



TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

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**TAG Tegernsee**  
**Immobilien- und Beteiligungs-Aktiengesellschaft**

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## Report on the first half of the year 2004

- ◆ **TAG confirming strong start to the year in the first half of 2004**
- ◆ **TAG Group with consolidated earnings of EUR 2.4 million, reversing year-ago loss of EUR 1.8 million**
- ◆ **Revenue growth of 17% at Bau-Verein zu Hamburg AG and 41% at JUS AG in the second quarter**
- ◆ **JUS AG in a joint venture with UK company Patron Capital Ltd.**



## Business performance

### Dear shareholders and business associates,

After a fairly muted start to 2004, the overall economy in Germany has tended to improve slightly over the past few months. The strain caused by the health reform, uncertainty surrounding employment prospects and the abolition of tax allowances is continuing to place a damper on general sentiment in Germany. The pronounced weakness of the German property market in the wake of the muted economy continued in the period under review. In spite of the conditions which the property market continues to face, the worst now appears to be over in individual areas. Given the mounting internationalization of the German property market, the expectations being made of German companies are rising.

For this reason, Dr. Ristow was appointed CEO of TAG on May 1, 2004. Prior to this, he had served on TAG's Supervisory Board since September 2000, becoming chairman in February 2001. He was replaced as chairman of the Supervisory Board by Prof. Dr. Ronald Frohne, who has also been on the TAG Supervisory Board since September 2000.

Within the Management Board, Dr. Lutz R. Ristow is responsible for strategy and business development alongside the other Management Board members Olaf Borkers (finance) and Michael Haupt (real property). Until now, the members of the Management Board had held an equal standing.

"The German property market is on the verge of substantial changes on the part of the participating companies. TAG wishes to play an active role in this process, something which I plan to support to an even greater extent with my strategic work. In fiscal 2003, the Management Board of TAG created the basis for possible acquisition and merger projects in 2004," said Dr. Ristow, who is also one of TAG's principal shareholders.

### TAG stock

On an encouraging note, the positive performance of the stock in the first three months of 2004 also continued in the second quarter. At the end of the first quarter of 2004, the stock was trading at EUR 7.55 but advanced to EUR 7.90 at the end of the first half of the year. Equity capital per TAG share at the group level stood at EUR 17.35 (including minority shares in accordance with the new IFRS rules (see appendix)) or EUR 15.86 (without minority interests) on June 30, 2004. In spite of the gains posted in the first half of 2004, TAG stock is still trading at an above-average discount on this figure.

### Bau-Verein zu Hamburg AG

The Bau-Verein zu Hamburg Group delivered revenues of EUR 31.9 million in the first half of 2004, down from EUR 33.8 million one year earlier. In this connection, it should be noted that revenues increased from EUR 13.4 million in the first quarter to EUR 18.4 million in the second quarter of 2004 and were also up on the second quarter of the previous year (EUR 15.7 million). Other operating income came to EUR 0.4 million (previous year: EUR 3.5 million). In the first half of the year, other operating expenses rose slightly year on year from EUR 1.7 million to EUR 1.8 million. On the other hand, net borrowing costs improved substantially from EUR 6.3 million in the previous year to EUR 5.7 million in the first half of 2004. As a result, the Bau-Verein zu Hamburg subgroup posted net loss of EUR 0.6 million (previous year: 0.0 million). The subgroup's total assets were valued at EUR 411.0 million on June 30, 2004 compared with EUR 430.3 million one year earlier and EUR 417.2 million at the end of 2003. The company commenced work on three key projects in the second quarter of 2004. In Weisenau near Mainz, 34 terraced and 10

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semidetached houses with a total floor area of 5,860 square meters are being built. Bau-Verein AG assumes that all properties will be sold and completed by spring 2005. A further project is being constructed in Wedel near Hamburg, where the company is working on what is currently the town's largest residential construction project. With sales exceeding expectations, the appeal of the "Wohnen am Roland" project has been confirmed in spite of difficult market conditions. The third project is to be found in the Hamburg Hafencity and was commenced in June 2004. This involves a multifunctional property known as "Dock 4", which is progressing towards completion and full sale. In the rental area, a particular success was achieved in Cologne, where Bau-Verein AG leased commercial floor space with an area of around 1,650 square meters to German federal labor exchange Bundesagentur für Arbeit on a long-term basis.

