



TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

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Immobilien- und Beteiligungs-Aktiengesellschaft

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Report on the first half of fiscal 2003

- ◆ **Improved EBITDA of EUR 10.3 million, up from EUR 8.6 million in the previous year**
- ◆ **Lower consolidated loss of EUR 1.8 million, compared with EUR 2.2 million in the previous year**
- ◆ **JUS AG improving on the already good sales figures achieved in the first quarter**
- ◆ **Bau-Verein zu Hamburg AG posting a profit in the second quarter**



Business performance

Dear shareholders and business associates,

The second quarter of 2003 was again characterized by sustained economic weakness, with no sign of any recovery in Germany and an economic upswing failing to materialize. There was an absence of the necessary clear indicators pointing to a sustained rebound in the economy. The rekindled discussion in May 2003 concerning the abolition of tax allowances for home owners took its toll on Bau-Verein zu Hamburg AG, which registered buyer restraint. This resulted in lower revenues but was partially offset by other operating income as well as reduced costs. It was not until the beginning of April 2003 after long discussion, during which considerable uncertainty was generated, that agreement was achieved to retain this tax allowance. Immediately before this discussion resurfaced, there had been an appreciable improvement in sales. As it was not affected by these issues, JUS AG managed to further improve its already good first-quarter sales results in the second quarter.

Following the adoption of IAS/IFRS accounting for the year ending December 31, 2002, the TAG Group is now also compiling its quarterly and half-year reports on the basis of IAS/IFRS together with the appropriate comparison figures for the previous year.

TAG stock

In the second quarter of 2003, TAG stock traded in a range between EUR 6.80 and EUR 5.70. This suggests that the downward trend has bottomed out at least for now, although we are not satisfied with the price at which the stock is currently trading. Equity per share on the group level came to EUR 18.60 on June

30, 2003. In the first few weeks of the third quarter, there were heartening signs of a recovery in the stock.

Bau-Verein zu Hamburg AG

On an encouraging note, Bau-Verein zu Hamburg AG closed the second quarter of 2003 with a profit, thus reversing the previous quarter's loss. At EUR 33.8 million (first half of 2002: EUR 46.1 million), revenues at Bau-Verein zu Hamburg AG in the first half of 2003 still fell short of initial expectations in the wake of the rekindled debate on the abolition of tax allowances for home ownership. Of the total revenues, facility management accounted for EUR 9.4 million and property sales EUR 24.4 million. Whereas facility management revenues thus remained steady, property sales were down. Other operating income rose in the second quarter of 2003 thanks to currency gains. Similarly, net financial result improved thanks to lower interest expenditure. Accordingly, the company broke even on an overall basis in the first half of 2003. Bau-Verein zu Hamburg AG expects demand for residential property to pick up in the second half of 2003. Moreover, it plans to acquire a major residential property portfolio. Its largest project at the moment is the Heidberg-Villages estate in Hamburg with a total of 524 residential units. The first two stages of the project with 227 units have already been completed. The Hamburg-based company is investing in a property for mixed use located in Sandtorkai as part of the large-scale "Hafen City" project aimed at turning the port of Hamburg into a major new services center.

JUS AG

At EUR 5.8 million in the second quarter, revenues at JUS AG were up another 13.8 % on the already favorable first-quarter figures.

Business performance

The sale of 50 residential units generated very encouraging revenues of EUR 8.9 million, although it should be noted that some of these transactions will not be placed on the books until a future date. Accordingly, JUS AG's core business achieved 46% of the total 2002 sales volume in the first half of 2003. This points to a substantial increase in sales and revenues for the year as a whole. With income of EUR 4.8 million generated by the sale of 34 residential units, the holiday month of July marked a very encouraging start to the third quarter of 2003. One key contributory factor is the application lodged by the city of Leipzig for the Olympic Games in 2012 or 2016. Construction contracts were awarded for the key "Adamshof" project in Berlin and "Schokoladen-Palais" in Leipzig. JUS AG has responded to sustained lending restraint on the part of banks and the high capital commitment arising from its own business in individual projects by attracting a considerable volume of private equity. By gradually building up a portfolio of properties, JUS AG will be able to generate stable rental income independent of its project business. To this end, it has established a wholly owned subsidiary called TRINOM Business Apartment GmbH to operate serviced apartments as part of TAG's corporate strategy. In addition, the joint activities between REAL Immobilien GmbH and JUS AG were commenced, with JUS AG acting as a service provider.

Assets

TAG Group's total assets are valued at EUR 612.5 million, constituting a slight reduction of EUR 3.6 million compared with the end of the first quarter of 2003. Still, this marks an increase over the end of 2002 (EUR 576.6 million). Cash and cash equivalents were valued at EUR 11.6 million on June 30, 2003, up from EUR 9.6 million at the end of 2002.

