



TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

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Immobilien- und Beteiligungs-Aktiengesellschaft

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Report for the quarter ending March 31, 2003

- **First quarterly report compiled pursuant to IAS/IFRS**
- **EBITDA of EUR 3.5 million, up from EUR 3.4 million in the previous year**
- **Consolidated loss of EUR 2.2 million, compared with EUR 1.7 million in the previous year**
- **Cash capital increase of EUR 4.15 million completed in January 2003**
- **TAG listed in Deutsche Börse AG's prime standard**

Dear shareholders and business associates,

As far as the real estate industry was concerned, the first quarter of 2003 remained characterized by fears of recession, the Iraq war as well as discussion on tax hikes and the abolition of home ownership subsidies. The eagerly awaited upturn in the capital markets, which had already been anticipated for the previous year, again failed to surface in the first quarter of 2003.

Following the adoption of IAS/IFRS accounting by the TAG Group for the year ending December 31, 2002, we have now also compiled this quarterly report and the corresponding year-ago comparison figures using IAS/IFRS principles for the first time.

TAG stock

After a difficult year in 2002, TAG stock again failed to perform satisfactorily in the first quarter of 2003, with the price sagging from EUR 9.30 at the beginning of 2003 to EUR 6.20 at the end of the first quarter. This translates into equity per share of EUR 18.57 on the Group level as at March 31, 2003.

On January 1, 2003, TAG was admitted to Deutsche Börse AG's prime standard segment and must therefore comply with extensive disclosure requirements. Fortunately, TAG stock was retained in the revised SDAX index. TAG completed a cash capital increase in January 2003, issuing 500,000 new shares subject to the exclusion of the existing shareholders' subscription rights. Among the investors subscribing to the new issue was Hamburgische Landesbank, which now holds a 7.06% stake in TAG.

Bau-Verein zu Hamburg AG

As expected, demand for residential property sagged in the first quarter in line with sector-wide trends and in the light of discussion of possible tax hikes and restrictions to home ownership subsidies, which continued on until the beginning of April 2003. This caused revenues to contract to EUR 18.1 million, down from EUR 23.0 million in the same period one year earlier. Other operating expenses as well as personnel expenses were cut again over the previous year, while net borrowing expenses also shrank from EUR 3.4 million to EUR 3.1 million. The company posted a subgroup loss of EUR 0.5 million in the first quarter of 2003, thus reversing the (IAS) profit of EUR 0.2 million reported in the previous year. Following the agreement reached on home ownership subsidies at the beginning of April 2003, there is now certainty surrounding the underlying conditions. As a result, Bau-Verein AG has been registering an increase in property sales since then.

Rolf Alexander Schellenberg left Bau-Verein zu Hamburg AG's management on April 30, 2004 subject to mutual agreement. The Supervisory Board wishes to thank Mr. Schellenberg for his many years of successful service for the Company.

JUS AG

The first quarter is also traditionally the quietest time of the year for JUS AG. Here as well, the Iraq war left traces together with the uncertainty surrounding the outcome of the arbitration proceedings for the tax reform legislation passed by the lower house of parliament but rejected by the upper house in Germany. During this period, new contracts worth around EUR 5 million were signed, a reasonably satisfactory figure considering the total full-year value of EUR 30 million in 2002.

Business performance

JUS AG's activities initially focused on five construction projects in Leipzig with a total floor area of around 14,000 square meters. Accordingly, it is still one of the leading investors in residential property in this city. As well as this, the Company pursued a building project in Berlin.

The grant of a building permit for the "Schokoladen-Palais" in Leipzig marked the completion of what to date was the most complex project. With its projects offering excellent potential in all segments, JUS AG is well positioned for a successful year in 2003.

After the close of the quarter, Leipzig was nominated as German candidate for the 2012 Olympic Games (and automatically also for 2016 in the event that it is not selected), something which is already having an extremely favorable impact on the Company's sales activities. In addition, the tax legislation passed did not have any effect on the business model underlying sales of protected historical properties. Accordingly, JUS AG expects to be able to report sales of over EUR 10 million in the second quarter.

