TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

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Report on the first half of the year ending June 30, 2005

- **TAG equity issue placed in full**
- **Further reduction in Group bank liabilities**
- **Revenues down as expected on account of reduced POC effects**
- **Net consolidated loss of EUR 1.2 million, down EUR 1.5 million on year-ago loss of EUR 2.7 million in like-for-like terms**
- **JUS AG forging joint venture with Dutch Condor Wessels Group**



Business performance

Dear shareholders and business associates,

With its exclusive focus on German residential real estate, TAG is headed in a promising direction and arousing the interest of national and international investors. Road shows in New York, Amsterdam and London in preparation of the cash equity issue have made this clear and heightened awareness of TAG as a listed real estate company with potential.

TAG stock

TAG stock is included in the Prime Standard and thus complies with the more stringent transparency and disclosure requirements. On an encouraging note, the stock is being buoyed by the opportunities which TAG is able to harness from its strategic focus in tandem with current conditions in the German residential real estate market. As of June 30, 2005, TAG stock was trading at EUR 7.20, translating into market capitalization on that date of EUR 49.3 million. With the equity issue approved and executed in August 2005 and the resultant higher market capitalization, we are confident of seeing larger trading volumes of TAG stock in the future.

Bau-Verein zu Hamburg AG

The Bau-Verein Group generated revenues of EUR 24.8 million in the first half of 2005, down from EUR 31.9 million in the year-ago period. At EUR 2.7 million, personnel costs were unchanged over the previous year, with the same true of the net borrowing costs of EUR 5.8 million. Allowing for the higher value of investment properties of EUR 1.0 million (previous year: EUR 0.3 million) following their remeasurement, Bau-Verein reported net loss of EUR 1.4 million (previous year: net loss of EUR 0.6 million).

The total assets of the Bau-Verein subgroup contracted to EUR 381.6 million, down from EUR 411.0 million one year earlier.

As a listed company, Bau-Verein zu Hamburg AG publishes its own first-half report at www.bau-verein.de.

JUS AG

The JUS Group generated revenues of EUR 10.3 million in the first half of 2005, down from EUR 13.7 million in the year-ago period. Given reduced construction activity in connection with sold apartments, POC revenues were not reported in the second quarter of 2005. Personnel expenses rose to EUR 0.9 million (previous year: EUR 0.7 million) partially also as a result of restructuring. On the other hand, other operating expenses were cut by 24 % to EUR 3.5 million (previous year: EUR 4.6 million). Similarly, net borrowing costs were trimmed sizeably by 27 % to EUR 2.4 million (previous year: EUR 3.3 million). According to the JUS management board, the company has achieved a sustained turnaround in this respect. Following the remeasurement of their value, investment properties contributed EUR 0.4 million (previous year: EUR 0) to earnings. The JUS AG subgroup sustained a net loss of EUR 1.2 million in the period under review (previous year: net loss of EUR 1.0 million). However, this is typical of the first half of the year for a building development company particularly in view of the absence of POC revenues. The JUS Group's total assets contracted by 24% to EUR 123.1 million over the previous year (EUR 161.3 million). The equity ratio is to come to around 15% by the end of 2005. The quality of the balance sheet improved as a result of a reduction in short-term liabilities from EUR 141.7 million in the previous year to EUR 82.1 million. Specifically, short-term liabilities to banks dropped from EUR 75.3 million to EUR 35.9 million within the space of a year. At the same time, long-term liabilities to banks increased from EUR 8.7 million to EUR 13.8 million.

At EUR 8.2 million, sales remained roughly on a par with the first half of 2004 (EUR 8.8 million). The targeted full-year revenues of around EUR 30 million will be underpinned by the sale of large-scale properties in Leipzig and in Stuttgart. Looking forward, service business is being sought in an effort to reduce capital employment. With the signing of a project development contract in Berlin, a promising new partnership with the Dutch Condor Wessels Group has been forged, with the preliminary business already completed set to generate stable income for at least two years. Subsidiary BuP-Projektmanagement GmbH has been awarded a contract for co-project management and final completion of the Central Leipzig Stadium, which will be one of the venues of the World Cup Football competition in 2006.

