period from 1896 to 1904 as the world's first trade fair venue. A new utilization strategy and active tenant management have made it possible to optimize this property, which had previously been regarded as rather unprofitable, and enhance its revenue structure. As a result, the gross profit generated by the property more than doubled in 2004. In early 2005, a further 2,000 square meters were rented out. Since REAL's acquisition of the property, total space of 5,000 square meters has thus been handed over to new tenants, and the existing rental agreements have been optimized. Over a medium-term horizon, further rent increases seem likely, as the positive development of this section of Leipzig's downtown area makes these quarters more attractive. For example, major construction projects such as the new Karstadt department store and the conversion of the Messehof arcade are expected to be completed in the course of 2006.

Weberwiese, Berlin

Städtisches Kaufhaus, Leipzig

The business strategy of REAL focuses on the acquisition of selected properties that have failed to fulfill their original owners' performance expectations. These properties, some of which are also subject to bankruptcy or forced-administration proceedings, are developed and gradually optimized by Real Immobilien GmbH, the goal being to prepare them for sale at fair market values and unlock their existing value appreciation potentials. The measures taken in this context include the development of utilization strategies, professional rent management and the initiation of value-adding investments as well as the planning and realization of sales activities. The decisive factor in this context is the fact that REAL Immobilien GmbH is not under pressure to act. It works "at eye level" with prospective buyers. The company also offers its services as a partner in third-party ventures.

At present, REAL's portfolio is comprised of eight properties with a volume of approximately € 150 million. Apart from special-purpose properties, this portfolio also includes housing portfolios. In fiscal 2004, the company already succeeded in selling 107 units from a housing portfolio of originally about 860 dwelling units within a period of a few months.

TAG stock

Good investor relations activities

Intensive investor relations activities are a natural component of TAG's communication with the financial community. Press talks, analyst meetings, the Management Board's participation in numerous discussions and extensive reporting are the basis of our trust-based cooperation with shareholders, investors and analysts. In addition, we are always available to answer questions asked by our private and institutional investors, the goal being to ensure rapid and direct communication.

Our investor relations activities are committed to the goal of equal treatment of all investors and shareholders. To achieve this goal, we rely on the support of experienced service providers. In addition, all corporate releases, press reports, event schedules and other topical information are published on our web site at "www.TAG-AG.com". This approach allows TAG to ensure comprehensive, open, fair and always timely communication with its shareholders and the financial community.

TAG's press activities were again given a positive appraisal in 2004. In the annual survey conducted by Wissenschaftliche Vereinigung zur Förderung des Immobilienjournalismus e.V. (WVFI e.V), a scientific association for the promotion of real estate journalism, in which leading German real estate journalists are questioned on the topic of "most active press relations", TAG was voted third in the category "Listed Real Estate Companies" in 2004. With this result, it maintained the ranking occupied in the previous year, recording its fourth favorable survey evaluation in succession.

Investor relations activities again had a favorable effect on the interest taken in TAG in 2004. TAG was covered by numerous analysts. Studies published by firms such as HypoVereinsbank AG, HSH Nordbank AG, Independent Research and DT & Partner analyzed the company and assigned it a positive rating.

In addition, TAG enhanced its brand awareness in 2004, as illustrated by the fact that TAG was one of the initiators of "Initiativkreis Immobilien-Aktie". This group regularly organizes specialized conferences in which listed German real estate companies present themselves and their business models to investors, analysts and experts from the real estate sectors. The goal of this forum is to promote interest in the market segment of real estate stocks and maintain contacts with selected opinion-makers.

Key figures of TAG stock

Ticker symbol
TEG

ISIN
DE0008303504

WKN
830 350

Type of stock
Bearer common stock

Market segment
Official trading,
Prime Standard

Designated Sponsors
HypoVereinsbank AG,
Seydler AG

Daily trading volume
About 6,000 shares

Indices
SDAX, DIMAX, EPIX 30/50,
GPR General Index, HASPAX

Stock exchanges
Munich, Frankfurt/Main

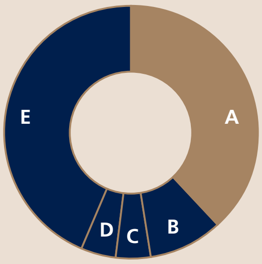
Key figures on TAG stock	2004	2003	2002
Number of shares outstanding at yearend	6,228,926	5,662,661	5,162,661
Imputed share capital value in €	1.00	1,00	1,00
Dividend per share	0	0	0
Market capitalization in € million at December 31, 2004	46.1	34.5	46.5

Shareholder structure

The shareholder structure of TAG remains stable. Besides a group of investors, further institutional investors hold stakes in TAG. In addition, some 6,000 private investors are shareholders of the company.

		in %
Dr. Ristow group of investors	A	38.3
Augendum GmbH	B	9.4
ABP Investments	C	4.4
HSH Nordbank AG	D	4.4
Free Float	E	43.5

(as at: April 8, 2005) Number of shares: 6,848,926



Financial Calendar

April 27, 2005	Kempen & Co, German Property Seminar, Frankfurt
May 9, 2005	Annual press conference and analyst meeting in Hamburg
May 2005	1st quarter report
June 2, 2005	Kempen & Co, European Property Seminar, Amsterdam
July 5, 2005	Annual general meeting in Hamburg
August, 2005	2nd quarter report
September 8, 2005	EPRA (European Public Real Estate Association) Annual Conference, Paris
October 26, 2005	“Initiative Immobilien-Aktie”, Frankfurt
November 2005	3rd quarter report

PeopleInvest
We Invest in People.

"Good management" as an investment criterion

TAG also sees itself as a company that is open-minded with respect to new instruments strengthening investors' information base and offering additional enterprise valuation criteria. Apart from "hard" valuation factors deriving from balance-sheet ratios and income-statement multiples, so-called "soft factors", such as management ratings, are playing an increasingly important role in investment decisions.

In Germany, management quality is not yet a firmly embedded yardstick in enterprise valuation, and this is why the "Best Managed Firms" fund issued by the Munich-based investment company PeopleInvest GmbH is a novelty. PeopleInvest GmbH carries out in-depth management evaluations of European small and mid caps, focusing on the management team's abilities and competence with respect to successful implementation of the equity story communicated to the stock market.

In May 2004, TAG, too, submitted itself to an intensive management due diligence assessment lasting several days. In particular, PeopleInvest GmbH awarded especially high scores for the experience, flat hierarchies and good networks of the TAG management team. PeopleInvest thus confirmed that TAG possesses the very characteristics that are of increasing importance in difficult economic periods.

Performance

The TAG stock saw rising trading volumes and share prices in the first half of the year. In early May, the price reached an intrayear high of € 8.30. In the following months, the price of TAG stock declined, bottoming out at € 6.00 in early November. By the end of the year, the TAG stock saw a pleasing recovery, closing the year at € 7.40 on the last trading day – a level significantly above the price of € 6.37 recorded at the start of the year. This trend was also boosted by the discussion about the introduction of REITS in Germany.

Performance of TAG stock

in €

Performance of TAG stock

Indexed to January 5, 1999 = 100

Report of the Supervisory Board

Dear Shareholders,
Ladies and Gentlemen

In fiscal 2004, the composition of the Supervisory Board of our company changed. Effective May 1, 2004, Dr. Lutz R. Ristow was appointed Chairman of the Management Board of TAG after having been a member of the Supervisory Board since September 2000 and its Chairman since February 2001. For shareholders and the international capital and real estate markets, Dr. Ristow has been a familiar figure for a long time. His long-standing contacts and experience are a great asset for TAG and can be exploited even more intensively now that he is Chairman of the Management Board. This move was also in line with our shareholders' wishes. As Chairman of the Supervisory Board, Dr. Ristow is succeeded by Prof. Dr. Ronald Frohne, who has also been a member of the TAG Supervisory Board since September 2000. At the request of the Management Board, Dr. Wolfgang Schnell was appointed by the Munich Local Court as an additional member of the Supervisory Board on October 26, 2004. With Dr. Schnell, we have won an independent entrepreneur with real estate expertise for TAG and the Supervisory Board. Since July 2001, Dr. Schnell has also been a member of the Supervisory Board of Bau-Verein zu Hamburg AG, the most important subsidiary of the TAG Group.

In fiscal 2004, the Supervisory Board again obtained detailed and regular information about the business situation of the company in a still difficult economic environment. During the period under review, the Supervisory Board held a total of five meetings, in which it received reports from the Management Board and advised this body.

Within the context of the oral and written reports presented by the Management Board, the Supervisory Board received regular, timely and comprehensive information about the company's business trend, strategic and corporate planning and its financial position, including risk situation and risk management. All documents required for the meetings were distributed by the Management Board to the members of Supervisory Board in good time. The Supervisory Board was directly involved in decisions of fundamental significance for the company, and the Management Board also kept it informed in the period between the individual meetings and on special occasions.

The current business trend of TAG and its subsidiaries, capital measures and the risk situation and risk management continued to be the main focus of the meetings of the Supervisory Board. Members of the Management Boards of subsidiaries regularly attended the meetings of the Supervisory Board of TAG in order to present reports about their companies' situation and performance.

Within the framework of the German Corporate Governance Codex, the Supervisory and Management Boards published a joint declaration of conformity regarding the recommendations of the German Federal Ministry of Justice pursuant to Section 161 of the German Stock Corporation Act (AktG) in December 2004. The company conforms to 95% of the recommendations, with only three exceptions for which reasons were given.

The accounting company Schröder, Nörenberg und Partner GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, appointed as auditors at the Annual General Meeting on July 1, 2004, audited the annual financial statements of TAG and the TAG Group and the corresponding management reports and gave them an unqualified auditors' opinion. The documents pertaining to the financial statements and the auditors' reports were made available to all members of the Supervisory Board in good time and discussed in detail at the Supervisory Board meeting focusing on the approval of the annual accounts. The auditors answered questions from the Supervisory Board and presented the key results of their audits.

The Supervisory Board concurred with the findings of Schröder, Nörenberg und Partner GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, and, having conducted its own review of the annual and consolidated financial statements and the respective management reports, did not raise any objections. The Supervisory Board has thus approved and confirmed the annual and consolidated financial statements prepared by the Management Board.

With their high level of commitment, the employees of TAG and its affiliated companies have contributed to the further development of the TAG Group in a still difficult environment. The Supervisory Board wishes to express its appreciation of the work performed by the Management Board and all employees.

Hamburg, April 2005

The Supervisory Board

Prof. Dr. Ronald Frohne
Chairman

Corporate Governance

In 2002, the "Government Commission on the German Corporate Governance Code" (GCGC) published a set of rules and regulations containing key statutory requirements for the management and supervision of German listed companies and recognized standards for sound and responsible corporate governance. This code and companies' conformity with its rules aim at enhancing trust in the corporate management of German listed stock corporations on the part of shareholders, customers, employees and the general public. The German Corporate Governance Code serves as an instrument for ensuring the transparency and control of listed stock corporations. Companies are required to make an annual declaration indicating the extent to which they have conformed to the recommendations of the code and those rules that are not being applied.

The Management Board and Supervisory Board of TAG issued their first declaration of conformity with the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) in December 2002. In addition, TAG provides information on corporate governance in every Annual Report.

The GCGC was amended on May 21, 2003, and the revised version published by the German Federal Ministry of Justice in the German Federal Gazette on July 4, 2003. Subsequently, TAG issued updated declarations of conformity in December 2003 and December 2004, which can be permanently accessed by shareholders and the public on the company's website at www.tag-ag.com.

The policy of open and active provision of information to shareholders and the public is an integral part of the way TAG sees itself. For TAG, corporate transparency is thus not an obligation, but an important element of its corporate management and communication. Corporate governance is a continuous development and improvement process for TAG. As has been the case in the past, TAG will continue to take account of changes in the underlying conditions and legal requirements and the further development of the German Corporate Governance Code and continuously review and optimize its principles.

Following the expansion of its Management Board and the appointment of a Chairman in May 2004, TAG exceeded the mark of 95% in its conformity with the recommendations and rules of the German Corporate Governance Code, thus achieving a further enhancement of its corporate governance and transparency. Establishment of corporate governance as an important element of its corporate culture has also helped TAG to strengthen its enterprise value. Transparent corporate governance is being accorded more and more importance by shareholders and investors and will influence their investment decisions to a greater degree in the future.

TAG Tegernsee Immobilien- und Beteiligungs-AG

Declaration of conformity by the Management Board and Supervisory Board pursuant to Article 161 of the German Stock Corporation Act (AktG)

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 in the official part of the electronic German Federal Gazette and drafted by the "Government Commission on the German Corporate Governance Code" in the version dated May 21, 2003, save for the following exceptions:

1. The Company's D&O policy does not provide for any deductible for individual members of the Management Board or Supervisory Board (No. 3.8, Sentence 3 of the German Corporate Governance Code (GCGC)). The underwriter retained by TAG provides D&O cover in a form covering all of the Company's present, former and future executives.
2. TAG Tegernsee Immobilien- und Beteiligungs-AG's Supervisory Board has not formed any committees at this stage. Similarly, there is no audit committee (No. 5.3.1 Sentence 1 and No. 5.3.2 Sentence 1 of the GCGC). The 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

3. The Company's consolidated financial statements are not published within the shorter periods specified by the GCGC for the publication of consolidated financial statements and interim reports (No. 7.1.2 Sentence 2 of the GCGC). The Company's consolidated financial statements are published in accordance with the Frankfurt Stock Exchange's trading rules (subsegment of the official market with additional admission duties – Prime Standard) within four months, while the interim quarterly reports are published within two months of the period to which they refer. The Company's Management Board and Supervisory Board do not consider the added cost arising from a shorter reporting period to be justified.

Tegernsee, December 2004

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

Group Management Report and Consolidated Financial Statements

TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, Tegernsee

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Group management report for fiscal 2004

Overall economic situation

For the German economy, 2004 was another disappointing year. Companies entered the year with the hope that the economy would soon come out of the woods. However, these expectations were not fulfilled. Concerns about the sustainability of the global economic recovery heightened increasingly, while the strong euro placed a burden on exporters in the euro zone. In conjunction with a rising oil price, which reached a temporary peak at more than 50 USD per barrel in October, the strong euro was one of the reasons why hopes for a further growth acceleration in the euro zone were eclipsed by rekindled fears of a recession. Consequently, a majority of market participants no longer believes that the originally expected initial interest rates increases will materialize until far into 2005.