On an organizational level, the Company's management board was increased with the appointment of Mr. Jan von Lewinski on January 1, 2003.

Prof. Dr. Frohne, a member of TAG AG's Supervisory Board, was additionally appointed to JUS AG's Supervisory Board at that Company's annual general meeting held on April 28, 2003 to replace Mr. Bernd Maisenbacher. Mr. Maisenbacher will continue to serve JUS AG as a tax consultant and it was for this reason that he stepped down from the Supervisory Board.

Assets

The TAG Group's total assets widened from EUR 576.6 million at the end of 2002 to EUR

616.2 million in the first quarter of 2003. This was primarily due to an increase in current assets and a matching rise in short-term liabilities to banks at Bau-Verein AG. Following the cash capital increase of EUR 4.2 million in January 2003, the TAG Group's equity rose accordingly.

Cash and cash equivalents climbed to EUR 17.8 million, up from EUR 9.6 million at the end of 2002.

Revenues and earnings

The TAG Group's revenues fell from EUR 34.2 million in the first quarter of 2002 to EUR 23.6 million in the first quarter of 2003. In accordance with its size, Bau-Verein AG continued to dominate revenues, contributing 76%. After changes in inventories of work in progress of EUR 9.7 million, compared with EUR 4.5 million in the same period one year earlier, the TAG Group achieved EBITA of EUR 3.5 million, up from EUR 3.4 million one year earlier. Consolidated loss for the quarter came to EUR 2.2 million, compared with EUR 1.7 million one year earlier, due to goodwill charges of EUR 0.5 million, up from EUR 0.2 million in the year-ago quarter. In this connection, it should also be noted that the first quarter of the year always makes a disproportionately small contribution to full-year earnings in the property segment.

Employees

On March 30, 2003, the TAG Group had 142 employees.

Outlook

There are still no signs of any recovery in the German economy. Following the certainty arising on April 10, 2003 concerning legislature

Business performance

of relevance to the German property market, the volume of stimulus which this unleashes for the year as a whole remains to be seen but does justify cautious optimism. On an encouraging note, both Bau-Verein AG and JUS AG have registered an increase in property sales

since April 2003. JUS AG in particular stands to benefit from the decision to nominate the city of Leipzig as German candidate for the 2012 Olympic Games.

Business performance

TAG

Report on Q1/2003

Consolidated balance sheet

ASSETS

		31/03/2003 EUR 000s	12/31/2002 EUR 000s
A.	<u>Fixed assets</u>		
I.	Investment properties	81,828	82,024
II.	Tangible assets	6,615	6,687
III.	Intangible assets	111	118
IV.	Goodwill	37,533	38,047
V.	Financial assets		
	Shares in associated companies	2,165	1,232
	Other financial assets	4,764	5,739
B.	<u>Current assets</u>		
I.	Land available for sale and other inventories		
	Properties and leasehold rights with finished buildings	335,398	314,825
	Properties and leasehold rights with unfinished buildings	67,220	57,433
	Other inventories	9,270	7,441
II.	Receivables and other assets		
	Trade receivables	32,233	32,989
	Other assets	12,850	12,669
III.	Cash and cash equivalents	17,806	9,622
C.	<u>Deferred taxes</u>	8,000	7,564
D.	<u>Prepaid expenses</u>	378	229
		616,171	576,619

Business performance

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Report on Q1/2003

Consolidated balance sheet

		SHAREHOLDERS' EQUITY AND LIABILITIES	
		31/03/2003	12/31/2002
		EUR 000s	EUR 000s
A.	<u>Shareholders' equity</u>		
I.	Subscribed capital	5,663	5,163
II.	Capital reserve	101,427	97,777
III.	Revenue reserves	6,689	6,689
IV.	Unappropriated surplus/accumulated deficit	-8,625	-6,455
V.	Own shares	0	0
B.	<u>Minority interests</u>	9,471	9,533
C.	<u>Long-term liabilities</u>		
	Liabilities to banks	109,839	108,438
	Pension provisions	2,396	2,413
	Other long-term liabilities	1,398	1,391
D.	<u>Short-term liabilities</u>		
	Liabilities to banks	299,533	267,163
	Trade accounts payable	35,049	36,381
	Tax provisions	2,102	2,117
	Other short-term liabilities	42,015	37,052
E.	<u>Deferred taxes</u>	9,078	8,820
F.	<u>Deferred income</u>	136	137
		616,171	576,619