Assets

The TAG Group's total assets are valued at EUR 544.3 million, down from EUR 616.6 million on March 31, 2004 and EUR 560.7 million on December 31, 2004. With equity standing at EUR 105.2 million, this translates into an increased equity ratio of 19.3 % due to the equity issue of EUR 4.4 million completed in April 2005 together with the reduction in subsidiaries' loans. The equity issue of EUR 16.0 million approved and executed in August 2005 is not yet included in these figures but should have a positive effect on the financial statements for the next quarter. The reduction in loan liabilities in the first six months of 2005 primarily relates to JUS AG.

Revenues and earnings

The TAG Group's revenues of EUR 35.8 million in the first half of 2005 break down into 69% from the Bau-Verein subgroup and 29% from the JUS subgroup. By comparison, the TAG Group's revenues in the first half of 2004 came to EUR 46.3 million. Other operating income stands at EUR 2.6 million, down from EUR 5.9 million in the previous year, in which a once-only waiver of receivables worth EUR 5.1 million was placed on the books. Following the remeasurement of their value, investment properties contributed EUR 3.2 million to earnings, up from EUR 0.3 million in the previous year. Net borrowing costs were reduced from EUR 9.5 million to EUR 8.7 million in the first half of 2005. Accordingly, consolidated net loss for the first half of 2005 comes to EUR 1.2 million, down for a year-ago figure of EUR 2.7 million in like-for-like terms (i.e. adjusted for exceptions).

Employees

On June 30, 2005, the TAG Group had 150 employees, compared with 145 in the previous year.

Outlook

The equity issue approved and executed in August 2005 has generated proceeds of EUR 15.98 million for TAG. In combination with a reduction in total assets as a result of the repayment of subsidiaries' loans, this will thus substantially improve the TAG Group's capital structure and allow both the Group and its subsidiaries to engage in new business.

The joint venture forged with the Consensus Business Group and the changes to TAG's shareholder structure resulting in a greater proportion of international investors will open up new opportunities and scope for growth for TAG.

The Management Board and the Supervisory Board are optimistic about the second half of the year.

Business performance

CONSOLIDATED BALANCE SHEET

ASSETS

			30.06.2005 EUR 000	31.12.2004 EUR 000
A.	Fixed assets			
	I.	Investment properties	119,367	112,629
	II.	Tangible assets	5,173	5,095
	III.	Intangible assets	117	111
	IV.	Goodwill	19,739	19,739
	V.	Financial assets		
		Shares in associated companies	980	980
		Other financial assets	2,892	2,892
			3,872	3,872
B.	Deferred taxes		15,446	12,789
C.	Current assets			
	I.	Land available for sale and other inventories		
		Properties and leasehold rights with finished buildings	336,346	349,076
		Properties and leasehold rights		
		Other inventories	6,751	6,845
			343,097	355,921
	II.	Receivables and other assets		
		Trade receivables	25,809	37,687
		Receivables from construction orders	0	536
		Other assets	8,375	7,409
			34,184	45,632
	III.	Cash and cash equivalents	3,227	4,795
D.	Prepaid expenses		83	105
			544,305	560,688

Business performance

SHAREHOLDERS' EQUITY AND LIABILITIES		30.06.2005 EUR 000	31.12.2004 EUR 000
A.	Equity attributable to shareholders in the parent company		
I.	Subscribed capital	6.849	6.229
II.	Capital reserve	88.362	83.180
III.	Revenue reserves	6.689	6.689
IV.	Accumulated deficit	-6.119	-4.864
	Minority interests	9.403	9.588
		105.184	100.822
B.	Long-term liabilities		
	Liabilities to banks	93.415	88.707
	Pension provisions	2.468	2.467
	Other long-term liabilities	3.681	4.238
		99.564	95.412
C.	Short-term liabilities		
	Liabilities to banks	257.704	271.179
	Trade payables	24.366	33.905
	Tax provisions	1.035	1.042
	Other short-term liabilities	41.650	45.022
		324.755	351.148
D.	Deferred taxes	14.746	13.250
E.	Deferred income	56	56
		544.305	560.688