Situation in the construction and property sector

The German construction sector went through its tenth year of crisis in succession. Since the beginning of the crisis, the number of employees has nearly been halved. Hopes for a stabilization were not fulfilled in 2004. Reasons cited for the feeble performance of the construction sector include the sluggish economy, the financial weakness of the public sector, lower capital expenditure on the part of Deutsche Bahn and delays in the expansion of the freeway network due to the problem-ridden launch of the toll collection system. In addition, the German construction sector was burdened by a shift of industrial companies‘ investments to foreign countries. By contrast, the gap between eastern and western Germany seems to be closing. After the construction sector in the eastern Federal States had fared significantly worse than its western counterpart for years, the convergence process continued in 2004 and revenue forecasts for 2005 anticipate a comparable decline in both parts of the country.

In 2004, realtors recorded a slightly higher space turnover than in the previous year. Nevertheless, vacancy rates in the office segment continued to rise. Due to the lack of expansion requirements, the vacated overall space exceeded the newly occupied space. Average weighted peak rents decreased by 9 %, to about € 22.10 per square meter, and the average office rent in downtown city locations receded by as much as 12 %, to € 14.40 per square meter. Significant space additions were discernible in Magdeburg (+ 63 %), Mannheim (+ 41 %), Hamburg (+ 37 %), Bremen (+28 %) and Rostock (+20 %), while Frankfurt recorded a contraction of 33 %.

The situation was brighter in the residential property segment. The statistical mean of rents edged up by 0.8 % in 2004, after a 1.1 % advance in the previous year. Costs of heating, lighting and services rose noticeably in Germany, by 2.2 % in 2004. Their increase thus outpaced the updrift in the cost of living. Forecasts concerning the German population‘s demographic trend and the resulting living space requirements gave rise to discussions. Despite different views, they resulted in the fundamental insight that there will be a strong differentiation between the individual regions in the next ten years and wholesale statements are impossible to make.

A striking feature in 2004 was international investors‘ activities in the German residential property market. The string of sales of sizeable housing portfolios on the part of large corporations continued, with real estate transactions accounting for more than one fifth of all mergers and acquisitions in Germany. Strong interest on the part of prominent names enabled sellers to generate good profits.

Mortgage banks, for their part, also saw an eventful year, with sales of lending portfolios running into the billions, a new law concerning Pfandbriefe (German covered bonds) and crisis situations at individual banks. In the banking sector, 2004 was a year characterized by either consolidation or realignment. Many banks cleaned up their balance sheets in 2004, selling distressed-loan portfolios in the billion range. Many real estate banks have already begun to attach greater importance to foreign operations. Restraint is still the order of the day in lending activities for domestic projects.

Trend in the capital investment market for property products

The sector of open-end property funds had to cope with asset withdrawals on the part of investors in 2004. In addition, higher vacancy rates in conjunction with falling rents and high cash positions subdued returns. The industry is trying to regain trust through more stringent controls and more transparency.

By contrast, closed-end property funds recorded a favorable year. A figure of € 12.85 billion (2003: € 10.38 billion) has been cited for equity capital placed. Another striking aspect is the fact that these funds, too, are increasingly investing abroad and have now also discovered residential properties as an attractive opportunity.

Intensified discussions about the introduction of REITS in Germany pushed the stocks of listed German property companies into investors‘ focus. Such an introduction would provide stimuli for the entire market segment and be beneficial for the German real estate industry. Taking account of the performance of the individual companies in 2004, Bankhaus Ellwanger & Geiger changed the composition of its E&G-Dimax equity index for German listed property companies substantially at the end of 2004. Seven companies were removed from the index, and one company was newly added. Ellwanger & Geiger estimates the market capitalization of the 45 real estate stocks now tracked by the index at € 5.7 billion. The index comprises all companies listed in Germany that generate more than 75 % of their revenues in the real estate business. TAG remains among the companies included in the DIMAX.

Accounting in accordance with IAS/IFRS

After the adoption of IAS/IFRS accounting on December 31, 2002, TAG prepared consolidated quarterly reports in accordance with IAS/IFRS with corresponding prior-year figures in its 2004 annual report.

For the company, accounting in accordance with IAS/IFRS has the advantage of ensuring improved international comparability and a more realistic balance sheet presentation (disclosure of hidden reserves and encumbrances). In principle, this also leads to a fundamental improvement in financing possibilities.

Business trends in the Group

TAG Tegernsee Immobilien- und Beteiligungs-AG (TAG) is the holding company of the TAG Group. Relying on a multi-dimension business model based on management companies, TAG is active in its core business segments, Residential Properties and Special-Purpose Properties, and plans to expand its business activities in these areas. In its Residential Properties core business segment, TAG – via its management company Bau-Verein zu Hamburg AG (Bau-Verein AG) – focuses on the acquisition, management and privatization of housing estates. The goal remains the expansion of the residential property portfolio and, by extension, the enhancement of the net asset value of the TAG Group. The fact that no acquisitions took place in 2004 was due to a lack of quality and the high asking prices of the housing portfolios offered.

In the past, the focus was on the restructuring and optimization of Bau-Verein AG, which has been implemented successfully. In the last fiscal year, TAG initiated a restructuring process at JUS AG, which is being continued as planned in 2005 and supported by financial assistance.

In January 2002, TAG purchased a stake of 11.75 % in Bau-Verein zu Hamburg AG from the international investors ABP Investments, BPF-Bouw and Jones Lang LaSalle Co-Investment Inc. within the context of a put option. The remaining purchase price of approximately € 15 million was reduced by one third by an agreement concluded in March 2004. The reduction involved a credit extension for the remaining purchase price until 2006 with ratable redemptions. At the same time, TAG granted the investors a right of election with respect to conversion of the remaining purchase price into a convertible bond. The investors did not exercise this conversion right. The reduction in the purchase price in conjunction with the convertible bond was agreed as a retroactive partial compensation for the non-recurrent restructuring expenses incurred at Bau-Verein AG in fiscal 2001. The extension of the repayment arrangements for the residual purchase price constitutes a further partial compensation.

In 2004, TAG commissioned Bau-Verein AG to design the measures necessary for the optimization of the properties held in Tegernsee Valley for historical reasons and continue the ongoing project for the railroad station grounds in Tegernsee.

As a holding company, however, shareholdings in its affiliated companies are TAG‘s principal assets.

The most important shareholdings of TAG are:

Bau-Verein zu Hamburg AG (Bau-Verein AG)

Bau-Verein AG is the largest company in the TAG Group and the management company responsible for the Residential Properties core business segment. Bau-Verein zu Hamburg AG is a listed stock corporation and publishes its own annual report and consolidated financial statements in accordance with IAS/IFRS. It occupies an outstanding position as a housing company with active portfolio development. Its core business is the management of existing housing estates in established locations of German metropolitan areas and the construction of affordable new housing for subsequent sale.

At the end of 2004, the real estate portfolio of the Bau-Verein subgroup was comprised of approximately 3,800 dwelling units, 642 dwelling units under construction and 19 commercial units.

With respect to the future development in the residential property sector, Bau-Verein AG has proven its foresight in the selection of property locations in Munich, Hamburg, Berlin and the Rhine/Main region. Metropolitan areas will increasingly see a more favorable development than secondary locations.

The expansion of its residential property portfolio through acquisitions remains one of the company‘s prime goals. In fiscal 2004, Bau-Verein AG participated in various tenders for housing portfolios with 200 to 2,500 units. One prerequisite for these acquisitions is a further strengthening of the company‘s equity capital base against the background of financing banks‘ requests. Given the intensive competition on the part of international investors and the resulting pricing, the acquisition of larger housing portfolios is not particularly promising.

In fiscal 2004, Bau-Verein AG initiated a number of projects at sites in Berlin, Hamburg and the Rhine/Main region and completed other ventures. The ”Dock 4“ property at Sandtorkai in HafenCity in Hamburg, for instance, was largely completed. In December 2004, the first tenants already moved in. The ”Am Roland“ project with 64 dwelling units was completed in Wedel near Hamburg, with 48 out of these 64 apartments already being sold and further units being reserved. The largest project currently being realized by Bau-Verein AG, ”Heidberg Villages“ in Hamburg, will enter its second phase after the commencement of its realization in 2004 and the construction of 247 dwelling units.

On the basis of total assets of € 381.1 million (previous year: € 417.2 million) and revenues totaling € 87.4 million (previous year: € 87.3 million), the Bau-Verein Group generated net annual income of € 1.5 million, compared to € 0.2 million in the previous year. Positive net annual income and a reduction in bank liabilities allowed Bau-Verein AG to strengthen its equity capital base. At December 31, 2004, its equity ratio stood at 22 % (previous year: 19.9 %).

TAG continues to hold a stake of 87.9 % in the Bau-Verein Group.

JUS AG Aktiengesellschaft für Grundbesitz (JUS AG)

JUS AG is the second-largest company in the TAG Group and active in the refurbishing of historical buildings in the Special-Purpose Property core business segment. JUS AG focuses on projects in Leipzig and Berlin and is working on the ”Südtor“ project in Stuttgart.

Despite temporary adverse effects on sales, the disappointment associated with the fact that the IOC did not chose Leipzig as the host of the 2012 Olympic Games remained limited for JUS AG. The application noticeably enhanced Leipzig‘s image, and major projects will be implemented even without the 2012 Olympic Games. An additional positive aspect is the fact that a major logistics company has selected Leipzig airport as its freight traffic hub. Establishment of additional facilities is likely, which, in turn, will make the city increasingly attractive.

One highlight for JUS AG was the ”Schokoladen-Palais“ project, which is comprised of 100 apartments in Leipzig and thus the largest project of JUS AG. The sales volume amounts to € 20 million, and with advance sales of 80 %, the property is one of the most successful developments implemented by JUS AG. At the end of 2004, JUS AG, a specialist in the restoration of listed properties, was able to announce that all apartments had been sold.

Conversion of landmarked factory buildings into loft apartments has been a product segment of JUS AG since 1999. With ”Kunstdruckerei Ludewig“ in Leipzig and ”Schöne Lofts“ in Berlin, 69 new apartments entered the sales phase. In the future, JUS AG plans to offer listed apartments in a former factory in western Germany, too.

For the ”Stuttgart-Südtor“ project, JUS completed negotiations about an amendment of the project plan after a twelve-month competition against various other players did not lead to the desired agreement. JUS AG now expects to sell the project in fiscal 2005.

The high sales figures recorded in the previous year enabled the company to commence the refurbishing of various historical buildings after reaching the necessary advance sales level. Accordingly, JUS AG‘s financing activities were stepped up significantly, resulting in a noticeable increase in the subgroup‘s total assets. This was also reflected in sales activities and the historically high number of 30 projects being implemented by JUS AG. The final transfer of various properties initiated in 2004 is scheduled to take place in fiscal 2005 and early 2006.

The joint venture with the British company Patron Capital Ltd., which aims at purchasing landmarked properties, preferably in Leipzig and Berlin, and their subsequent sale after project design and implementation, is in the trial stage. The goal is to familiarize the international investors with the special peculiarities of tax-favoured refurbishing of historical buildings in Germany.

The opening ceremony for ”Rathausgalerie“ in Markkleeberg was celebrated in November 2004. The building is being held by JUS AG as an investment property, stabilizing the company‘s income.

In the course of fiscal 2004, JUS AG received intensive support from TAG in its capacity of the Group‘s parent company. Continued extension of loans to JUS AG ensured the ongoing financing of its projects with a view to bringing them to successful completion. Concurrently, restructuring measures were initiated at JUS AG in order to prepare the company for changing markets. This process will continue in fiscal 2005. In the future, JUS AG will provide services to third parties and, hence, generate income on the basis of reduced risk and lower capital tie-up. These two aspects turned out to be particularly disadvantageous for JUS AG in fiscal 2004. The company has already gathered experience in the service sector since 2003, providing services to REAL Immobilien GmbH, the joint venture between TAG and Landesbank Sachsen.

On the basis of total assets of € 141.4 million (previous year: € 144.8 million) and revenues totaling € 32.3 million (previous year: € 33.3 million), the JUS Group generated net annual income of € 0.1 million (previous year: € 0.9 million). To support the company, TAG converted a loan in the amount of € 5 million into a contribution to JUS AG‘s capital reserves at the end of the year, improving the subsidiary‘s financial standing. In addition, TAG waived loans with a volume of € 2.5 million.

TAG continues to hold a stake of 93.6 % in JUS AG.

Allgemeine Gewerbebau- und Projektentwicklungs AG (AGP AG)

After the sale of a property in Erfurt, AGP AG now operates as a single-property company, focusing exclusively on a book and media store in Erfurt. The prime task of the company was to obtain an agreement concerning the long-term financing of this high-return property. In fiscal 2003, the participation in AGP AG, which is recognized at equity, contributed a loss of € -0,4 million (previous year: € -1.0 million). TAG holds a share of 66.7 % in the company‘s profit or loss and 49 % of the voting rights of AGP AG.

REAL Immobilien GmbH (REAL)

Established as a joint venture between Landesbank Sachsen and TAG, REAL Immobilien GmbH acquires properties offering potential opportunities from the portfolio of its shareholders and third parties. The goal of these purchases is to develop, revamp and subsequently resell these properties. Since its establishment, REAL has acquired eight properties with an investment volume of about € 150 million. With this successful approach, Landesbank Sachsen and TAG are pursuing a strategy that is also being embraced by numerous other banks in the same or a similar manner. Irretrievable losses through the sale of non-performing loans are avoided through active value creation and translated into value appreciation potentials. In

2004, REAL's implementation of this idea already resulted in the sale of 107 apartments from an acquired portfolio totaling 860 dwelling units in Berlin. Significant rental successes were achieved in "Städtisches Kaufhaus" in Leipzig and other properties. With this, Landesbank Sachsen and TAG have begun to tap substantial market potential, and the company is already available to third parties as an acquirer and service provider. Basically, the services offered by REAL are provided by employees of JUS AG and a subsidiary of Landesbank Sachsen.

TAG holds a share of 49 % in REAL Immobilien GmbH.

Financing

The TAG Group recorded the following financing structure at the end of 2004:

	Total € 000s 2004	as a percentage of total assets in 2004	Total € 000s 2003	as a percentage of total assets in 2003
Shareholders' equity	**100,822**	**18.0**	92,167*	15.2
Bank liabilities	**359,886**	**64.2**	402,689	66.5
Other externally borrowed funds	**99,980**	**17.8**	101,390	16.7

* (without minority interests)

Bank liabilities result from participation, project and portfolio financings of the individual affiliated companies. Loans have been agreed for short-term, medium-term and long-term maturities. Within the context of their bank liabilities, individual companies also had and utilized credit lines. In the fiscal year under review, interest expenses at an average interest rate of 5.0 % were incurred for externally borrowed funds. To some extent, TAG in its capacity as parent company of the Group provided guarantees for loans taken out by affiliated companies.