Business performance

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Report on Q1/2003

Consolidated income statement

	EUR 000s Q1 2003	EUR 000s Q1 2002
Revenues	23,587	34,213
Other operating income	1,054	246
Changes in inventories, work in progress	9,728	4,455
Other own work capitalized	135	242
Cost of materials	-25,982	-29,935
Personnel expenses	-2,003	-2,055
Other operating expenses	-2,963	-3,757
EBITDA	3,556	3,409
Amortization on intangible assets and depreciation on tangible assets	-141	-167
Revaluation of investment properties	-200	-200
EBITA	3,215	3,042
Goodwill amortization	-520	-169
EBIT	2,695	2,873
Income from investments	-46	136
Income from financial assets	-4,919	-4,729
EBT	-2,270	-1,720
Income taxes	17	-1
Minority interests	83	-17
Earnings on ordinary business activities	-2,170	-1,738
Consolidated earnings	-2,170	-1,738
Earnings per share (€), basic	-0.39	-0.57

Business performance

TAG

Report on Q1/2003

Consolidated cash flow statement

	Q1 2003 EUR 000s	Q1 2002 EUR 00s
Consolidated earnings	-2.170	-1.738
Depreciation/ appreciation of tangible assets and Amortization/appreciation of intangible assets	141	167
Goodwill amortization	520	169
Depreciation/appreciation of properties held as financial investments	200	200
Increase/decrease in other long-term liabilities (excluding financial liabilities)	-10	163
Increase/decrease in deferred tax liabilities	-178	-37
Cash flow in accordance with DVFA/SG	-1.497	-1.076
Adjustment to income from financial assets and taxes (excl. deferred taxes)	5.255	4.964
Profit/loss from sale of fixed assets	0	0
Increase/decrease in receivables and other assets	-31.763	23.387
Increase/decrease in accounts payable (excluding financial liabilities)	3.553	-37.820
Interest paid in operating activities	-4.121	-4.119
Income tax paid	-313	-186
Cash flow from operating activities	-28.886	-14.850
Payments for investments in properties held as financial investments	0	0
Proceeds from sale of properties held as financial investments	0	0
Payments for investments in intangible assets	-1	-40
Proceeds from sale of intangible assets	0	0
Payments for investments in tangible assets	-53	-190
Proceeds from sale of tangible assets	5	26
Payments for investments in financial assets	-4	-18
Proceeds from sale of financial assets	0	96
Payments for acquisition of consolidated companies	0	-16.837
Interest paid/received for financial investments	-798	-8
Cash flow from investing activity	-851	-16.971
Proceeds from capital increases	4.150	0
Repurchase of own shares	0	0
Proceeds from/payments for financial liabilities	33.771	-17.786
Cash flow financing activities	37.921	-17.786
Net change in cash and cash equivalents	8.184	-49.607
Consolidation-related changes	0	32.986
Cash and cash equivalents at the beginning of the period	9.622	40.809
Cash and cash equivalents at the end of the period	17.806	24.188

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Report on Q1/2003

Consolidated statement of equity changes

	Subscribed capital	Capital reserve	Revenue reserves	Unappr. surplus/deficit	Own shares	Total
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
1/1.2002	2,754	73,364	6,689	-7,509	-1,847	73,451
Consolidated earnings				1,054		1,054
Non-cash capital increase	649	26,270				26,919
Bonus shares	1,721	-1,721				0
Miscellaneous	39	-136			1,847	1,750
12/31/2002	5,163	97,777	6,689	-6,455	0	103,174
Cash capital increase	500	3,650				4,150
Consolidated earnings				-2,170		-2,170
3/31/2003	5,663	101,427	6,689	-8,625	0	105,154