Revenues and earnings

AT EUR 45.4 million, the TAG Group's revenues fell short of the previous year's level. Thanks to its size, Bau-Verein zu Hamburg AG again dominated revenues, contributing 74%. Other operating income rose from EUR 2.0 million in the previous year to EUR 5.8 million in the first half of 2003 due to currency gains as well as the capitalization of a prorated guarantee of EUR 1.27 million in connection with contractual amendments. After changes in inventories of work in progress of EUR 10.5 million, compared with EUR 5.8 million in the first half of 2002, the TAG Group achieved EBITDA of EUR 10.3 million, up from EUR 8.6 million in the previous year. Allowing for an adjustment of EUR 0.4 million in the market value of investment properties as well as goodwill of EUR 1.0 million (unchanged over the first quarter of 2002), consolidated net loss came to EUR 1.8 million in the first half of 2003 (first half of 2002: consolidated net loss of EUR 2.2 million).

Annual general meeting

Attended by around 280 shareholders and guests, the Company's 120th annual general meeting took place on July 8, 2003. The resolutions passed (including the creation of authorized and contingent capital, authorization for the Company to acquire its own shares) created the basis for the continuation of our Company's strategy. The issue of convertible bonds up to a value of EUR 50 million will open up new sources of finance, offering an alternative and a supplement to conventional bank loans.

Business performance

Employees

On June 30, 2003, the TAG Group had 145 employees, 9 less than on the same day one year earlier (154).

Outlook

The uncertain perspectives for the property and capital markets will continue to leave their traces on TAG and its subsidiaries in the second half of the year.

Rekindled discussion concerning the partial or complete abolition of tax allowances for home ownership as of January 1, 2004 as well as proposals to this effect by the German federal government are seen as having one of two possible effects: On the one hand, potential home buyers could continue to postpone purchases on account of the ongoing uncertainty. On the other, they could bring forward purchases to make use of the full tax allowance this year before it is abolished. In this case, TAG Group stands to benefit substantially via its stake in Bau-Verein zu Hamburg AG. This will result in a situation similar to that which emerged at the end of 2002. Whether or not these positive effects are sufficient to offset the effects of buyer restraint remains to be seen.

JUS is continuing to benefit from the enhanced image which the city of Leipzig is enjoying following its application for the Olympic Games. Moreover, it is not affected by debate on the abolition of the tax allowance for home ownership as it is engaged in business with the tax-preferred renovation of old buildings.

Looking forward, we are seeking partnerships, alliances and mergers to

enhance our position in the credit, property and stock markets and are currently engaged in specific talks to this end.

Business performance

Consolidated balance sheet

ASSETS		6/30/2003 EUR 000s	12/31/2002 EUR 000s
A.	<u>Fixed assets</u>		
I.	Investment properties	81.636	82.024
II.	Tangible assets	8.082	6.687
III.	Intangible assets	109	118
IV.	Goodwill	37.018	38.047
V.	Financial assets		
	Shares in associated companies	2.233	1.232
	Other financial assets	4.736	5.739
B.	<u>Current assets</u>		
I.	Land available for sale and other inventories		
	Properties and leasehold rights with finished buildings	331.992	314.825
	Properties and leasehold rights with unfinished buildings	56.714	57.433
	Other inventories	22.584	7.441
II.	Receivables and other assets		
	Trade receivables	30.387	32.989
	Other assets	16.187	12.669
III.	Cash and cash equivalents	11.623	9.622
C.	<u>Deferred taxes</u>	8.915	7.564
D.	<u>Prepaid expenses</u>	316	229
		612.532	576.619

Business performance

Consolidated balance sheet

		SHAREHOLDERS' EQUITY AND LIABILITIES	
		6/30/2003	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	-8.244	-6.455
V.	Own shares	0	0
B.	<u>Minority interests</u>	9.427	9.533
C.	<u>Long-term liabilities</u>		
	Liabilities to banks	103.710	108.438
	Pension provisions	2.379	2.413
	Other long-term liabilities	1.238	1.391
D.	<u>Short-term liabilities</u>		
	Liabilities to banks	304.757	267.163
	Trade accounts payable	20.398	36.381
	Tax provisions	2.067	2.117
	Other short-term liabilities	52.832	37.052
E.	<u>Deferred taxes</u>	10.075	8.820
F.	<u>Prepaid expenses</u>	114	137
		612.532	576.619

Business performance

TAG Report on the first half of 2003 TAG Report on the first half of 2003

Consolidated income statement

	EUR 000s H1 2003	EUR 000s H1 2002	EUR 000s Q2 2003	EUR 000s Q2 2002
Revenues	45.437	64.978	21.850	30.765
Other operating income	5.827	2.022	4.773	1.776
Changes in inventories, work in progress	10.462	5.842	734	1.387
Other own work capitalized	468	485	333	243
Cost of materials	-40.654	-52.547	-14.672	-22.612
Personnel expenses	-4.302	-4.177	-2.299	-2.122
Other operating expenses	-6.921	-8.037	-3.958	-4.280
EBITDA	10.317	8.566	6.761	5.157
Amortization on intangible assets and depreciation on tangible assets	-342	-317	-201	-150
Revaluation of investment properties	-400	-400	-200	-200
EBITA	9.575	7.849	6.360	4.807
Goodwill amortization	-1.030	-964	-510	-795
EBIT	8.545	6.885	5.850	4.012
Income from investments	21	0	67	-136
Income from financial assets	-10.076	-9.190	-5.157	-4.461
EBT	-1.510	-2.305	760	-585
Income taxes	-408	209	-425	210
Minority interests	128	-94	45	-77
Earnings on ordinary business activities	-1.790	-2.190	380	-452
Consolidated earnings	-1.790	-2.190	380	-452
Earnings per share (EUR), basic	-0,32	-0,44	0,07	-0,09