The above-mentioned partial renunciation of the purchase price for Bau-Verein AG reduced the liabilities of TAG by € 5.1 million, with an earnings-enhancing effect, and resulted in a further significant improvement in the capital structure in addition to the cash capital increase in January 2004.

Balance sheet

Various measures led to significant improvements in the balance sheet ratios of TAG Group in fiscal 2004. The main goal was a reduction in current assets in conjunction with debt reduction and enhanced income calculation.

To stabilize income from additional rental revenues, the investment property portfolio was expanded. Rent-boosting capital expenditure projects were implemented in investment properties, leading to positive market adjustments at good locations. On balance, the investment property portfolio increased to € 112.6 million (previous year: € 85.9 million).

Due to a retroactive reduction in the acquisition costs of the shares held in JUS AG (see "Events after the close of fiscal 2004"), the goodwill of JUS AG was impaired by € 7.3 million at December 31, 2004. Given the current unsatisfactory earnings situation at JUS AG, this resulted in further balance sheet adjustments.

Under current assets, the portfolio of land available for sale and properties with unfinished buildings was reduced from € 349 million to € 387 million. This trend was substantially influenced by the sales activities of Bau-Verein AG in the new-construction segment. A number of properties expected to produce sustainable strong rental income in the future were incorporated in the portfolios of JUS AG and Bau-Verein AG for long-term rental activities.

Liabilities due to banks were scaled back noticeably with the help of sales proceeds and a reduction in the cash position. Short and medium-term liabilities were reduced by a total of € 42.8 million, to € 359.9 million (previous year: € 402.7 million). Trade accounts payable were also trimmed, to € 33.9 million (previous year: € 40.3 million).

Shareholders' equity remained virtually stable in the Group, working out at € 100.8 million (previous year: € 101.6 million). This is the result of a cash capital increase by € 4.4 million and net annual income of € 2.1 million in conjunction with a concurrent equity-capital-reducing goodwill impairment of € 7.3 million for JUS AG. Due to the balance sheet contraction following the reduction in current assets and liabilities, the TAG Group's total assets stood at € 560.1 million at December 31, 2004 (previous year: € 605.7 million), and its equity ratio improved to 17,8 %, from 16,8 % at the close of the previous fiscal year.

Revenues and income

In the full fiscal year under review, TAG generated revenues of € 121.3 million, compared to € 122.2 million in the previous year. Bau-Verein AG contributed revenues of € 87.4 million (previous year: € 87.3 million) to this total, with € 61.7 million thereof resulting from property sales effected by the company. JUS AG generated revenues of € 32.2 million (previous year: € 33.2 million). A striking feature is the fact that IAS/IFRS-compliant revenues in fiscal 2004 were € 5.3 million lower than those posted under the German Commercial Code (HGB) in the previous year, the reason being the fact that the percentage of completion (PoC) method had already been applied in previous years. Overall, application of the IAS/IFRS accounting standards smoothes revenues in accordance with the actually performed construction work. The Group intends to further increase the stabilizing revenue share of income from rental and leasing activities at Bau-Verein AG and nudge up the less-capital-intensive revenue share generated by third-party service provision at JUS AG. Other operating income amounted to € 9.3 million (previous year: € 6.5 million) and mainly included the purchase price reduction of € 5.1 million negotiated by TAG, value appreciations and the reversal of reserves.

The revaluation of investment properties, which is required on an annual basis, enhanced earnings by € 7.6 million in 2004 compared to € 0.1 million in the previous year and was attributable to capital expenditure for investment properties at Bau-Verein AG and the value appreciation of residential properties at locations in Germany.

Expenses

Personnel expenses at the consolidated level edged up slightly, from € 8.6 million in the previous year to € 8.8 million, with the individual companies within the TAG Group seeing different developments. Whereas Bau-Verein AG pared its personnel expenses from € 5.9 million to € 5.6 million, JUS AG recorded an increase from € 1.2 million to € 1.6 million. Despite an enlarged Management Board, personnel expenses at TAG increased only from € 1.0 million to € 1.1 million.

At € 16.0 million (previous year: € 16.2 million), other operating expenses were kept at the previous year‘s level. Here, too, the individual companies presented a mixed picture. At € 4.0 million, Bau-Verein AG was nearly in line with the prior-year level (€ 3.9 million), while TAG significantly slashed these expenses, from € 2.1 million to € 1.2 million and JUS AG recorded an increase from € 10.2 million to € 10.7 million. The latter continues to result from the fact that the number of concurrently implemented projects is high by historical standards.

The TAG Group succeeded in improving its income from financial assets, defined as the balance of interest expenses and interest income, very substantially. Due to a noticeable reduction in loans in fiscal 2004, by € 42.8 million (primarily at Bau-Verein AG due to successful sales activities), income from financial assets improved from € -20.1 million to € -18.2 million, or 10 % in percentage terms. Further positive developments are expected to materialize in the current fiscal year because of project completion at JUS AG with corresponding loan reductions and on the wings of a reduction in high-interest private-equity loans already implemented in the first quarter of 2005.

Deprecation and amortization

In accordance with the changes in the IAS/IFRS standards, TAG did not recognize any scheduled goodwill amortizations in fiscal 2004. Nevertheless, the goodwill of JUS AG was impaired by € 7.3 million at the end of 2004 within the framework of a discharging agreement between TAG and Mr. Michael Haupt. The equity capital of TAG was impacted accordingly, without affecting the income statement. Given the fact that the net annual income of JUS AG was still positive in fiscal 2004 thanks to the partial debt release granted by TAG, the Group regards this as a balance sheet adjustment measure.

Earnings

In fiscal 2004, the TAG Group generated net annual income of € 2.1 million compared to a loss of € 15.1 million in the previous year and thus returned to the profit zone, despite a still difficult market environment. As described in the respective sections, the individual companies within the Group recorded mixed trends in this respect.

Organization and employees

Effective May 1, 2004, Dr. Lutz R. Ristow was appointed Chairman of the Management Board and succeeded by Prof. Dr. Ronald Frohne as Chairman of the Supervisory Board. The Management Board of TAG thus consists of three persons. At the request of the Management Board, Dr. Wolfgang Schnell was appointed by the Munich Local Court as an additional member of the Supervisory Board on October 26, 2004. With Dr. Schnell, TAG has won an independent entrepreneur with real estate expertise. Since July 2001, Dr. Schnell has also been a member of the Supervisory Board of Bau-Verein AG.

At 150, the average number of employees in the TAG Group remained virtually unchanged compared to the previous year. Here, too, the individual companies saw diverging developments. The organization of TAG was streamlined to 3 staff members (previous year: 5). The operational real estate business is handled by the individual subsidiaries within the TAG Group. Bau-Verein AG reduced its workforce from 98 to 97 employees, and JUS AG from 2 to 39 employees. The railway infrastructure company Tegernsee-Bahn Betriebsgesellschaft (TBG) kept its workforce of 11 employees stable.

Risk report

Monitoring, management and appropriate consideration of business opportunities and risks are important elements of the corporate culture of TAG Group. Above-average results can frequently be achieved only by deliberately accepting risks. Accordingly, systematic and organized processes for identifying, analyzing and responding to risks are crucial for a company‘s future success. In addition, the availability of liquid funds and capital is a top priority for our company. The financial markets are still in a fragile state, and banks are still in the throes of restructuring and realignment processes. Investors are uncertain, so that both equity capital and loans remain difficult to raise. This situation has persistent compared to the previous year.

Market risks

The companies of the TAG Group operate in a continuously changing market. Different locations and market segments require continuous market observation and an ongoing dialog with market participants. New risks may result from changes in real estate taxation and subsidization; a final assessment of their ultimate impact on the market is not yet possible from today‘s vantage point. Activities in the various segments of the residential property sector help reduce these general risks.

Loan-loss risks

In line with its strategy, TAG grants loans to subsidiaries. The economic development of these subsidiaries is controlled by means of intragroup relationships; if necessary, suitable measures are taken to hedge outstanding amounts. The overall loan exposure was realigned in order to provide continued funding support to subsidiaries.

Financing risks

The TAG Group relies on decentralized cash and financing management. Liquidity in the Group is optimized by means of intragroup loans. Banks' continued pronounced restraint with respect to the financing of company acquisitions and properties is still hampering the business possibilities of TAG and its affiliated companies. Intragroup loans must therefore be made available to associated companies for longer periods, so that the corresponding funds are be available to TAG for its own purposes. In a bearish stock market environment, it is not always possible to successfully raise existence-securing equity capital via capital increases in the form of cash or non-cash contributions to partially offset these effects. The executives responsible for finance management continuously analyze developments in the capital markets and take the necessary measures. These financing risks may jeopardize the continued existence of the company or materially affect its net assets or financial position. Despite the bearish stock market environment, the Management Board succeeded in implementing cash capital increases in 2003, 2004 as well as early 2005, raising a total of € 13.0 million. It is conducting further promising negotiations about the raising of new equity capital.

Risks emanating from guarantees

TAG supports the financing of its subsidiaries with guarantees and letters of comfort. In addition, financing is made possible in the first place or granted at more favorable terms and conditions. These guarantees involve risks for TAG due to their potential implementation in the event of unforeseen project developments. On the basis of the project planning of JUS AG, the Management Boards anticipates a significant reduction in guarantee volumes in 2005. Guarantee risks may jeopardize the continued existence of the company or materially affect its net assets. TAG monitors these risks in close consultation with its subsidiaries and initiates suitable measures.

Risks emanating from affiliated companies

The affiliate companies are subject to the risk of non-fulfillment of the associated return expectations. Due to the acquisition of JUS AG, Bau-Verein AG and AGP AG in fiscal 2001 and 2002, the Group faces additional risks relating to the operating business of the subsidiaries of the JUS Group and the Bau-Verein Group. Risk monitoring is a decentralized responsibility handled by JUS AG and Bau-Verein AG themselves. The executives in charge of risk control in the subsidiaries regularly report on recent developments. In addition, some of the positions in the corporate organs of associated companies have been staffed with members of the Supervisory or Management Board of TAG – a practice ensuring an exchange of information about risks emanating from the subsidiaries.

Events after the close of fiscal 2004

In March 2005, TAG placed 620,000 shares through implementation of a cash capital increase with exclusion of shareholders' subscription rights. This increased the share capital by 9.9 % to € 6,848,926.00. Via this transaction, TAG received a cash infusion of € 4.4 million. Against the background of the uncertain situation prevailing in the financial markets and banks' restrictive approach, this measure must be regarded as a particular success. The capital raised will be contributed towards financing ongoing business.

Mr. Michael Haupt had given TAG a profit guarantee for a total of € 2.5 million with respect to the annual results of JUS AG for fiscal 2004 and 2005. In April 2005, Mr. Haupt and TAG agreed on early release from this profit guarantee against return of a total of 200,000 TAG shares securing this guarantee. Since these shares had originally been issued within the context of the acquisition of the participation in JUS AG, the already described retroactive reduction in acquisition costs incurred for the company and, hence, the goodwill of JUS AG was recognized in the balance sheet at December 31, 2004.

Expected developments and outlook

The focus of the participation portfolio is on the activities in the Residential Properties core business segment. Given the current developments in the German residential property market, we believe that we are on the right track with this approach. Within this core business segment, the continued intention is to purchase attractive housing portfolios at reasonable prices via Bau-Verein AG. With the sale of affordable homes in attractive cities, which is the responsibility of Bau-Verein AG, and tax-favored landmarked properties, which are the domain of JUS AG, TAG continues to operate in two attractive market segments.

However, another key determinant of TAG's future performance will be the expansion of its market position in the real estate market. Here, the company's continued goal is to actively seize the special, and maybe even unique, opportunities offered by a consolidating market. In this context, innovative solutions are required, such as the approach we offer through REAL Immobilien GmbH. The German real estate market already induced significant changes in the companies active in this field in 2004, and this trend will continue in 2005. Efforts to offset and exploit other market participants' weaknesses and reduce dependence on bank financing will play a decisive role in this context.

Tegernsee, April 15, 2005

Dr. Lutz R. Ristow Michael Haupt Olaf G.Borkers

Consolidated balance sheet for the year ending December 31, 2004

ASSETS	Notes	12/31/2004 € 000s	12/31/2003 € 000s
A. Fixed assets			
I. Investment properties	1	**112,629**	85,940
II. Tangible assets	2	**5,095**	7,457
III. Intangible assets	3	**111**	113
IV. Goodwill	4	**19,739**	27,053
V. Financial assets	5		
Shares in associated companies	5	**980**	1,345
Other financial assets	5	**2,892**	3,581
		3,872	4,926
B. Deferred tax assets	6, 39	**12,789**	10,101
C. Current assets			
I. Land available for sale and other inventories	7		
Properties with unfinished and finished buildings	8	**349,076**	386,725
Other inventories	9	**6,845**	11,416
		355,921	398,141
II. Receivables and other assets	10		
Trade accounts receivable	10	**37,687**	28,632
Future receivables from construction contracts	10	**536**	15,524
Other assets	10	**7,409**	10,129
		45,632	54,285
III. Cash and cash equivalents	11	**4,795**	17,460
D. Prepaid expenses	12	**105**	220
		560,688	605,696

Shareholders' equity and liabilities	Notes	12/31/2004 € 000s	12/31/2003 € 000s
A. Shareholders' equity			
Equity share held by the parent company's shareholders			
I. Subscribed capital	13	**6,229**	5,663
II. Capital reserve	14	**83,180**	86,744
III. Revenue reserves	15	**6,689**	6,689
IV. Profit available for distribution		**-4,864**	-6,929
Minority interests	16	**9,588**	9,450
		100,822	101,617
B. Long-term liabilities			
Liabilities due to banks	17	**88,707**	99,335
Pension provisions	18	**2,467**	2,453
Other long-term liabilities	19	**4,238**	1,098
		95,412	102,886
C. Short-term liabilities	20		
Liabilities due to banks	17	**271,179**	303,354
Trade accounts payable		**33,905**	40,337
Tax provisions	21	**1,042**	1,593
Other short-term liabilities	22	**45,022**	45,669
		351,148	390,953
D. Deferred tax liabilities	23, 39	**13,250**	10,147
E. Deferred income		**56**	93
		560,688	605,696