As a listed company, Bau-Verein zu Hamburg AG publishes its own first-half report at [www.bau-verein.de](http://www.bau-verein.de).

### JUS AG

JUS AG reported revenues of EUR 13.7 million (previous year: EUR 10.9 million), marking a 25% year-on-year increase in the first half of 2004. In this connection, it should be noted that revenues rose substantially to EUR 8.2 million in the second quarter on account of the application of the percentage-of-completion principle for recognizing revenues, up from EUR 5.5 million in the first quarter of 2004 and EUR 5.8 million in the year-ago quarter. Other operating income came to EUR 0.2 million (previous year: EUR 2.1 million). In accordance with the growing project volumes, personnel expenses increased to EUR 0.7 million (previous year: EUR 0.5 million) and other operating expenses to EUR 4.6 million (previous year: EUR 4.0 million). Net borrowing costs were

unchanged at EUR 3.3 million. The JUS AG subgroup sustained net loss of EUR 1.0 million in the year to June 30, 2004 (previous year: net profit of EUR 1.0 million). The subgroup's total assets were valued at EUR 161.3 million as of June 30, 2004, up from EUR 125.5 million one year earlier but down from EUR 170.6 million on March 31, 2004. As the year proceeds, total assets will continue to shrink with the completion of further projects. The highlight of the second quarter of 2004, was the commencement of work on the "Schokoladenpalais", in Leipzig, JUS AG's largest project with a volume of over EUR 20 million. With 80% of the project sold at the commencement of construction work, this is one of the most successful building projects. On another encouraging note, an agreement was signed to establish a joint venture with UK company Patron Capital Ltd. to buy, restore and then sell historical buildings, ideally in Leipzig and Berlin. As a financial investor, Patron Capital Ltd. is seeking direct investments and equity interests in Germany. The first two projects – including one for loft apartments in Leipzig - were prepared in the second quarter. Valued at roughly EUR 12.5 million, they harbour additional earnings potential. As well as this, JUS AG has gained access to an alternative source of finance for restoring historical properties via this joint venture. JUS AG's disappointment concerning Leipzig's failure to be selected by the IOC as the venue for the 2012 Olympic Games did not last for long in spite of the negative effect on the market. By virtue alone of the fact that it had applied for the games, Leipzig has managed to improve its image substantially. Moreover, key projects are on the agenda even without the 2012 Olympic Games.

Further information is available on the homepage [www.jus-ag.de](http://www.jus-ag.de).

## Business performance

### Assets

The TAG Group's total assets are valued at EUR 616.6 million, up from EUR 612.5 million on June 30, 2003 and EUR 605.7 million on December 31, 2003. Equity has risen to EUR 108.2 million and, accordingly, the equity ratio to 17.5% as a result of the new IFRS rules (see Appendix). The bank liabilities carried on TAG's consolidated balance sheet declined by 2.5% year on year, although trends were disparate within the Group. Whereas Bau-Verein AG and TAG reduced their bank liabilities substantially all told, there was an increase at JUS AG.

### Revenues and earnings

The TAG Group's revenues rose by 2% to EUR 46.3 million, up from EUR 45.4 million in the previous year. As a result, the decline in revenues sustained in the first quarter was more than recouped by the substantial increase in the second quarter of 2004. JUS AG contributed 29.5% and Bau-Verein AG 68.7% to consolidated revenues. Other operating expenses rose to EUR 7.2 million, up from the previous year's figure of EUR 6.9 million, with disparate trends in evidence at the individual group companies. Other operating income came to EUR 5.8 million (previous year: EUR 5.8 million). As a result, the TAG Group achieved EBITDA of EUR 11.4 million, up from EUR 10.3 million in the previous year. Net borrowing costs were reduced from EUR 10.1 million to EUR 9.5 million. Accordingly, the TAG Group delivered consolidated earnings of EUR 2.4 million, reversing the previous year's loss of EUR 1.8 million.