Business performance

CONSOLIDATED INCOME STATEMENT

	H1 2005 EUR 000	H1 2004 EUR 000	Q2 2005 EUR 000	Q2 2004 EUR 000
Revenues	35.804	46.330	23.766	27.024
Other operating income	2.588	5.865*	2.356	332
Other own work capitalized	50	231	25	115
Cost of materials	-24.690	-29.591	-17.550	-17.873
Personnel expenses	-4.538	-4.184	-2.377	-2.259
Other operating expenses	-6.018	-7.221	-3.939	-4.058
EBITDA	**3.196**	**5.565**	**2.281**	**3.281**
Depreciation excluding Goodwill	-247	-288	-121	55
Revaluation of investment properties	3.150	250	500	250
EBITA	**6.099**	**5.527**	**2.660**	**3.586**
Goodwill amortization	0	0	0	0
EBIT	**6.099**	**5.527**	**2.660**	**3.586**
Net income from investments	0	34	-163	34
Net income from associated companies	0	0	0	365
Net income from financial assets	-8.668	-9.537	-4.419	-4.948
EBT	**-2.569**	**-3.976**	**-1.922**	**-963**
Income taxes	1.164	346	1.366	706
Minority interests	150	148	-5	73
Consolidated earnings	**-1.255**	**-3.482**	**-561**	**-184**
Earnings per share (EUR), basic	-0,19	0,39	-0,09	-0,03

*Other operating income in the previous year included a non-recurring effect arising from the negotiated reduction in a purchase price of EUR 5.091 million

CONSOLIDATED CASH FLOW STATEMENT	H1 2005 EUR 000	H1 2004 EUR 000
Consolidated earnings	**-1,255**	**2,383**
Amortization excluding goodwill	247	288
Changes in the value of investments/associated companies	0	0
Goodwill amortization	0	0
Changes in value of properties held as investments	-3,150	-250
Increase/decrease in other long-term liabilities (excluding financial liabilities)	-741	-182
Increase/decrease in deferred tax liabilities	-1,161	-391
Cash flow in accordance with DVFA/SG	**-6,060**	**1,848**
Profit from the disposal of fixed assets	9	-1
Increase/decrease in receivables and other assets	20,706	516
Increase /decrease in accounts payable and other liabilities (excluding financial liabilities)	-16,068	7,794
Cash flow from operating activities	**-1,413**	**10,157**
Payments made from sale of properties held as investments	0	0
Payments for investments in intangible assets	0	-8
Proceeds from sale of intangible assets	0	0
Payments for investments in tangible assets	-340	-2,212
Proceeds from sale of tangible assets	0	7
Payments made for investments in financial assets	0	-8
Proceeds from sale of financial assets	0	0
Payments for acquisition of consolidated companies	0	0
Cash flow from investing activities	**-340**	**-2,221**
Payments received from equity issues and sale of own shares	5,802	4,396
Raising/repayment of debt	-8,767	-4,855
Raising/repayment of other financial liabilities	3,150	0
Cash flow from financing activities	**185**	**-459**
Net change in cash and cash equivalents	-1,568	7,477
Consolidation-related changes	0	-161
Cash and cash equivalents at the beginning of the period	4,795	17,460
Cash and cash equivalents at the end of the period	**3,227**	**24,776**

Business performance

CONSOLIDATED STATEMENT OF CAPITAL MOVEMENTS

	Subscribed capital	Capital reserves	Revenue reserves	Unappr. loss	Minority interests	Total
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
Jan 1, 2004	**5,663**	**86,744**	**6,689**	**-6,929**	**9,450**	**101,617**
Consolidated earnings				2,065		2,065
Cash capital increase	566	3,830				4,396
Miscellaneous		-7,394			138	-7,256
Dec. 31, 2004	**6,229**	**83,180**	**6,689**	**-4,864**	**9,588**	**100,822**
Consolidated earnings				-1,255	-185	-1,440
Cash capital increase	620	3,782				4,402
Miscellaneous		1,400				1,400
June 30, 2005	**6,849**	**88,362**	**6,689**	**-6,119**	**9,403**	**105,184**