Consolidated income statement for the year ending December 31, 2004

	Notes	2004 € 000s	2003 € 000s
Revenues	26	**121,251**	122,164
Other operating income	27	**9,292**	6,514
Other internally produced and capitalized assets	29	**844**	918
Cost of materials	30	**-91,744**	-87,889
Personnel expenses	31	**-8,776**	-8,617
Other operating expenses	32	**-15,959**	-16,146
EBITDA		**14,908**	**16,944**
Depreciation and amortization (excluding goodwill amortization)	33	**-542**	-658
Revaluation of investment properties	34	**7,568**	114
EBITA		**21,934**	**16,400**
Goodwill amortization	35	**0**	-10,994
EBIT		**21,934**	**5,406**
Income from investments	36	**-131**	-134
Income from associated companies	37	**-365**	-1,029
Income from financial assets	38	**-18,189**	-20,130
EBT		**3,249**	-15,887
Income taxes	39	**-985**	870
Minority shareholders' profit and loss share	40	**-199**	-115
Net annual income		**2,065**	**-15,132**
Earnings per share (€), undiluted		**0.33**	-2.69

Consolidated statement of cash flow for the year ending December 31, 2004

	2004 € 000s	2003 € 000s
Consolidated results	**2,065**	**-15,132**
Depreciation and amortization (excluding goodwill amortization)	**542**	658
Amortization of participations and shares in associated companies	**554**	1,364
Amortization of goodwill	**0**	10,994
Depreciation/appreciation of properties held as financial investments	**-7,568**	-114
Change in other long-term liabilities (excluding financial liabilities)	**3,154**	-299
Change in deferred tax liabilities	**415**	-1,210
Cash flows in accordance with DVFA/SG	**-838**	**-3,739**
Profit/loss from sale of fixed assets	**91**	-277
Change in receivables and other assets	**39,368**	-7,133
Change in accounts payable and other liabilities (excluding financial liabilities)	**-13,304**	626
Cash flows from operating activities	**25,317**	**-10,523**
Payments for investments in properties held as financial investments	**-4,978**	0
Payments for investment in intangible assets	**-21**	-38
Proceeds from sale of intangible assets	**0**	65
Payments for investments in tangible assets	**-189**	-1,665
Proceeds from sale of tangible assets	**8**	138
Payments for investments in financial assets	**-12**	-223
Proceeds from sale of financial assets	**42**	49
Cash flows from investing activities	**-5,150**	**-1,674**
Proceeds from capital increases (minus cost of capital increases)	**4,334**	4,125
Proceeds from/payments for liabilities due to banks	**-42,803**	4,979
Proceeds from/payments for financial liabilities (loans)	**5,637**	9,727
Cash flows from financing activities	**-32,832**	18,831
Net change in cash and cash equivalents	**-12,665**	6,634
Consolidation-related changes	**0**	1,204
Cash and cash equivalent at January 1	**17,460**	9,622
Cash and cash equivalents at December 31	**4,795**	**17,460**

Consolidated statement of changes in shareholders‘ equity for the year ending December 31, 2004

	Subscribed capital	Capital-reserve	Revenue reserves	Profit available for distribution	Minority interests	Total
	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s
01/01/2003	**5,163**	**97,777**	**6,689**	**-6,455**	**9,533**	**112,707**
Consolidated net income				-15,132		-15,132
Withdrawal from capital reserve		-14,658		-14,658		0
Cash capital increase	500	3,650				4,150
Other		-25			-83	-108
12/31/2003	**5,663**	**86,744**	**6,689**	**-6,929**	**9,450**	**101,617**
Consolidated net income				2,065		2,065
Cash capital increase	566	3,830				4,396
Other		-7,394			138	-7,256
12/31/2004	**6,229**	**83,180**	**6,689**	**-4,864**	**9,588**	**100,822**

Segment reporting
for the year ending December 31, 2004

	Railway infrastructure 2004 € 000s	Building management 2004 € 000s	Construction activity 2004 € 000s	Reconciliation 2004 € 000s	Consolidated 2004 € 000s
External revenues	1,229	9,297	110,801	-76	121,251
Previous year	*1,272*	*10,564*	*110,403*	*-75*	*122,164*
Intra-group revenues	0	888	1,288	-2,176	0
Previous year	*0*	*1,052*	*1,480*	*-2,532*	*0*
Revenues	1,229	10,185	112,089	-2,252	121,251
Previous year	*1,272*	*11,616*	*111,883*	*-2,607*	*122,164*
Segment earnings	**984**	**9,837**	**-2,441**	**-5,131**	**3,249**
Previous year	*-86*	*4,483*	*-1,099*	*-19,185*	*-15,887*
thereof earnings from associated companies	0	0	0	-365	-365
thereof depreciation/amortization	-53	-319	-148	-22	-542
thereof interest income	3	2,256	1,443	-2,356	1,346
thereof interest expenses	-1	-5,116	-16,179	1,761	-19,535
thereof non-cash-relevant items	811	6,724	-11	7,398	14,922
Segment liabilities	**294**	**95,030**	**371,912**	**-7,370**	**459,866**
Previous year	*549*	*106,569*	*397,284*	*-323*	*504,079*
Segment assets	**3,351**	**202,267**	**402,866**	**-47,796**	**560,688**
Previous year	*2,634*	*193,938*	*434,537*	*-25,413*	*605,696*
Segment investments	**27**	**4,733**	**137**	**16**	**4,913**
Previous year	*0*	*1,485*	*156*	*0*	*1,641*

Shareholdings
at December 31, 2004

Pos.	Name and registered office	Participation in %	via position
1	TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, Tegernsee		
2	Kraftverkehr Tegernsee-Immobilien GmbH, Tegernsee	98,00	1
3	Tegernsee-Bahn Betriebsgesellschaft mbH, Tegernsee	100,00	1
4	Feuerbachstraße 17/17a Leipzig Grundstücksverwaltung AG & Co. KG, Leipzig	99,55	1, 5, 12
5	JUS Aktiengesellschaft für Grundbesitz, Berlin	93,57	1
6	Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg	87,92	1
7	AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Tegernsee	49,49	1
8	Real Immobilien GmbH, Leipzig	49,00	1
9	Wenzelsplatz Grundstücks GmbH, Leipzig	93,57	5
10	Trinom Hausverwaltungs GmbH, Leipzig	93,57	5
11	Verwaltungsgesellschaft Studio am Zoo mbH, Leipzig	93,57	5
12	BuP Projektmanagement GmbH, Leipzig	93,57	5
13	defod. 58 Vermögensverwaltungs AG, Leipzig	93,57	5
14	Trinom Hausverwaltungs GmbH, Berlin	93,57	5
15	GbR Elsterstr. 40, Leipzig	46,78	5
16	WKA Gückelsberg OHG, Leipzig	93,10	5
17	JUS AG 1. Grundbesitz KG, Leipzig	93,57	5
18	JUS AG & Co. Heimat KG, Leipzig	93,57	5
19	GbR Feuerbachstr. 4, Leipzig	46,78	5
20	Neue Ufer GmbH & Co. KG, Leipzig	46,78	5, 12
21	GbR Siedelmeisterweg, Seevetal	46,78	5
22	GbR Elsterlofts, Seevetal	46,78	5
23	GbR Wald-/Wettiner Str., Leipzig	46,78	5
24	Trinom Business Apartments GmbH, Leipzig	93,57	5
25	GbR Mozart-/Schwägerichenstr., Leipzig	93,57	5, 12
26	Wohnen im Loft JUS AG & Co. OHG, Leipzig	93,95	5, 1
27	IKB GmbH, Leipzig	93,57	5, 12
28	Angerpassage Verwaltungs AG, Berlin	93,57	5
29	GbR Kirschbergstr. 78-82, Leipzig	74,85	5
30	GbR Wohnen am Elbufer, Dresden	4,07	5
31	Wenzelsplatz 2-4 GmbH & Co. KG, Leipzig	93,57	5

Pos.	Name and registered office	Participation in %	via position
32	Studio am Zoo KG, Leipzig	93,57	5
33	JUS Stuttgart-Südtor Verwaltungs GmbH, Leipzig	93,57	5
34	JUS Stuttgart-Südtor Projektleitungs GmbH & Co. KG, Leipzig	93,57	5, 33
35	Wenzelsplatz GmbH & Co. Nr. 1 KG, Leipzig	93,57	5, 9
36	58. defod & AGP KG Angerpassage Erfurt, Leipzig	46,78	5
37	Bau-Verein zu Hamburg Altbau-Immobilien GmbH, Hamburg	87,92	6
38	Bau-Verein zu Hamburg Wohnungsgesellschaft, Hamburg	87,92	6
39	BV Hamburger Wohnimmobilien GmbH, Hamburg	87,92	6
40	Hamburg-Bremer Vermögensverwaltungsgesellschaft mbH, Hamburg	87,92	6
41	GAG Grundstücksverwaltungs-Aktiengesellschaft, Hamburg	87,74	6, 40
42	G+R City-Immobilien GmbH, Berlin	74,73	6
43	VFHG Verwaltungs GmbH, Berlin	87,92	6
44	Wohnanlage Ottobrunn GmbH, Hamburg	87,92	6
45	Bau-Verein zu Hamburg-Eigenheim Immobilien GmbH, Hamburg	87,92	6
46	Bau-Verein zu Hamburg "Junges Wohnen" GmbH, Hamburg	87,92	6
47	URANIA Grundstücksgesellschaft mbH, Hamburg	87,92	6
48	Bau-Verein zu Hamburg Hausverwaltungsgesellschaft mbH, Hamburg	87,92	6
49	Bau-Verein zu Hamburg Gewerbeimmobiliengesellschaft mbH, Hamburg	87,92	6
50	Archplan Projekt Dianastraße, Dortmund	58,61	6, 45
51	BVV Bau-Verein zu Hamburg Fonds Verwaltungsgesellschaft mbH, Hamburg	87,92	6, 47
52	Grundstücksgesellschaft Adlershof mbH, Hamburg	87,92	6, 47
53	Zweite BVV Bau-Verein zu Hamburg Fonds Verwaltungsgesellschaft mbH, Hamburg	87,92	6, 47
54	G + R Grundstücksentwicklung Habersaathstr. 31 GmbH, Berlin	43,96	6, 37
55	VFHG Haus- und Grundstücks GmbH & Co. Wohnanlage Friedrichstadt KG, Berlin	82,64	6, 45
56	B.N. Bauregie Nord GmbH, Hamburg	87,92	6
57	Adamshof Grundstücks GmbH, Berlin	74,86	5
58	Fürstenberg´sche Häuser GmbH, Berlin	18,71	5
59	Sandtorkai Investitionsverwaltungsgesellschaft mbH, Hamburg	87,92	6, 45
60	Verwaltung GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH, Hamburg	43,96	6
61	GIB Grundbesitz Investitionsgesellschaft Bergedorf mbH & Co. KG, Hamburg	43,96	6
62	Zweite Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG	31,89	6, 33
63	Vierte Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG	62,17	6, 47
64	Patrona Saxoniae Grundbesitz GmbH, Leipzig	93,57	5
65	Patrona Saxoniae GmbH & Co. KG, Leipzig	93,57	5
66	JUS AG 2. Grundbesitz KG, Leipzig	93,57	5

Notes to the 2004 consolidated financial statements

General information

The consolidated financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft (TAG) for the fiscal year ending December 31, 2004, have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and binding in their application on the balance-sheet cutoff date, and their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

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

In principle, accounting and valuation as well as explanations and information concerning the IFRS-compliant consolidated financial statements for fiscal 2004 are based on the same accounting and valuation methods that had been used in the preparation of the 2003 consolidated annual financial statements. More detailed information about the IAS/IFRS regulations adopted early on a voluntary basis is provided in a separate section of the Notes to the consolidated financial statements.

TAG has taken advantage of the exemption option pursuant to Section 292(a) HGB (German Commercial Code), which grants a company exemption from its obligation to prepare consolidated financial statements in accordance with HGB if its consolidated financial statements are drawn up in accordance with internationally accepted accounting standards and are consistent with Directive 83/349/EEC of the European Union. For interpretation of the Directive, TAG refers the reader to German Accounting Standard No. 1 (DRS 1), "Exemption from the preparation of annual financial statements pursuant to Section 292(a) HGB".

The fiscal year of TAG and its consolidated subsidiaries corresponds to the calendar year. TAG, which has been entered in the Commercial Register of the Munich Local Court, has its registered office in Tegernsee, Bahnhofsplatz 5.

The consolidated financial statements are prepared in euros (€). All amounts are cited in and rounded to thousands of euros (€ 000s).

Deviation in accounting and valuation methods under IFRS and HGB

In accordance with the reporting requirements pursuant to Section 292(a) HGB, the accounting, valuation and consolidation methods deviating from German law are described below to the extent to which they are applicable to these consolidated financial statements.

Goodwill – IFRS 3

According to IFRS, goodwill resulting from the acquisition of consolidated subsidiaries must be capitalized. With respect to amortization or subsequent valuation, a differentiation must be made in fiscal 2004 between companies acquired before or after March 31, 2004, because this determines whether IAS 22 or IFRS 3 must be applied. For goodwill resulting from acquisitions made before March 31, 2004, regular amortization over their useful life in accordance with IAS 22 must, in principle, be carried out for the last time in fiscal 2004. However, early discontinuation is possible. In this context, early discontinuation of regular goodwill amortization is linked to the limited retrospective application of the new regulations. Retrospective application means that the current financial statements must be prepared as if IFRS 3 in conjunction with IAS 36 and IAS 38 had always been applied. By contrast, the German Commercial Code (HGB) permits regular goodwill amortization, or offsetting of goodwill against reserves pursuant to Section 390(1) HGB.

Long-term construction contracts – IAS 11

If the result of a construction contract can be estimated reliably, contractual income and expenses associated with the construction contract are posted as income or expenses in accordance with the percentage of completion (PoC) on the cutoff date. The regulations of IAS 11 allow realization of partial profits on long-term construction contracts by their percentage state of completion in accordance with the percentage-of-completion method. Accounting on the basis of HGB does not permit the realization of partial profits.

Deferred tax assets – IAS 12

Pursuant to HGB, deferred tax refund claims resulting from tax-loss carryforwards may not be reported in the balance sheet, because anticipated future tax savings are not yet deemed realized. Under IFRS, such future tax reduction claims must be capitalized to the extent to which it is likely that the temporary difference will be reversed in the foreseeable future and the taxable income against which the temporary difference can be offset will be available.

Pension provisions – IAS 19

Pension provisions are calculated using the accrued benefit present value method ("projected-unit-credit method"). In a HGB-compliant balance sheet, valuation is based on the partial-value method, in accordance with the tax regulations laid down in Section 6a EStG (German Income Tax Act).

Equity transactions – IAS 32 in conjunction with SIC 17

The costs of an equity transaction, less all associated income tax advantages, are accounted for as a deduction from equity and offset against the capital reserve. The costs are fully recognized as expenses in HGB-compliant financial statements.