It should be mentioned here that forecasts within the TAG Group are based on full-year parameters. Fluctuation within a single year is normal for this industry due largely to the fact that Bau-Verein AG and JUS AG primarily sell property to owner/occupiers and investors, with

such business predominantly effected in the second half of the year.

### Employees

On June 30, 2004, the TAG Group had 145 employees, unchanged over the previous year.

### Outlook

TAG will continue to closely observe the consolidation process currently being witnessed in the property market. The Group is still seeking to build up commercial property business on a substantially lower price basis. For this reason, TAG's name is frequently linked to many parties even though there are sometimes no grounds for such rumors. Nonetheless, the systematic restraint of the past three years has paid off. The errors avoided in the past should not now be made.

As the bulk of revenues are generated in the second half of the year in our sector, we are confident about our full-year performance.

## Business performance

### CONSOLIDATED BALANCE SHEET

#### ASSETS

	30.06.2004 EUR 000s	31.12.2003 EUR 000s
<b>A. <u>Fixed assets</u></b>		
I. Investment properties	86.190	85.940
II. Tangible assets	9.401	7.457
III. Intangible assets	112	113
IV. Goodwill	27.053	27.053
V. Financial assets		
Shares in associated companies	1.345	1.345
Other financial assets	3.572	3.581
	<u>4.917</u>	<u>4.926</u>
<b>B. <u>Deferred taxes</u></b>	11.985	10.101
<b>C. <u>Current assets</u></b>		
I. Land available for sale and other inventories		
Properties and leasehold rights with finished buildings	320.654	330.504
Properties and leasehold rights with unfinished buildings	53.316	50.634
Other inventories	22.831	17.003
	<u>396.801</u>	<u>398.141</u>
II. Receivables and other assets		
Trade receivables	20.683	28.632
Receivables from construction orders	24.572	15.524
Other assets	9.868	10.129
	<u>55.123</u>	<u>54.285</u>
III. Cash and cash equivalents	24.776	17.460
<b>D. <u>Prepaid expenses</u></b>	206	220
	<u>616.564</u>	<u>605.696</u>

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### CONSOLIDATED BALANCE SHEET

		EQUITY AND LIABILITIES	
		30.06.2004	31.12.2003
		EUR 000s	EUR 000s
A.	<u>Shareholders' equity</u>		
	Equity attributable to shareholders in the parent company		
I.	Subscribed capital	6.229	5.663
II.	Capital reserve	90.574	86.744
III.	Revenue reserves	6.689	6.689
IV.	Accumulated deficit	-4.546	-6.929
	Minority interests	9.289	9.450
		<u>108.235</u>	<u>101.617</u>
B.	<u>Long-term liabilities</u>		
	Liabilities to banks	97.234	99.335
	Pension provisions	2.453	2.453
	Other long-term liabilities	916	1.098
		<u>100.603</u>	<u>102.886</u>
C.	<u>Short-term liabilities</u>		
	Liabilities to banks	300.600	303.354
	Trade accounts payable	22.821	40.337
	Tax provisions	1.541	1.593
	Other short-term liabilities	71.033	45.669
		<u>395.995</u>	<u>390.953</u>
D.	<u>Deferred taxes</u>	11.640	10.147
E.	<u>Deferred income</u>	91	93
		<u>616.564</u>	<u>605.696</u>