CONSOLIDATED SEGMENT REPORTING

	Railway infra structure H 1 2005 EUR 000s	Building manage-ment H 1 2005 EUR 000s	Construct-ion activity H 1 2005 EUR 000s	Reconcil-iation H 1 2005 EUR 000s	Con-solidated H 1 2005 EUR 000s
External revenues	611	5,225	30,007	-39	35,804
Previous year	*627*	*4,378*	*41,363*	*-39*	*46,329*
Internal revenues	0	520	222	-742	0
Previous year	*0*	*563*	*457*	*-1,020*	*0*
Revenues	611	5,745	30,229	-781	35,804
Previous year	*627*	*4,941*	*41,820*	*-1,059*	*46,329*
Segment earnings	**1,921**	**2,524**	**-4,829**	**-2,185**	**-2,569**
Previous year	*226*	*1,873*	*-1,642*	*1,432*	*1,889*
- of which earnings from as-sociated companies	0	0	0	0	0
- of which deprecia-tion/amortization	-27	-140	-68	-12	-247
- of which interest income	0	1,619	152	-1,391	380
- of which interest expenses	0	-2,719	-7,228	899	-9,048
- of which non-cash items	1,700	1,450	0	0	3,150
Segment liabilities	**329**	**94,571**	**349,767**	**-5,546**	**439,121**
Previous year	*482*	*105,335*	*413,708*	*-11,196*	*508,329*
Segment assets	**5,302**	**202,873**	**374,351**	**-38,221**	**544,305**
Previous year	*2,790*	*201,901*	*439,091*	*-27,218*	*616,564*
-of which associated companies.	0	0	0	0	0
Segment investments	**297**	**29**	**14**	**0**	**340**
Previous year	*0*	*2,199*	*36*	*0*	*2,235*

Notes

General information

The interim consolidated financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft (TAG) for the period ending June 30, 2005 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, 2004.

For more details of the accounting and valuation principles applied, please refer to the consolidated financial statements for the year ending December 31, 2004 compiled pursuant to IFRS, which pursuant to IAS 34 form the material basis for these interim financial statements.

Consolidation group

There were no material changes to the consolidation group, which comprises TAG as the parent company and a further 65 entities, compared with the consolidated financial statements for the year ending December 31, 2004. Reference is made to the details contained in our annual report for 2004.

Material transactions

In January 2005, a cash capital increase, for which the subscription rights held by the existing shareholders were excluded, was executed and 620,000 new shares issued. This was entered in the companies register at the beginning of April 2005.

Mr. Michael Haupt had issued a profit guarantee in TAG’s favour for a total of € 2.5 million with respect to JUS AG’s annual earnings for fiscal 2004 and 2005. In April 2005, Mr. Haupt and TAG agreed that this profit guarantee was to be prematurely discharged in return for the transfer of the total of 200,000 TAG shares used as collateral for the guarantee. As these shares had originally been issued in connection with the acquisition of a stake in JUS AG, the cost of acquisition and, hence, the goodwill attributable to JUS AG were retroactively reduced and restated in the balance sheet as of December 31, 2004.

The following members of the Management Board and the Supervisory Board waived loans of a total of EUR 1.5 million subject to discharge of a condition precedent with a corresponding impact on the income statement in order to reduce interest expenditure.

Material events after the end of the period covered by this interim report

A cash equity issue was approved in July 2005. At the end of August 2005, this issue comprising 2,282,975 shares was placed in full, generating proceeds of EUR 15.98 million for TAG. As a result, the number of TAG shares outstanding rose from 6,848,926 to 9,131,901.
At the same time, TAG agreed on a joint venture with the Consensus Business Group, London at the end of August.

Other details

There has been no material change in the Group's contingent liabilities since December 31, 2004.

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

April 28, 2005
Kempen & Co., German Property Seminar, Frankfurt

May 9, 2005
Annual press conference and analyst conference in Hamburg

July 2, 2005
Kempen & Co., European Property Seminar, Amsterdam

July 5, 2005
Annual general meeting, Hamburg

September 8 – 9, 2005
EPRA (European Public Real Estate Association) annual conference in Paris

October 26, 2005
Conference on listed property companies in Frankfurt/M.

November 2005
Report on the 3rd quarter

Statutory disclosures

TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

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