Derivative financial instruments IAS 39

Derivative financial instruments (swap transactions) are recognized as assets or liabilities at their current market value on the balance-sheet cutoff date. Any changes in their current market value are recognized in equity capital without affecting the income statement or posted as income or expenses in the income statement. Pursuant to the principles of the German Commercial Code (HGB), derivative financial instruments must be posted at the lower of their acquisition costs or fair value on the cutoff date and written down over their maturity in accordance with the straight-line method. In accordance with the imparity principle applicable under HGB, pending losses from financial instruments must be recognized as provisions.

Investment properties IAS 40

In accordance with IAS 40, properties held as financial assets in the group of companies are stated at their fair value on the cutoff date. Any changes in their value are posted as income or expenses in the income statement. HGB-compliant annual financial statements recognize investment properties at acquisition or production costs less regular depreciation.

Consolidation group

The consolidated financial statements for the fiscal year ending December 31, 2004, include TAG and, as a general principle, all enterprises with business operations in which TAG is directly or indirectly entitled to exercise the majority of the respective company's voting rights.

The enterprises are included in the consolidated financial statements from the date on which the TAG Group obtains control. Subsidiaries without business operations or with low business volumes are, as a general principle, not included in the consolidated financial statements. Shareholdings in subsidiaries or associated companies held by the Group with the intent of resale or considered to be of subordinate significance from the Group's perspective are recognized as financial instruments within the meaning of IAS 39. Significant associated companies are recognized at equity.

The balance-sheet cutoff date of all companies included in the consolidated financial statements is December 31, 2004. The joint overview of the Group's shareholdings pursuant to Sections 285, No. 11 and Section 313(2), No. 1 through 4 HGB (German Commercial Code) has been submitted to the Commercial Register of the Munich Local Court.

At December 31, 2004, TAG directly or indirectly held 100.00 % of Tegernsee-Bahn Betriebsgesellschaft mbH, Tegernsee (TGB), 99.55 % of Feuerbachstr. 17/17 a AG & Co. KG, Leipzig, 98.00 % of Kraftverkehr Tegernsee Immobiliengesellschaft mbH (KVT), Tegernsee, 93.57 % of JUS Aktiengesellschaft für Grundbesitz, Berlin (JUS), 93.95 % of Wohnen im Loft JUS AG & CO. oHG, Leipzig, 87.92 % of Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg (Bau-Verein), 66.66 % (thereof only 49.49 % voting stock) of AGP AG Allgemeine Gewerbebau- und Projektentwicklungs Aktiengesellschaft, Tegernsee (AGP), and 49.00 % of REAL Immobilien GmbH, Leipzig (REAL).

Compared to the previous year, the consolidation group has partially changed owing to intra-group mergers. Effective January 1, 2004, Bau-Verein zu Hamburg Gesellschaft für Immobilien- und Projektentwicklung mbH was merged with URANIA Grundstücksgesellschaft mbH, G + R Altbau-Immobilien GmbH and G + R Altbausanierung Reinhardtstr. 15 GmbH were merged with Bau-Verein zu Hamburg Altbau-Immobilien GmbH, and Bau-Verein zu Hamburg WestHyp Immobilien GmbH was merged with Bau-Verein zu Hamburg Eigenheim-Immobilien GmbH.

Also effective January 1, 2004, the assets of Bau-Verein zu Hamburg Sandtorkai-Investitionsgesellschaft mbH & Co. KG were accrued to Bau-Verein zu Hamburg Eigenheim-Immobilien GmbH, and the assets of Grundstücksgesellschaft Boschstraße GbR were accrued to Bau-Verein zu Hamburg Gewerbeimmobiliengesellschaft mbH. In addition, Bau-Verein zu Hamburg Aktien-Gesellschaft took over the minority interests of 2 % held in URANIA Grundstücksgesellschaft mbH, and Bau-Verein zu Hamburg Gewerbeimmobiliengesellschaft mbH took over the minority interests of 5 % held in Grundstücksgesellschaft Boschstraße GbR.

However, the implications of these intragroup restructurings are of minor significance for the net assets, financial position, earnings situation of the Group, so that the presentation of adjusted prior-year comparative figures can be dispensed with.

Capital consolidation principles

Capital consolidation is performed through netting of the book values of the participations on the basis of the revalued prorata equity capital of the subsidiaries at the date of acquisition or first-time consolidation. The surpluses resulting from capital consolidation are capitalized as goodwill in accordance with IFRS 3.

Interests in joint ventures are included in the consolidated financial statements on a proportional basis in accordance with IAS 31. Assets and liabilities, and revenues and expenses of jointly controlled entities are recognized in the consolidated financial statements in accordance with the stake held in these companies. Proportionate capital consolidation and goodwill are treated in accordance with the procedures used for the inclusion of subsidiaries.

Enterprises over which the Group may exercise significant influence (associated companies) are accounted for on the basis of the equity method using the revaluation method (IAS 28). Existing goodwill is recognized under “participations in associated companies”.

Revenues, other operating income and expenses, receivables and liabilities or provisions between the individual consolidated enterprises are eliminated. Interim results from intragroup shipments and services not realized through sale to third parties are also eliminated.

Early adoption of revised or new IAS/IFRS

In fiscal 2004, IASB published revised standards (within the framework of what is generally referred to as ”Improvements Project“) as well as new IFRS. As a general principle, all new and revised standards will be applied by TAG from January 1, 2005.

Exceptions are IFRS 3, ”Business Combinations“, in conjunction with IAS 36, ”Impairment of Assets“, and IAS 38, ”Intangible Assets“, as well as IAS 27, ”Consolidated and Separate Financial Statements in accordance with IFRS“.

TAG chose to adopt the provisions of IFRS 3 early, effective January 1, 2004, because the prerequisites required in this context were fulfilled. IFRS 3 is a part of a fundamental change in accounting standards for first-time financial reporting of goodwill from acquisitions and the amortization of goodwill in subsequent years. IFRS 3 supersedes IAS 22 and also modifies the IAS 36 and IAS 38 accounting standards.

IFRS 3 adopts what is known as ”impairment-only approach“ and stipulates that goodwill valuation in subsequently years must, as a general principle, be based on acquisition costs less any corrections required on account of non-scheduled impairments. IFRS 3 no longer permits regular amortization of acquired goodwill, but instead requires annual impairment testing pursuant to IAS 36.

TAG expects the future cessation of regular goodwill amortization to have a favorable effect on the Group‘s earnings from operating activities (EBIT), provided that no non-scheduled impairment of goodwill becomes necessary. On the other hand, application of IFRS 3 might result in more pronounced annual fluctuations in the Group‘s EBIT due to non-scheduled goodwill impairments, which might have a material impact on its earnings situation.

In accordance with the revised IAS 27 regulations, interests held by other shareholders (minority interests) are no longer reported as a separate balance sheet item between shareholders‘ equity and liabilities in the financial statements for the year ending December 31, 2004, but within shareholders‘ equity under a separate item.

Accounting and valuation methods

a. Properties held as financial investments (investment properties)

Pursuant to IAS 40, properties held as financial investments must initially be recognized at acquisition or production costs at the time of their addition to the portfolio. In subsequent periods, all properties classified as financial investments must be posted at fair value, with annual changes being reflected in the income statement as operating income or expenses. Investment properties are properties held over a long-term horizon to earn rentals or achieve capital appreciation. Under IAS 40, properties recognized at fair value are no longer subject to regular depreciation. The fair values of the properties for the respective period under review were calculated by independent, externally recognized property appraisers, using the gross rental method or discounted cash flow method.

b. Tangible assets

Fixed tangible assets are stated at acquisition and production costs less regular depreciation and impairment losses, if applicable. Under tangible assets, properties used for administrative purposes are depreciated over a useful life of 50 years and technical plant and equipment and operating and office equipment are depreciated over a useful life of 3 to 20 years. Properties created or developed for future use as financial investments are initially recognized as tangible assets and subsequently assigned to investment properties after their completion.

c. Intangible assets

Intangible assets are stated at acquisition costs less regular straight-line amortization and impairment losses, if applicable. Amortization using the straight-line method is carried out over a useful life of 3 to 5 years.

d. Goodwill

As described above, goodwill resulting from capital consolidations has no longer been regularly amortized since January 1, 2004, but is tested annually for potential impairment in accordance with the new regulations of IFRS 3 in conjunction with IAS 36 und IAS 38.

e. Financial assets

Participations in associated companies are carried at acquisition costs in accordance with IAS 28; other financial assets are recognized at the lower of acquisition costs or fair value in accordance with IAS 39. For associated companies, the book value of the shares held is increased or reduced in subsequent periods in accordance with the share in the respective associated company's current income. Existing goodwill resulting from capital consolidation is recognized under "shares in associated companies".

f. Land available for sale and other inventories

In accordance with IAS 2, inventories are stated at the lower of acquisition and production costs or estimated net selling price unless the requirements of long-term construction contracts pursuant to IAS 11 are fulfilled.

The prerequisites for accounting pursuant to IAS 11, "Construction Contracts", are the existence of a contract for customer-specific construction of individual assets or asset groups and the possibility of reliably calculating the costs incurred for the separate contract up until the respective balance-sheet cut-off date and any future services and income. The individual dwelling units sold or contractually scheduled for modernization after sale are defined as individual construction contracts. The contractual proceeds correspond to the purchase price of the respective dwelling unit, which must be recorded by a notary public.

If these prerequisites are fulfilled, proceeds and costs associated with the individual construction contracts are stated as revenues and expenses in accordance with the state of completion recorded at the balance-sheet cutoff date (percentage-of-completion method, or PoC method). Expected losses resulting from construction contracts are immediately recognized as expenses.

Contract costs include direct costs incurred, such as direct labor and direct material, as well as costs incurred for rework and warranties. In addition, the indirect costs of the contract must also be taken into account. They include, for instance, borrowing costs as defined by IAS 23.

g. Receivables and other assets

Receivables and other assets are stated at their nominal value or acquisition costs less reasonable value adjustments. Non-interest-bearing receivables and receivables bearing interest below market rates with a maturity of more than one year have been discounted.

h. Cash and cash equivalents

Current credit balances and cash at hand are recognized at their respective nominal amounts.

i. Deferred taxes

Pursuant to IAS 12, deferred taxes are accrued for temporary differences between IFRS and tax balance sheet valuations of the consolidated companies.

Deferred tax assets and liabilities are accrued in the amount of anticipated future tax burdens or tax relief in subsequent fiscal years on the basis of the tax regulations valid on the balance-sheet cutoff date.

j. Pension provisions

Pension provisions were calculated using the projected-unit-credit method. This accrued benefit present value method pursuant to IAS 19 takes account of the pensions and the vested pension rights accrued at the balance-sheet cutoff date as well as increases in salaries and pensions expected in the future.

k. Other long-term liabilities and provisions

Other long-term liabilities and provisions take account of all risks and contingent liabilities discernible at the balance sheet date. They are stated at their probable repayment amount.

l. Other liabilities

Other liabilities are, as a general principle, stated at their repayment amount. Any differences between the paid-out amount and the repayment amount (premium, discount) are recognized in the income statement or amortized over the remaining maturity of the liability.

m. Expenses and income

Expenses and income for the fiscal year under review are recognized irrespective of whether they are cash-relevant or not. Proceeds from sale or lease are realized when the obligation or service owed has been fulfilled or provided, risk has passed and a reliable estimate of the amount of the expected counter-performance is possible, unless the prerequisites of partial profit realization pursuant to IAS 11 are fulfilled.

n. Borrowing costs

Borrowing costs directly allocable to the acquisition, construction or production of an asset have been capitalized as acquisition or production costs pursuant to IAS 23. Capitalization of expenses ends when the asset is completed for its intended use or sale. For properties acquired for the purpose of development, but held without commencement of associated development or project management activities being scheduled for the foreseeable future, borrowing costs incurred during this period may not be capitalized.

Notes to the balance sheet

1. Properties held as financial investments (investment properties)

On account of a change in utilization, various properties were transferred from inventories to properties held as financial investments by means of reclassifications. These properties were recognized at their fair value upon change in utilization.

In fiscal 2004, fair values posted were adjusted for depreciation of € 114,000 and appreciation of € 7,682,000. Changes in fair values thus enhanced earnings by a net amount of € 7,568,000.

The table below shows the development of the property portfolio since January 1, 2003:

Investment properties	€ 000s
At 01/01/2003	82,024
Additions 2003	1,361
Reclassifications 2003	2,441
Fair value changes at 12/31/2003	114
At 12/31/2003	85,940
Additions 2004	6,397
Reclassifications 2004	12,724
Fair value changes at 12/31/2004	7,568
At 12/31/2004	**112,629**

In the year under review, € 93,032,000 (previous year: € 60,220,000) of the properties held as financial investments were secured by real-property liens. Significant contractual obligations to produce or develop the properties or carry out maintenance work did not exist at December 31, 2004.

A negative pledge clause issued to secure a loan prevented the sale of two properties in Tegernsee Valley until January 2005. This negative pledge clause was returned in January 2005, before a negative please for all properties in Tegernsee Valley was submitted to a bank in March 2005, which, however, will also be returned in April 2005 after repayment of the loan.

The income statement contains the following significant amounts for investment properties:

Investment properties	2004 € 000s	2003 € 000s
Rental income from investment properties	**8,223**	8,064
Operating expenses (maintenance expenses, building management, etc.) for rented-out properties	**3,826**	3,614

2. Tangible assets

Tangible assets are recognized at acquisition or production costs less regular, useful-life-oriented depreciation. Apart from direct costs, production costs also include reasonable shares of allocable indirect overheads. In addition, sales tax incurred within the context of the acquisition or production of the tangible fixed assets is taken into account in acquisition or production costs to the extent to which it could not be deducted as input tax. Regular depreciation was based on the straight-line method, with the following estimated useful lives being used in the TAG Group:

Estimated useful life	Years
Buildings	50
Technical plant and equipment, operating and office equipment	3 to 20

If signs of impairment are discernible and the recoverable amount (the higher of the net selling price or the value in use of the asset) is below the carrying amount, a non-scheduled impairment loss corresponding to the differential to this lower value must be recognized with respect to the fixed tangible asset pursuant to IAS 36. If the reason for the impairment loss ceases to apply, the impairment loss is reversed, but only to a level not exceeding the carrying amount of the asset. No impairment losses had to be recognized in the fiscal year under review and the previous year.