## Business performance

### CONSOLIDATED INCOME STATEMENT

	H1 2004 EUR 000s	H1 2003 EUR 000s	Q2 2004 EUR 000s	Q2 2003 EUR 000s
Revenues	46.330	45.437	27.024	21.850
Other operating income	5.865	5.827	332	4.773
Changes in inventories of unfinished goods and services	-2.633	10.462	-3.466	734
Other own work capitalized	231	468	115	333
Cost of materials	-26.958	-40.654	-14.407	-14.672
Personnel expenses	-4.184	-4.302	-2.259	-2.299
Other operating expenses	-7.221	-6.921	-4.058	-3.958
<b>EBITDA</b>	<b>11.430</b>	<b>10.317</b>	<b>3.281</b>	<b>6.761</b>
Depreciation excluding Goodwill	-288	-342	55	-201
Revaluation of investment properties	250	-400	250	-200
<b>EBITA</b>	<b>11.392</b>	<b>9.575</b>	<b>3.586</b>	<b>6.360</b>
Goodwill amortization	0	-1.030	0	-510
<b>EBIT</b>	<b>11.392</b>	<b>8.545</b>	<b>3.586</b>	<b>5.850</b>
Net income from investments	34	21	34	67
Net income from associated companies	0	0	365	0
Net income from financial assets	-9.537	-10.076	-4.948	-5.157
<b>EBT</b>	<b>1.889</b>	<b>-1.510</b>	<b>-963</b>	<b>760</b>
Income taxes	346	-408	706	-425
Minority interests	148	128	73	45
<b>Consolidated earnings</b>	<b>2.383</b>	<b>-1.790</b>	<b>-184</b>	<b>380</b>
Earnings per share (EUR), basic	0,39	-0,32	-0,03	0,07



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### CONSOLIDATED CASH FLOW STATEMENT

	H1 2004 EUR 000s	H1 2003 EUR 000s
<b>Consolidated earnings</b>	<b>2.383</b>	<b>-1.790</b>
Amortization excluding goodwill	288	342
Changes in the value of investments/associated companies	0	0
Goodwill amortization	0	1.030
Changes in value of properties held as investments	-250	400
Increase/decrease in other long-term liabilities (excluding financial liabilities)	-182	-187
Increase/decrease in deferred tax liabilities	-391	-96
<b>Cash flow in accordance with DVFA/SG</b>	<b>1.848</b>	<b>-301</b>
Profit from the disposal of fixed assets	-1	0
Increase/decrease in receivables and other assets	516	-11.885
Increase /decrease in accounts payable and other liabilities (excluding financial liabilities)	7.794	-382
<b>Cash flow from operating activities</b>	<b>10.157</b>	<b>-12.568</b>
Proceeds from sale of properties held as investments	0	-12
Payments for investments in intangible assets	-8	-1
Proceeds from sale of intangible assets	0	0
Payments for investments in tangible assets	-2.212	-1.699
Proceeds from sale of tangible assets	7	50
Payments made for investments in financial assets	-8	-10
Proceeds from sale of financial assets	0	0
Payments for acquisition of consolidated companies	0	0
<b>Cash flow from investing activities</b>	<b>-2.221</b>	<b>-1.672</b>
Payments received from capital increases (less cost of capital increase)	4.396	4.150
Raising/repayment of debt	-4.855	10.393
<b>Cash flow from financing activities</b>	<b>-459</b>	<b>14.543</b>
Net change in cash and cash equivalents	7.477	303
Consolidation-related changes	-161	1.698
Cash and cash equivalents at the beginning of the period	17.460	9.622
<b>Cash and cash equivalents at the end of the period</b>	<b>24.776</b>	<b>11.623</b>



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### CONSOLIDATED STATEMENT OF EQUITY CHANGES

	Subscribed capital	Capital reserve	Revenue reserves	Accu. deficit	Minority interests	Total
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
<b>01.01.2003</b>	<b>5.163</b>	<b>97.777</b>	<b>6.689</b>	<b>-6.455</b>	<b>9.533</b>	<b>112.707</b>
Consolidated earnings				-15.132		-15.132
Withdrawal from capital reserve		-14.658		14.658		0
Cash capital increase	500	3.650				4.150
Miscellaneous		-25			-83	-108
<b>31.12.2003</b>	<b>5.663</b>	<b>86.744</b>	<b>6.689</b>	<b>-6.929</b>	<b>9.450</b>	<b>101.617</b>
Consolidated earnings				2.383		2.383
Cash capital increase	566	3.830				4.396
Miscellaneous					-161	-161
<b>30.06.2004</b>	<b>6.229</b>	<b>90.574</b>	<b>6.689</b>	<b>-4.546</b>	<b>9.289</b>	<b>108.235</b>