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Report on Q1/2003

Segment reporting

	Railway infra- structure EUR 000s	Building manage- ment EUR 000s	Construct- ion activity EUR 000s	Reconcil- iation EUR 000s	Con- solidated EUR 000s
External revenues	271	2,477	20,838	0	23,586
<i>Previous year</i>	231	2,073	32,058	0	34,362
Internal revenues	0	272	56	-328	0
<i>Previous year</i>	0	116	149	-265	0
Revenues	271	2,749	20,894	-328	23,586
Segment earnings	128	527	-793	-2,133	-2,271
<i>Previous year</i>	75	1,001	-505	-2,291	-1,720
- of which earnings from associated companies	0	0	0	-46	-46
- of which depreciation/amortization	19	79	36	7	141
- of which interest income	0	693	310	-792	211
- of which interest expenses	0	1,826	3,842	-538	5,130
- of which non-cash items	0	-198	-983	0	-1,181
Segment liabilities	1,157	116,881	404,869	-11,890	511,017
<i>Previous year</i>	1,066	117,188	376,694	-5,208	489,740
Segment assets	2,750	223,701	434,335	-44,615	616,171
<i>Previous year</i>	2,481	233,796	407,317	-57,287	586,307
-of which associated companies	0	0	0	2,165	2,165
Segment investments	0	5,925	11,610	0	17,535
<i>Previous year</i>	0	24	11,378	0	11,402
Employees*	11	51	80	0	142

*The number of employees is for the final day of the quarter in question

Notes

General information

The interim consolidated financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft (TAG) for the quarter ending March 31, 2003 have been prepared for the first time in accordance with the International Accounting Standards (IAS; future name: International Financial Reporting Standards (IFRS)) adopted by the International Accounting Standards Committee (IASC), now called the International Accounting Standards Board (IASB) and their interpretations issued by the Standing Interpretations Committee (SIC; future name: International Financial Reporting Interpretations Committee (IFRIC)). The standards which have already been adopted and published and are therefore binding were applied.

The accounting and valuation principles as well as the notes and explanations on the interim consolidated financial statements for the first quarter of 2003 are fundamentally based on the accounting and valuation principles applied for the first time to the consolidated financial statements for the year ending December 31, 2002 compiled pursuant to IAS.

For more details of the accounting and valuation principles applied, please refer to the consolidated financial statements for the year ending December 31, 2002 compiled pursuant to IAS, which pursuant to IAS 34 form the material basis for these interim financial statements.

Material transactions

In January 2003, a cash capital increase, for which the subscription rights held by the existing shareholders were excluded, was completed and 500,000 new shares issued. Of these, 400,000 shares were subscribed to by Hamburgische Landesbank, Hamburg. As a result, TAG's equity capital increased to € 5.663 million.

No other material transactions occurred in the period under review. Reference is made to the consolidated financial statements for the year ending December 31, 2002 concerning the further disclosures stipulated by IAS 34.17.

Consolidation group

There were no material changes to the consolidation group, which comprises TAG as the parent company and a further 69 entities, compared with the consolidated financial statements for the

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year ending December 31, 2002. Reference is made to the details contained in our annual report for 2002.

Changes to structure of the cash flow statement

The structure of the cash flow statement has been modified slightly as of the first quarter of 2003. This primarily concerns interest and tax payments which are now assigned to the appropriate cash flow types. As a result, the comparison figures for the previous year have been recomputed.

Personnel

Changes to the Group's management and supervisory bodies are set out in the management report. The number of employees at the end of the quarter is stated in the segment report (included as of the first quarter of 2003 for the first time).

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

Schedule of events

May 8, 2003

Annual press conference in Frankfurt am Main

May 8, 2003

Analysts' conference in Frankfurt am Main

July 8, 2003

120th annual general meeting in Curiohaus in Hamburg

August 2003

Publication of figures for the first half of 2003

November 2003

Publication of the figures for the first nine months of 2003



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