Tangible assets	Properties with residential buildings	Properties with commercial buildings	Undeveloped land and buildings on third-party properties	Machinery	Operating and office equipment	Total
Acquisition and production costs	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s
At 01/01/2003	1,171	2,949	205	2,762	2,960	10,047
Additions 2003	0	2,256	0	17	189	2,462
Withdrawals 2003	0	0	0	0	(138)	(138)
Reclassifications	(1,171)	0	0	0	0	(1,171)
At 12/31/2003	0	5,205	205	2,779	3,011	11,200
Additions 2004	0	0	0	8	181	189
Withdrawals 2004	0	(8)	(124)	0	(721)	(853)
Reclassifications	0	(2,256)	0	0	0	(2,256)
At 12/31/2004	**0**	**2,941**	**81**	**2,787**	**2,471**	**8,280**

Tangible assets	Properties with residential buildings	Properties with commercial buildings	Undeveloped land and buildings on third-party properties	Machinery	Operating and office equipment	Total
Depreciation	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s
At 01/01/2003	72	846	20	676	1,746	3,360
Additions 2003	0	114	20	132	361	627
Withdrawals 2003	0	0	0	(63)	(109)	(172)
Reclassifications	(72)	0	0	0	0	(72)
At 12/31/2003	0	960	40	745	1,998	3,743
Additions 2004	0	73	21	123	300	517
Withdrawals 2004	0	(355)	0	0	(720)	(1,075)
Reclassifications	0	0	0	0	0	0
At 12/31/2004	**0**	**678**	**61**	**868**	**1,578**	**3,185**
Book value at 12/31/2004	0	2,263	20	1,919	894	5,095
Book value at 12/31/2003	0	4,245	165	2,034	1,013	7,457

The properties with commercial buildings are fully secured with real-property liens.

In the year under review, no interest on externally borrowed capital was capitalized for unfinished properties with commercial buildings (previous year: € 134,000).

3. Intangible assets

Intangible assets acquired for a consideration are stated at acquisition costs. Internally produced intangible assets do not exist in the Group. Sales tax incurred within the context of the acquisition or production of intangible assets is taken into account in acquisition costs to the extent to which it could not be deducted as input tax.

Intangible assets are amortized using the straight-line method in accordance with their estimated useful life over a period of 3 to 5 years. If signs of impairment are discernible and the recoverable amount is below the carrying amount, a non-scheduled impairment loss corresponding to the differential to this lower value must be recognized with respect to the intangible asset pursuant to IAS 36. If the reason for the impairment loss ceases to apply, the impairment loss is reversed, but only to a level not exceeding the carrying amount of the asset.

No impairment losses had to be recognized in the fiscal year under review and the previous year. In addition, intangible assets were not subject to any significant ownership or disposal restrictions neither in the year under review nor in the previous fiscal year.

Intangible assets	Concessions and similar rights and assets	Downpayments made on intangible assets	Total
Acquisition and production costs	€ 000s	€ 000s	€ 000s
At 01/01/2003	209	70	279
Additions 2003	38	0	38
Withdrawals 2003	(65)	0	(65)
At 12/31/2003	182	70	252
Additions 2004	21	0	21
Withdrawals 2004	0	0	0
At 12/31/2004	**203**	**70**	**273**

Intangible assets	Concessions and similar rights and assets	Downpayments made on intangible assets	Total
Amortization	€ 000s	€ 000s	€ 000s
At 01/01/2003	161	0	161
Additions 2003	31	0	31
Withdrawals 2003	(53)	0	53
At 12/31/2003	139	0	139
Additions 2004	24	0	24
Withdrawals 2004	0	0	0
At 12/31/2004	**163**	**0**	**163**
Book value at 12/31/2004	40	70	110
Book value at 12/31/2003	43	70	113

4. Goodwill

In fiscal 2001, TAG acquired 75 % of the shares of JUS AG through issue of 500,000 individual share certificates from a non-cash capital increase. The value of the shares issued amounted to € 27,500,000. Consolidation postings led to a revaluation of the identifiable assets and liabilities of JUS. The resulting difference between the acquisition costs and the pro-rata revalued assets and liabilities was posted as goodwill.

At the time of acquisition and in follow-up agreements, Mr. Michael Haupt committed himself to a profit guarantee with respect to future annual results of the acquired companies. Since this profit guarantee cannot be satisfied and it is foreseeable that the guaranteed earnings level will not be realized within the agreed period, Mr. Haupt will transfer 200,000 TAG shares from the original acquisition transaction back to TAG. With this retransfer, the profit guarantee will be deemed satisfied.

The retransfer is a subsequent purchase price reduction pursuant to IFRS 3.33. The acquisition costs of the business combination are adjusted on the basis of the issue price valid at the time. The capital reserve is reduced by an amount corresponding to this adjustment of the purchase price. The income statement is not affected.

Goodwill

Acquisition costs	€ 000s
At 01/01/2003	41,152
Additions 2003	0
At 12/31/2003	41,152
Additions 2004	18
Withdrawals 2004 (purchase price adjustment)	(7,332)
At 12/31/2004	**33,838**

Goodwill

Amortization	€ 000s
At 01/01/2003	3,105
Additions 2003	10,994
At 12/31/2003	14,099
Additions 2004	0
At 12/31/2004	**14,099**
Book value at 12/31/2004	19,739
Book value at 12/31/2003	27,053

5. Financial assets

Participations in associated companies are stated at equity in accordance with IAS 28. Based on acquisition costs, the respective participation book value is increased or reduced by the change in shareholders' equity of the associated companies to the extent to which these shares are held by TAG. Regular goodwill impairment testing is performed in line with the approach used for the goodwill of subsidiaries.

Other financial assets above all include shares in unconsolidated affiliated companies, securities and other participations. Pursuant to IAS 39, they are assigned to the "available-for-sale" category. Since the fair values of these enterprises cannot be determined reliably, they are stated at their carrying amount.

In accordance with IAS 39, loans granted to affiliated companies are assigned to the category "loans and receivables originated by the enterprise" and continue to be stated at their carrying amount.

The table below shows the development of financial assets in fiscal 2004, using opening balances in fiscal 2003 as a starting point:

Financial assets	Shares in affiliated companies	Loans to affiliated companies	Participations and cooperative shares	Loan to associated companies	Shares in associated companies	Total
Acquisition and production costs	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s
At 01/01/2003	3,415	357	1,754	896	1,377	7,799
Additions 2003	0	47	14	0	162	223
Withdrawals 2003	0	(13)	(36)	(856)	0	(905)
Reclassifications	0	0	(980)	0	980	0
At 12/31/2003	3,415	391	752	40	2,519	7,117
Additions 2004	0	12	0	0	0	12
Withdrawals 2004	(254)	(403)	(2)	(40)	0	(699)
Reclassifications	0	0	0	0	0	0
At 12/31/2004	**3,161**	**0**	**750**	**0**	**2,519**	**6,430**

Financial assets	Shares in affiliated companies	Loans to affiliated companies	Participations and cooperative shares	Loan to associated companies	Shares in associated companies	Total
Amortization	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s
At 01/01/2003	55	0	628	0	145	828
Additions 2003	334	0	0	0	1,029	1,363
At 12/31/2003	389	0	628	0	1,174	2,191
Additions 2004	2	0	0	0	365	367
Withdrawals 2004	0	0	0	0	0	0
At 12/31/2004	**391**	**0**	**628**	**0**	**1,539**	**2,558**
Book value at 12/31/2004	2,770	0	122	0	980	3,872
Book value at 12/31/2003	3,026	391	124	40	1,345	4,926

Additions under amortization of shares in associated companies refer to the non-scheduled impairment of the shares in AGP.

6. Deferred tax assets

Pursuant to IAS 12, deferred tax assets must be accrued when asset items are stated at a lower level or liability items are stated at a higher level in the consolidated balance sheet than in the tax balance sheet of the respective affiliated company, provided that these differences are temporary. As far as the individual tax implications and the composition of this item are concerned, we refer to our explanations on income taxes in the Notes to the income statement.

7. Land available for sale and other inventories

In accordance with IAS 2, land available for sale is posted at the lower of acquisition and production costs or estimated net selling price unless the requirements of long-term construction contracts pursuant to IAS 11 are fulfilled. Pursuant to IAS 24, acquisition and production costs also include the borrowing costs incurred until the completion of the asset in question.

8. Properties with unfinished and finished buildings

The table below shows the change in properties with unfinished and finished buildings in the fiscal year under review:

Properties with unfinished and finished buildings	2004 € 000s	2003 € 000s
At 01/01/	**390,596**	372,258
Additions	**50,551**	97,918
Withdrawals	**(92,610)**	(83,112)
Appreciation (previous year: impairment)	**539**	(339)
At 12/31/	**349,076**	**386,725**
thereof secured with real-property liens	**326,461**	373,188

Expenses of € 76,517,000 (previous year: € 71,097,000) incurred within the context of land sales were posted in the income statement. Properties with a book value of € 1,719,000 (previous year: € 1,180,000) were written up in the income statement due to appreciation. In the year under review, borrowing costs of € 1,711,000 (previous year: € 3,350,000) were capitalized for properties in accordance with IAS 23.

For construction projects based on long-term construction contracts and fulfilling the necessary prerequisites in this respect, the percentage of completion (PoC) method pursuant to IAS 11 was applied. The table below shows the significant factors affecting the financial position, net assets and earnings situation of the company and resulting from long-term construction contracts:

Percentage of Completion (PoC)	2004 € 000s	2003 € 000s
Contract revenues	**11,292**	8,246
Contract expenses	**(10,261)**	(6,534)
Deferred taxes	**(412)**	(593)
Profits realized from PoC	**619**	1,119
Downpayments received for PoC properties	**4,142**	6,923

9. Other inventories

This item can be broken down as follows:

Other inventories	12/31/2004 € 000s	12/31/2003 € 000s
Uninvoiced heating and operating costs	**5,408**	7,498
Downpayments made on sales commissions	**1,343**	3,871
Heating oil inventories	**94**	47
Total	**6,845**	**11,416**

10. Receivables and other assets

Receivables and other assets are stated at nominal value less reasonable individual or flatrate value adjustments. In the year under review, value adjustments amounted to € 418,000 (previous year: € 704,000). The table below shows a breakdown of receivables and other assets:

Receivables and other assets	12/31/2004 € 000s	12/31/2003 € 000s
Trade receivables	**37,687**	28,632
Receivables from affiliated companies	**2,960**	2,088
Future receivables from construction contracts	**536**	15,524
Receivables from associated companies	**266**	698
Other assets	**4,183**	7,343
Total	**45,632**	**54,285**

Receivables and other assets have remaining maturities of up to one year.

11. Cash and cash equivalents

The item "cash and cash equivalents", which came to € 4,795,000 (previous year: € 17,460,000), includes checks, cash on hand, credit balances with banks, and short-term securities. Of this amount, a total of € 3,469,000 (previous year: € 16,457,000) serves the pur-pose of securing liabilities due to banks and is not freely available in the short term. This amount refers to purchase prices received and assigned to banks. It offsets the interest of the liabilities in the loan accounts. All other cash and cash equivalents have maturities of less than one year.

Changes in the financial position of the TAG Group can be seen from the statement of cash flows. Further payment flows included in the statement of cash flows are comprised of the following components:

Payment flows	2004 € 000s	2003 € 000s
Interest paid/received (balance)	**(19,535)**	(20,130)
Taxes paid/tax refunds (balance)	**1,346**	(1,083)
Dividends received	**0**	72

12. Prepaid expenses

Prepaid expenses of € 105,000 (previous year: € 220,000) mainly refer to prepaid insurance premiums.

13. Subscribed capital

The share capital of the TAG Group at December 31, 2004, amounted to € 6,229,000 (previous year: € 5,663,000) and is subdivided into 6,228,926 (previous year: 5,662,661) non-par shares with equal voting rights.

In accordance with the resolution passed by the Annual General Meeting on July 8, 2003, the share capital was increased by € 566,000, from € 5,663,000 to € 6,229,000, by means of a capital increase (from authorized capital) through issue of 566,265 non-par shares against cash contribution. Entry in the Commercial Register was effected on January 23, 2004.

The Management Board has been authorized to increase the share capital subject to the Supervisory Board's approval in one or several tranches in the period until July 30, 2009 by a maximum amount of € 3,114,000 through issue of up to 3,114,463 new common shares against cash and/or non-cash contribution. The Management Board has been authorized to exclude shareholders' statutory subscription rights subject to the Supervisory Board's approval,

a. to the extent to which this is necessary to offset peak amounts;

b. to acquire enterprises, parts of enterprises or participations in enterprises through transfer of shares in suitable individual cases;

c. 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, even 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 Section 203(1) and (2), Section 186(3)(4) AktG (German Stock Corporation 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.

14. Capital reserve

The reserves comply with the regulations of the German Stock Corporation Act (AktG) and the resolutions of the last few Annual General Meetings. The statutory revenue reserves and the capital reserve pursuant to Section 272(2) No.1 HGB (German Commercial Code) exceed one tenth of the share capital.

The capital reserve of € 83,180,000 (previous year: € 86,744,000) was increased by € 3,830,000 on account of the cash capital increase. At the same time, the capital reserve was reduced by the purchase price reduction for the JUS acquisition of € 7,332,000 within the framework of Mr. Haupt's retransfer of shares and by the tax-adjusted recognition of costs of € 62,000 incurred within the context of the cash capital increase.

15. Revenue reserves

Revenue reserves of € 6,689,000 are unchanged compared to the previous year.

16. Minority interests

Minority interests include adjustment items for minority shareholdings in consolidated capital resulting from the capital consolidation as well as the profit and loss shares attributable to them.

Minority interests are mainly accounted for by the following companies from the TAG Group:

Minority interests	12/31/2004 € 000s	12/31/2003 € 000s
Bau-Verein AG	**9,700**	9,558
JUS AG	**(118)**	(114)
Other	**6**	6
Total	**9,588**	**9,450**

Information on the profit or loss shares attributable to the individual minority shareholders is provided in the Notes to the income statement.

17. Liabilities due to banks

The table below shows the breakdown of the maturities of long-term liabilities due to banks:

Maturity of long-term liabilities due to banks	12/31/2004 € 000s	12/31/2003 € 000s
One to five years	**51,388**	54,271
More than five years	**37,319**	45,064
Total	**88,707**	**99,335**

In addition, short-term liabilities also include liabilities due to banks of € 271,179,000 (previous year: € 303,354,000).

Of these total liabilities due to banks (long-term and short term: € 359,886,000; previous year: € 402,689,000), an amount of € 372,386,000 (previous year: € 372,354,000) have been secured by real-property liens and € 31,605,000 (previous year: € 32,625,000) by the pledging of 6.4 million Bau-Verein shares.