## Business performance

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### CONSOLIDATED SEGMENT REPORTING

	Railway infra- structure H1 2004 EUR 000s	Building manage- ment H1 2004 EUR 000s	Construct- ion activity H1 2004 EUR 000s	Reconcil- iation H1 2004 EUR 000s	Con- solidated H1 2004 EUR 000s
External revenues	627	4.378	41.363	-39	46.329
<i>Previous year</i>	619	4.301	40.597	-80	45.437
Internal revenues	0	563	457	-1.020	0
<i>Previous year</i>	0	467	156	-623	0
Revenues	627	4.941	41.820	-1.059	46.329
<i>Previous year</i>	619	4.768	40.753	-703	45.437
<b>Segment earnings</b>	<b>226</b>	<b>1.873</b>	<b>-1.642</b>	<b>1.432</b>	<b>1.889</b>
<i>Previous year</i>	15	884	-1.242	-1.167	-1.510
- of which earnings from associated companies	0	0	0	0	0
- of which depreciation/amortization	-27	-133	-119	-9	-288
- of which interest income	0	977	623	-1.012	588
- of which interest expenses	0	-2.770	-7.937	582	-10.125
- of which non-cash	0	580	498	0	1.078
<b>Segment liabilities</b>	<b>482</b>	<b>105.335</b>	<b>413.708</b>	<b>-11.196</b>	<b>508.329</b>
<i>Previous year</i>	1.283	113.525	401.829	-19.066	497.571
<b>Segment assets</b>	<b>2.790</b>	<b>201.901</b>	<b>439.091</b>	<b>-27.218</b>	<b>616.564</b>
<i>Previous year</i>	2.754	220.176	435.504	-45.902	612.532
-of which associated companies	0	0	0	1.345	1.345
<b>Segment investments</b>	<b>0</b>	<b>2.199</b>	<b>36</b>	<b>0</b>	<b>2.235</b>
<i>Previous year</i>	0	1.639	71	0	1.710

## Business performance

### NOTES

#### **General information**

The interim consolidated financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft (TAG) for the period ending June 30, 2004 have been prepared in accordance with the International Accounting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The standards which have already been adopted and published and are therefore binding have been applied.

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

The implementing guidelines for IAS (revised 2003) stipulate a new breakdown for equity. Equity now comprises "equity attributable to shareholders in the parent company" and minority interests. This means that consolidated equity is higher as at June 30, 2004 because minority interests are now included for the first time. This is shown in the statement of equity movements accordingly.

For more details of the accounting and valuation principles applied, please refer to the consolidated financial statements for the year ending December 31, 2003 compiled pursuant to IFRS, which pursuant to IAS 34 form the material basis for these interim financial statements, as well as the disclosures on the first quarter of 2004 with details and information on the new IFRS 3.

#### **Material transactions**

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

## Business performance

### Consolidation group

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

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

## Schedule of events

### **May 5, 2004**

Analyst conference in Hamburg

### **May 5, 2004**

Annual press conference in Hamburg

### **July 1, 2004**

121st ordinary shareholders' meeting in  
Hamburg

### **August 2004**

Publication of figures for the first half of 2004

### **September 9 – 10, 2004**

EPRA (European Public Real Estate Association) conference in Berlin

### **October 21, 2004**

Conference on listed property companies  
("Initiative Immobilien-Aktie") in Frankfurt/M.

### **November 2004**

Publication of the figures for the first nine  
months of 2004

## Statutory disclosures



TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

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