Business performance

TAG Report on the first half of 2003 TAG Report on the first half of 2003

Consolidated cash flow statement

	H1 2003 EUR 000s	H1 2002 EUR 000s
Consolidated earnings	-1.790	-2.190
Depreciation / appreciation of tangible assets and intangible assets	342	317
Goodwill amortization	1.030	964
Depreciation/appreciation of properties held as financial investments	400	400
Increase/decrease in other long-term liabilities (excluding financial liabilities)	-187	292
Increase/decrease in deferred tax liabilities	-96	-610
Cash flow in accordance with DVFA/SG	-301	-827
Adjustment to income from financial assets and taxes (excl. deferred taxes)	11.054	10.044
Profit/loss from sale of fixed assets	0	0
Increase/decrease in receivables and other assets	-11.885	25.470
Increase /decrease in accounts payable and other liabilities (excluding financial liabilities)	-382	-18.470
Interest paid/received from operating activities	-8.876	-8.028
Income tax paid	-978	-854
Cash flow from operating activities	-11.368	7.335
Payments made for investments in properties held as financial investments	-12	0
Proceeds from sale of properties held as financial investments	0	1.473
Payments for investments in intangible assets	-1	-76
Proceeds from sale of intangible assets	0	3
Payments for investments in fixed assets	-1.699	-306
Proceeds from sale of fixed assets	50	26
Payments made for investments in financial assets	-10	-22
Proceeds from sale of financial assets	0	2
Payments for acquisition of consolidated companies	0	-16.837
Interest paid/received for financial investments	-1.200	-1.162
Cash flow from investing activities	-2.872	-16.899
Proceeds from capital increases	4.150	0
Payments for repurchase of own shares	0	0
Raising/repayment of debt	10.393	-8.382
Cash flow from financing activities	14.543	-8.382
Net change in cash and cash equivalents	303	-17.946
Consolidation-related changes	1.698	-2.037
Cash and cash equivalents at the beginning of the period	9.622	40.809
Cash and cash equivalents at the end of the period	11.623	20.826

Business performance

Consolidated statement of equity changes

	Subscribed capital	Capital reserves	Revenue reserves	Unappr. profit	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
Consolidated earnings				-1.790		-1.790
Cash capital increase	500	3.650				4.150
6/30/2003	5.663	101.427	6.689	-8.245	0	105.534

Business performance

TAG Report on the first half of 2003 TAG Report on the first half of 2003

Segment reporting

	Railway infra- structure H1 2003 EUR 000s	Building manage- ment H1 2003 EUR 000s	Construct- ion activity H1 2003 EUR 000s	Reconcil- iation H1 2003 EUR 000s	Con solidated H1 2003 EUR 000s
External revenues	619	4.301	40.597	-80	45.437
<i>Previous year</i>	553	5.300	59.272	0	65.125
Internal revenues	0	467	156	-623	0
<i>Previous year</i>	0	356	315	-671	0
Revenues	619	4.768	40.753	-703	45.437
Segment earnings	15	884	-1.242	-1.161	-1.510
<i>Previous year</i>	106	1.274	-495	-3.190	-2.305
- of which earnings from associated companies	0	0	0	21	21
- of which depreciation/amortization	32	173	137	0	342
- of which interest income	0	1.418	530	-1.418	530
- of which interest expenses	-1	3.298	8.416	-1.109	10.604
- of which non-cash items	0	-397	-32	0	-429
Segment liabilities	1.283	113.525	401.829	-19.066	497.571
<i>Previous year</i>	1.169	112.009	374.469	-15.897	471.750
Segment assets	2.754	220.176	435.504	-45.902	612.532
<i>Previous year</i>	2.429	228.511	402.685	-52.450	581.175
-of which associated companies	0	0	0	2.233	2.233
Segment investments	0	1.639	71	0	1.710
<i>Previous year</i>	0	98	144	0	242
Employees*	11	53	81	0	145

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

Business performance

Notes

General information

The interim consolidated financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft (TAG) for the period ending June 30, 2003 have been prepared in accordance with the International Accounting Standards (IAS/IFRS - International Financial Reporting Standards (IFRS)) adopted by the International Accounting Standards Committee (IASC), now known as the International Accounting Standards Board (IASB) and their interpretations issued by the Standing Interpretations Committee (SIC/IFRIC - International Financial Reporting Interpretations Committee). 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 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.

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 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 was 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.

Business performance

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

July 8, 2003

120th annual general meeting in Curiohaus
in Hamburg

October 6 - 8, 2003

"EXPO Real" fair in Munich

October 23, 2003

3rd conference in listed property companies
in Frankfurt/M.

November 2003

Publication of the figures for the first nine
months of 2003

April 23, 2004

Publication of the annual financial statements
for fiscal 2003

Production credits



TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

TAG

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