18. Pension provision

The table below shows the development of pension provisions in fiscal 2004, using opening balances in fiscal 2003 as a starting point:

Pension provisions	€ 000s
Opening balance at 01/01/2003	2,413
Withdrawals	(231)
Additions	271
At 12/31/2003	2,453
Withdrawals	(233)
Additions	247
At 12/31/2004	**2,467**

The company has adopted benefit-oriented corporate pension schemes. It has the obligation to fulfill benefit commitments to current and former employees. Employer's pension com-mit-ments were last made in 1995 (exclusively direct commit-ments). The projected-unit-credit method in accordance with IAS 19 has been applied for provision valuation.

Pension provisions were calculated using actuarial methods; employees' life expectancy calculations are based on the mor-tality tables compiled by Dr. Klaus Heubeck. The table below shows the parameters used as a basis for these calculations:

	12/31/2004	12/31/2003
Imputed interest rate	**4.75 %**	5.25 %
Projected salary increases of currently working employees with vested pension rights	**2.00 – 3.00 %**	2.00 – 3.00 %
Pension age	**pursuant to Social Security Code VI**	

The maturity structure of pension obligations is as follows:

Maturity of pension provisions	12/31/2004 € 000s	12/31/2003 € 000s
Up to one year	**292**	278
One to five years	**1,172**	1,113
More than five years	**1,003**	1,062

In the year under review, the following pension expenses were incurred compared to the previous year:

	2004 € 000s	2003 € 000s
Expenses for accrued pension claims	**3**	2
Interest costs	**244**	269
Pension expenses in the period under review	**247**	271

Expenses resulting from interest accumulation for vested pension rights accrued in previous years are recognized in the income statement under "personnel expenses" together with the other expenses resulting from pension obligations.

The table below shows the development of the net obligation shown in the balance sheet for the fiscal year under review compared to the previous year:

	12/31/2004 € 000s	12/31/2003 € 000s
Opening balance at January 1	**2,453**	2,413
Pension expenses	**247**	271
Pension payments	**(233)**	(231)
Closing balance at December 31	**2,467**	**2,453**

19. Other long-term obligations – other provisions

Other long-term obligations reported in the balance sheet also include other long-term provisions. Pursuant to the regulations of IAS 37, they must include uncertain legal or de facto obligations vis-à-vis third parties outside the Group fulfilling the following criteria: they are the result of past events; it is probable that an outflow of resources will be required; a reliable estimate can be made of the amount of the obligation. These provisions must be differentiated from so-called “accruals” and “contingent liabilities”.

Compared to provisions, accruals are characterized by a considerably higher degree of certainty with respect to the amount and timing required for fulfillment of the obligation and are based on already completed delivery or service relationships of the past. Contingent liabilities are defined as potential obligations whose actual existence is still subject to confirmation by the occurrence of one or several uncertain future events that cannot be fully controlled. Obligations for which the probability of an outflow of resources is remote or for which the outflow of resources cannot be reliably quantified are subsumed under this item. Pursuant to IAS 37, contingent liabilities should not be recognized in the balance sheet.

The table below shows the development of other provisions and other long-term liabilities in the TAG Group in fiscal 2004, using opening balances of the previous year as a starting point. Computations are based on best-estimate amounts:

Development of other long-term liabilities – other provisions	€ 000s
At 01/01/2003	1,391
Withdrawals	(433)
Additions	140
At 12/31/2003	1,098
Withdrawals	(4)
Retransfers	(172)
Addition	204
Reclassification	(282)
At 12/31/2004	**844**

The maturity structure of this item is as follows:

Maturities of other provisions	12/31/2004 € 000s	12/31/2003 € 000s
One to five years	781	1,032
More than five years	63	66
Total	**844**	**1,098**

20. Short-term liabilities

The table below shows a break-down of short-term liabilities with a remaining maturity of less than one year:

Short-term liabilities	12/31/2004 € 000s	12/31/2003 € 000s
Liabilities due to banks	271,179	303,354
Trade accounts payable	33,905	40,337
Liabilities due to affiliated companies	5,160	6,358
Downpayments received for orders	4,462	6,761
Liabilities due to associated companies	1,533	1,484
Tax provisions	1,042	1,593
Other	33,867	31,066
Total	**351,148**	**390,953**

21. Tax provisions

Tax provisions include provisions for current income tax liabilities and other taxes. The table below shows the development of tax provisions in the year under review, using the changes in fiscal 2003 as a starting point:

Tax provisions	€ 000s
Opening balance at 01/01/2003	2,117
Withdrawals	(810)
Retransfers	(76)
Additions	362
At 12/31/2003	1,593
Withdrawals	(1,070)
Retransfers	(21)
Additions	540
At 12/31/2004	**1,042**

Tax provisions are mainly accounted for by the following companies:

	12/31/2004 € 000s	12/31/2003 € 000s
Bau-Verein	**1,037**	1,474
JUS	**3**	64
Other group companies	**2**	55
Total	**1,042**	1,593

22. Other short-term liabilities

The table below shows the most important items included in "other short-term liabilities":

Other short-term liabilities	12/31/2004 € 000s	12/31/2003 € 000s
Loans within the context of the private equity program	**18,813**	8,426
Outstanding costs of properties sold	**4,904**	9,340
Short-term purchase price installment for the acquisition of shares in Bau-Verein AG	**3,394**	0
Rent guarantees	**2,283**	3,086
Tax liabilities	**1,873**	2,232
Repair of defects	**697**	736
Other	**13,058**	21,849
Total	**45,022**	**45,669**

At December 31, 2003, the short-term portion of the residual purchase price obligation for Bau-Verein shares already acquired in previous years in the amount of € 3,394,000 (total obligation: € 6,788,000) was still recognized with an amount of € 15,175,000 in the "trade accounts payable" item. In this context, reference is made to the explanations concerning other operating income.

23. Deferred tax liabilities

Pursuant to IAS 12, deferred tax liabilities must be accrued when asset items are stated at a higher level or liability items are stated at a lower level in the consolidated balance sheet than in the tax balance sheet of the respective affiliated company, provided that these differences are temporary. As far as the individual tax implications and the composition of this item are concerned, we refer to our explanations on income taxes in the Notes to the income statement.

24. Contingent liabilities and financial obligations

Contingent liabilities in the TAG Group are comprised of warranty obligations of € 17,747,000 (previous year: € 10,509,000) vis-à-vis companies not included in the consolidation group.

In addition, other financial obligations with a remaining maturity of up to one year consist of the following items:

Other financial obligations	12/31/2004 € 000s	12/31/2003 € 000s
Rent guarantees	**5,958**	2,734
Rents for business premises	**970**	502
Leasing	**761**	112
Total	**7,689**	**3,348**

Within the context of their business activities, a number of companies in the TAG Group are involved in court litigations, which, however, are not expected to have any significant negative impact on the net assets, financial position and results from operations presented in the consolidated financial statements.

25. Reporting on financial instruments

Financial instruments include financial assets and liabilities and contractual claims and obligations referring to the exchange or transfer of financial assets. In this context, financial instruments are subdivided into derivative and primary positions.

Significant derivative financial instruments were used by one company in the TAG Group in the year under review, as had already been the case in the previous year. In this context, a cross-currency-interest-rate swap with a maturity of 5 years was concluded with a bank in 2000, in which the group company committed itself to paying a pre-defined interest rate on an amount in foreign currency (CHF 15,833,000). At the same time, interest is credited to the company on an amount of € 10,226,000 depending on a variable basis of calculation. Interest statements are prepared at regular intervals, and at the end of the maturity period, the swapped capital amounts are netted against each other and the difference is credited or debited to the affiliated company. The following amounts are recognized in the consolidated income statement.

Income statement items	2004 € 000s	2003 € 000s
Other operating income	**0**	659
Other operating expenses	**(19)**	0
Interest income	**211**	246
Interest expenses	**(424)**	(443)
Total	**(232)**	**462**

Primary financial instruments on the asset side of the balance sheet essentially comprise cash and cash equivalents, receivables and financial assets. Risk provisions have been created to take account of any default risks to which financial assets are likely to be subject. On the liabilities side, financial instruments are represented by liabilities.

Notes to the income statement

26. Revenues

Revenues from the sale of properties are recognized when the risk has passed to the customer and the amount of the expected counter-performance can be reliably estimated. Rental income from properties is realized upon payment of the amount owed.

In addition, long-term construction contracts are recognized in the balance sheet in accordance with IAS 11. If the necessary prerequisites are fulfilled, proceeds and costs recorded in the respective period under review are already stated on a pro-rata basis as revenues and expenses in accordance with the state of completion recorded. Expected losses resulting from construction contracts in the period under review are immediately recognized.

Revenues can be broken down as follows:

Revenues	2004 € 000s	2003 € 000s
Revenues from sale of properties	**91,621**	88,715
Rental income	**29,474**	31,505
Other	**156**	1,944
Total	**121,251**	**122,164**

Rental income can be subdivided into income from properties held as investment properties pursuant to IAS 40 and other rented-out properties held as current assets.

Rental income	2004 € 000s	2003 € 000s
Rental income from investment properties	**8,223**	8,064
Rental income from current-asset properties	**21,251**	23,441
Total	**29,474**	**31,505**

A more detailed breakdown of revenues by business segment is presented in the enclosed segment reporting prepared in accordance with IAS 14.

27. Other operating income

The table below shows a breakdown of other operating income:

Other operating income	2004 € 000s	2003 € 000s
Purchase price reduction for the acquisition of shares of Bau-Verein AG	**5,091**	0
Appreciation of land available for sale	**914**	0
Income from the retransfer of provisions	**740**	1,234
Cost reimbursements	**377**	146
Income from previous years	**558**	873
Pension fund	**188**	147
Investment subsidies	**17**	78
Income from foreign currency sales	**0**	2,353
Apportionment credit from joint venture	**0**	500
Other	**1,407**	1,183
Total	**9,292**	**6,514**

The obligations resulting from the residual purchase price of the share held in Bau-Verein AG amounted to € 15,175,000 at December 31, 2003. In a contractual agreement, the sellers of the shares waived their right to payment of about one third of their residual claim in the year under review. This resulted in income of € 5,091,000

28. Change in work-in-progress inventories

In the consolidated financial statements for the previous fiscal year, this item referred to changes in capitalized production costs for unfinished construction projects. Taking account of commercial considerations, the change in inventories at December 31, 2004, is now recognized in the ”cost of materials“ item. The prior-year figures have been adjusted accordingly.

29. Other internally produced and capitalized assets

Other internally produced and capitalized assets of € 844,000 (previous year: € 918,000) are mainly directly allocable construction support costs incurred for new construction projects.

30. Cost of materials

The ”cost of materials“ item mainly refers to the portfolio input and the portfolio change of properties sold or recognized pursuant to IAS 11 in the fiscal year under review.

31. Personnel expenses

The following table shows a breakdown of the personnel expenses incurred in the TAG Group:

Personnel expenses	2004 € 000s	2003 € 000s
Wages, salaries and other remuneration	**7,165**	7,040
Social security contributions	**1,153**	1,297
Pension expenses	**458**	280
Total	**8,776**	**8,617**

The lion‘s share of personnel expenses is accounted for by wages, salaries and other remuneration and all other payments for work performed by employees in the group companies during the fiscal year under review.

The “social security contributions” item shows the mandatory statutory contributions borne by the company, in particular contributions to statutory social insurance schemes.

Pension expenses refer to current and former employees or their surviving dependents of the Bau-Verein subgroup and of TAG. These expenses include the additions to pension provisions, the employer’s shares in corporate supplementary benefits and retirement-provision commitments assumed by the company.

At December 31, 2004, the number of employees in the TAG Group stood at 150 (previous year: 150). The average number of employees during fiscal 2003 was 147 (previous year: 151).

32. Other operating expenses

The table below shows a breakdown of other operating expenses

Other operating expenses	2004 € 000s	2003 € 000s
Sales cost	**6,333**	5,358
Rental and property maintenance expenses for boarding houses	**2,561**	2,350
Legal, consulting and auditing fees	**1,862**	2,934
Credit procurement fees	**404**	353
Project costs	**338**	480
Investor relations	**320**	287
Vehicle expenses	**313**	296
Write-downs on receivables	**243**	704
Cost allocation	**211**	366
Other employee-related costs	**180**	357
Other	**3,194**	2,661
Total	**15,959**	**16,146**

33. Depreciation and amortization – excluding goodwill amortization

Regular depreciation and amortization is based on the Group's useful lives as listed above. Depreciation and amortization can be broken down as follows:

Depreciation and amortization – excluding goodwill amortization	2004 € 000s	2003 € 000s
Amortization on intangible assets	**24**	31
Depreciation on tangible assets		
buildings	**95**	135
technical equipment and machinery	**114**	131
other plants, operating and office equipment	**309**	361
Total	**542**	**658**

34. Revaluation of investment properties

Pursuant to IAS 40, properties held over a long-term horizon for the purpose of earning rentals or achieving capital appreciation are classified as financial investments (investment properties). All of these properties must be stated at fair value in the balance sheet, with annual changes in value being recognized in the income statement under operating income or expenses.

The major changes in fair value in the fiscal year under review and the previous year were accounted for by the following group companies:

Revaluation of investment properties	2004 € 000s	2003 € 000s
Bau-Verein AG	**3,602**	501
JUS AG	**3,031**	330
TBG	**811**	(196)
TAG	**124**	(253)
KVT	**0**	(268)
Total	**7,568**	**114**

35. Goodwill amortization

Goodwill must be regularly reviewed for impairment (impairment testing). If signs of a decline in value emerge, non-scheduled impairment losses must be recognized. As described above, regular amortization of goodwill was discontinued effective January 1, 2004.

The prior-year reporting included regular amortization (€ 1,934,000) and non-scheduled impairments (€ 9,060,000).

36. Income from investments

Income from investments in the year under review and the previous year can be broken down as follows:

Income from investments	2004 € 000s	2003 € 000s
Income from participations	**45**	302
Income/expenses from earnings transfer agreements	**13**	(101)
Write-downs on financial assets	**(189)**	(335)
Total	**(131)**	**(134)**

37. Income from associated companies

Participations in enterprises over which the Group has significant influence and which must therefore be consolidated at equity resulted in a loss of € 365,000 (previous year: € 1,029,000) due to the write-down of the participation in AGP to € 1.00.

38. Income from financial assets

Other income from financial assets consists of the following items:

Income from financial assets	2004 € 000s	2003 € 000s
Interest and similar expenses	**(19,535)**	(21,166)
Interest and similar income	**1,346**	1,036
Total	**(18,189)**	**(20,130)**

39. Income taxes

Income taxes can be broken down as follows:

Income taxes	2004 € 000s	2003 € 000s
Actual taxes	**(529)**	(340)
Deferred taxes	**(456)**	1,210
Total	**(985)**	**870**

In this context, expenses for (previous year: income from) other deferred taxes consist of the following items:

Other deferred taxes	2004 € 000s	2003 € 000s
Revaluation of investment properties	**(4,085)**	(401)
Recognition und valuation of provisions	**(401)**	(80)
Valuation of land available for sale	**985**	(1,363)
Capitalization of tax-loss carryforwards	**2,242**	3,144
Other	**803**	(90)
Total	**(456)**	**1,210**

Pursuant to IAS 12, deferred taxes must be calculated using the statutory tax rates applicable at the time when temporary differences are likely to be equalized. The implications of changes in tax legislation on both deferred tax assets and deferred tax liabilities are recognized in the income statement in the period in which the change takes effect. The tax rate of about 40 % used for the group companies is comprised of the standard income tax rate plus solidarity surcharge and an average applicable trade tax rate.

Computation of deferred taxes for still unutilized tax-loss carryforwards are based on a foreseeable planning period, if the underlying tax conditions applying to the individual group companies is uncertain. In addition, the increasingly restrictive tax regulations limiting the utilization of tax-loss carryforwards in the individual companies have been taken into account. A cautious approach was already adopted in the previous years, with deferred tax assets on tax-loss carryforwards not being recognized fully.

The table below shows the reconciliation of expected tax expenditure and actual tax expenditure.

Actual tax expenditure	2004 € 000s	2003 € 000s
Earnings before income taxes	**3,249**	(15,887)
Expected tax benefit	**(1,300)**	6,354
Non-tax-deductible amortization of goodwill	**0**	(4,398)
Tax expenditure for previous years	**(369)**	(263)
Tax-free income and non-tax-deductible expenses	**684**	(1,086)
Actual tax result	**(985)**	**870**

The balance-sheet items “deferred tax assets” and “deferred tax liabilities” can be broken down as follows:

Deferred tax assets	2004 € 000s	2003 € 000s
Tax loss carryforwards	**10,684**	8,375
Provisions for impending losses	**742**	1,079
Valuation of properties	**167**	174
Other	**1,196**	473
Total	**12,789**	**10,101**

Deferred tax liabilities	2004 € 000s	2003 € 000s
Valuation of properties	**12,982**	8,906
Other	**268**	1,241
Total	**13,250**	**10,147**

The maturities of deferred taxes present the following picture:

Maturity	2004 € 000s	2003 € 000s
Short-term deferred tax assets up to one year	**742**	1,079
Long-term deferred tax assets	**12,047**	9,022
Total deferred tax assets	**12,789**	10,101
Short-term deferred tax liabilities up to one year	**268**	1,241
Long-term deferred tax liabilities	**12,982**	8,906
Total deferred tax liabilities	**13,250**	**10,147**

40. Minority shareholders’ profit shares

The table below shows the profit shares attributable to minority shareholders in fiscal 2004:

Minority shareholders’ profit shares	2004 € 000s	2003 € 000s
Bau-Verein AG	**214**	81
JUS AG	**(15)**	34
Total	**199**	**115**

Earnings per share

This ratio, which must be disclosed in accordance with IAS 33, shows the part of consolidated net income generated in a specific period that is attributable to a single share. Consolidated earnings are divided by the number of shares outstanding. This ratio may be diluted by so-called “potential shares” (convertible bonds and stock options). The TAG Group has not concluded any diluting stock purchase agreements. Consequently, the undiluted and diluted earnings per share are identical.

Earnings per share	2004	2003
Consolidated net income	**(€ 000s) 2,065**	(€ 000s) -15,132
Number of shares issued (weighted)	**6,195,894**	5,620,994
Undiluted earnings per share	**€ 0.33**	€ -2.69

The weighted number of shares issued in the year under review is calculated on the basis of the cash capital increase entered in the Commercial Register on January 23, 2004. The number of shares was 5,662,661 on January 1, 2004, and 6,228,926 on December 31, 2004.

Segment reporting

Segment reporting has been prepared in accordance with IAS 14. Separate accounting data for the individual business segments are disclosed, using the Group’s organizational structure as a guideline. Segmentation serves the purpose of showing the earning power and success prospects, net assets and financial position of the Group’s individual business activities. The segment reporting for the TAG Group shows separate external and internal revenues for three business segments: railway infrastructure, building management, and construction activity. The individual figures are shown in the table “Segment Reporting” enclosed before the Notes.

Railway infrastructure

This business segment is operated solely by TBG and has a historical background. It entails the railway infrastructure spun off by the former Tegernseebahn AG, which is leased to Bayerische Oberlandbahn GmbH for consideration on the basis of a long-term agreement.

Building management (residential properties)

Apart from TAG, Bau-Verein, JUS and KVT are responsible for activities in the building management segment. They mainly manage residential properties in Tegernsee Valley and the cities of Leipzig, Berlin and Hamburg. Apart from rental income generated by investment properties and a number of other properties classified as current assets, the revenues of the building management segment above all include income from property management for third-party properties and cost allocations.

Construction activity (residential and commercial properties)

JUS and Bau-Verein are entrusted with responsibilities in the construction activity segment. With its current focus on Berlin and Leipzig, JUS is active in the restoration of old buildings. Bau-Verein focuses on portfolio development and new-housing construction as well as the marketing of commercial properties.

The reconciliation column not only shows intragroup transactions – which are eliminated – but also the income and expenses from associated companies and headquarters that cannot be allocated to the individual operating segments.

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 the basis of market-oriented internal pricing (arm’s length principle). Income from associated companies, depreciation and amortization and non-cash-relevant items are reported separately from segment earnings. Depreciation and amortization refer to assets allocated to the individual business segments. Non-cash-relevant items mainly include value adjustments of properties and receivables and value changes of investment properties.

Segment investments refer to additions to investment properties and other fixed assets.

Relationships with related companies or persons

In its ordinary business activities, TAG maintains direct or indirect relations not only with the subsidiaries included in the consolidated financial statements, but also with related companies or persons. Ordinary business activities included all delivery and service relations maintained with the companies and persons mentioned below, which were carried out at generally accepted market terms and conditions customary in dealings with third parties outside the Group.

Related companies pursuant to IAS 24.5

Within the framework of a loan agreement concluded with AGP in fiscal 2004, an amount of € 400,000 was made available for restructuring expenses at an interest rate of 7.5 %.

The professional firm of Nörr Stiefenhofer Lutz, Rechtsanwälte Wirtschaftsprüfer Steuerberater, in which Prof. Dr. R. Frohne, a member of the Supervisory Board, is a partner, received payments of € 74,000 (previous year: € 254,000) for legal counseling.

Related persons pursuant to IAS 24.5

Two members of the Supervisory Board and one member of the Management Board (Prof. Dr. R. Frohne, R. Hauschildt, Dr. L. R. Ristow) granted loans or accepted guarantees totalling € 14,197,000 (previous year: 4,500,000) to/for the TAG Group. These loans or guarantees are based on market interest rates.

Until his appointment to the position of Chairman of the Management Board effective May 1, 2004, Dr. L. R. Ristow received a monthly remuneration for services performed in addition to his responsibilities as a member of the Supervisory Board. TAG made payments of € 118,000 (previous year: € 416,000).

Total remuneration received by the Supervisory and Management Boards

The total remuneration of the Management Board for fiscal 2004 amounted to € 608,000 (previous year: € 409,000). This is fixed remuneration for the members of the Management Board. Dr. Lutz R. Ristow received a remuneration of € 250,000, Michael Haupt received a remuneration of € 205,000, and Olaf Borkers received € 153,000. No variable remunerations were paid for fiscal 2004. The remuneration received by the members of the Supervisory Board amounted to € 41,000, as had already been the case in the previous year. No loans and credits have been extended to members of the Supervisory or Management Boards.

Notifications concerning participations pursuant to Section 21 WpHG

Pursuant to Section 21 WpHG (German Securities Trading Act), Stichting Pensioensfonds ABP notified us in its letter of January 27, 2004, that its stake had below the 5 % mark, to 4.84 %. In addition, TAG was informed in a letter dated February 19, 2004, that Augendum Vermögensverwaltungs GmbH had exceeded the participation thresholds of 5 % and 10 % and now held a stake of 10,34 % in the company. On August 25, 2004, HSH Nordbank AG notified us of the fact that its stake in the company had fallen below the 5 % mark, to 4.82 %. LURIS Aktiengesellschaft Vermögenswaltung notified our company in its letter of April 4, 2004, that its stake had fallen below the 10 % mark, to 7.69 %.

Declaration of conformity with the German Corporate Governance Code pursuant to Section 161 AktG

The joint declaration of the Management and Supervisory Boards concerning the recommendations of the Governmental Commission on the “German Corporate Governance Code”, which is required pursuant to Section 161 AktG (German Stock Corporation Act), has been drawn up and made available to shareholders on the TAG website.

Events after the close of the fiscal year

The following post-balance-sheet events with particularly negative or positive effect on the net assets, financial position and earnings situation presented in the annual financial state-ments occurred after the close of the fiscal year:

In January 2005, a cash capital increase with exclusion of shareholders’ subscription rights was implemented and 620,000 shares were issued. Entry in the Commercial Register will presumably be effected in April 2005. This transaction has increased the share capital of TAG to € 6,848,926.00. The cash capital increase resulted in a cash infusion of € 4.4 million for TAG.

Mr. Michael Haupt had given TAG a profit guarantee for a total of € 2.5 million with respect to the annual results of JUS AG for fiscal 2004 and 2005. In April 2005, Mr. Haupt and TAG agreed on early release from this profit guarantee against return of a total of 200,000 TAG shares securing this guarantee. Since these shares had originally been issued within the context of the acquisition of the shares of JUS AG, the already described subsequent reduction in the purchase price paid for the acquisition and, hence, the goodwill of JUS AG was recognized in the balance sheet at December 31, 2004.

Other information

Supervisory Board

Members of the Supervisory Board and offices held by them in fiscal 2004:

Herr Prof. Dr. Ronald Frohne, Berlin,
Attorney and Public Accountant (Chairman)

Supervisory board offices pursuant to Section 285(10) HGB (German Commercial Code):

- Eckert & Ziegler Medizintechnik AG, Berlin
- Würzburger Versicherungs-AG, Würzburg
- Filmboard Berlin-Brandenburg GmbH, Potsdam
- TELLUX-Beteiligungsgesellschaft mbH, Munich
- Scholz & Friends AG, Berlin
- Tegernsee-Bahn Betriebsgesellschaft mbH, Tegernsee
- IM International Media AG, Munich
- JUS Aktiengesellschaft für Grundbesitz, Berlin

Offices held in comparable German and international corporate governance bodies:

- AGICOA, Genf
- CAB, Kopenhagen
- Engefield Capital LLP, London

Herr Rolf Hauschildt, Düsseldorf,
Banking Officer (Deputy Chairman)

Supervisory board offices pursuant to Section 285(10) HGB (German Commercial Code):

- Germania Epe AG, Gronau-Epe
- TOGA Vereinigte Webereien AG i.L., Aachen
- ProAktiva Vermögensverwaltung, Hamburg
- JUS Aktiengesellschaft für Grundbesitz, Berlin
- Tegernsee-Bahn Betriebsgesellschaft mbH, Tegernsee
- Allerthal Werke AG, Grasleben

Offices held in comparable German and international corporate governance bodies:

- Rheinische Bio Ester GmbH & Co.KG, Neuss

Herr Prof. Dr. Stephan Breidenbach, Berlin,
University Professor

Supervisory board offices pursuant to Section 285(10) HGB (German Commercial Code):

- Tegernsee-Bahn Betriebsgesellschaft mbH, Tegernsee

Herr Dr. Wolfgang Schnell, Munich, Chemical Engineer (since October 2004)

Supervisory board offices pursuant to Section 285(10) HGB (German Commercial Code):

- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg

Management Board

Members of the Management Board and offices held by them in fiscal 2004

Herr Dr. Lutz R. Ristow, Hamburg,
Business Management Graduate (Chairman) since May 2004, before Chairman of the Supervisory Board

Supervisory board offices pursuant to Section 285(10) HGB (German Commercial Code):

- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg
- JUS Aktiengesellschaft für Grundbesitz, Berlin
- Tegernsee-Bahn Betriebsgesellschaft mbH, Tegernsee

Offices held in comparable German and international corporate governance bodies:

- REG Real Estate Group, Zurich (until May 2004)
- Real Immobilien GmbH, Leipzig

Herr Olaf G. Borkers, Hamburg,
Business Management Graduate

Supervisory board offices pursuant to Section 285(10) HGB (German Commercial Code):

- ClanSailing AG, Hamburg

Offices held in comparable German and international corporate governance bodies:

- Real Immobilien GmbH, Leipzig (from October 2004)
- European Public Real Estate Association (EPRA), Amsterdam (from August 2004)

Herr Michael Haupt, Berlin,
Attorney

Supervisory board offices pursuant to Section 285(10) HGB (German Commercial Code):

- Bau-Verein zu Hamburg Aktien-Gesellschaft, Hamburg
- AGP AG Allgemeine Gewerbebau und Projektentwicklungs AG, Tegernsee

Offices held in comparable German and international corporate governance bodies:

- Real Immobilien GmbH, Leipzig (until October 2004)

Tegernsee, April 15, 2005

Dr. Lutz R. Ristow | Michael Haupt | Olaf G.Borkers

The preparation of the consolidated financial statements pursuant to IFRS requires that the management boards and management staff of the consolidated companies make assumptions and estimates influencing the assets and liabilities carried on the balance sheet, the disclosure of contingent liabilities on the balance-sheet cutoff 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 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 acquisitions 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.

Auditor's certificate

We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, prepared by TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, Tegernsee, for the fiscal year from January 1 to December 31, 2004. The preparation and the content of the consolidated financial statements are the responsibility of the Company's executive board. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in accordance with the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit in such a manner that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluation of possible misstatement are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles applied and the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonably reliable basis for our opinion.

In our opinion, the consolidated financial statements in accordance with IFRS give a true and fair view of the net assets, financial position, earnings situation and cash flows of the Group for the fiscal year under review.

Our audit, which also extends to the group management report prepared by the executive board for the fiscal year from January 1 to December 31, 2004, has not led to any reservations. In our opinion, the group management report on the whole provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report the fiscal year from January 1 to December 31, 2004, satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and a group management report in accordance with German law.

Hamburg, April 18, 2005

Schröder, Nörenberg + Partner GmbH
Wirtschaftsprüfungsgesellschaft

H. Schröder	**M. Thiel**
German Public Auditor	**German Public Auditor**

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