



TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

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Interim report on the year to September 30, 2005

- **Third equity issue for 2005 placed in full and entered in the companies register**
- **Consolidated balance sheet cleaned up with full write-off of JUS AG's enterprise value of EUR 20 million**
- **Additional non-cash adjustments within JUS AG**
- **Revenues down as expected on account of reduced POC effects**
- **Equity capital widening to 20%**
- **Upbeat outlook for the 4th quarter thanks to new business**



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Dear shareholders and business associates,

Sentiment in the German economy brightened slightly again in the third quarter of 2005. TAG also had good news to report with the full placement of a further two cash equity issues in the third quarter of 2005. Accordingly, the Group's decision to focus solely on the German residential market has paid off. JUS AG failed to live up to expectations. In connection with the company's strategic realignment, its enterprise value was written off in full as a result of the annual impairment test. Consequently, goodwill has been removed from our balance sheet.

TAG stock

TAG stock is included in the Prime Standard and thus complies with the more stringent transparency and disclosure requirements. On a gratifying note, the stock was able to overcome the resistance at EUR 7.30 and, after spiking at EUR 9.19 on September 6, 2005, has stabilized at EUR 8.55. As of September 30, 2005, TAG stock was also trading at EUR 8.55, translating into market capitalization at that date of EUR 85.9 million, double the year-ago figure.

Bau-Verein zu Hamburg AG

The Bau-Verein Group generated revenues of EUR 47.9 million in the year to September 30, 2005, down from EUR 49.9 million in the year-ago period.

At EUR 3.9 million, personnel costs were unchanged over the previous year, with the same true of the net borrowing costs of EUR 9.1 million. Net loss for the sub-group contracted slightly from EUR 1.4 million in the previous year to EUR 1.1 million in the first nine months of 2005.

Total assets shrank from EUR 382 million on December 31, 2004 to EUR 376 million, resulting in an equity ratio of 22.2% for Bau-Verein zu Hamburg.

The reclassification of the company's share capital approved by the shareholders at the annual general meeting held on June 24, 2005 was entered in the companies register on September 19, 2005. As a result, Bau-Verein zu Hamburg AG's share capital of EUR 50,819,982 is now divided into 16,939,994 shares representing a fractional amount of EUR 3.00 per share instead of EUR 6.00 as before.

In September, two Bau-Verein zu Hamburg AG projects - Wedel an der Au and Gartenstadt Berlin-Zehlendorf-Süd - entered the marketing phase with the opening of the model apartments. As well as this, Bau-Verein zu Hamburg Gewerbeimmobiliengesellschaft mbH, a subsidiary of Bau-Verein zu Hamburg AG, sold land in Puchheim zoned for commercial use in September 2005. Bau-Verein zu Hamburg Gewerbeimmobiliengesellschaft mbH will be constructing an office and logistics building on this site with a total gross floor area of 5,100 m², which is to be used in the long term by a logistics company operating in the automotive components sector.

JUS AG

In the first nine months, the JUS Group generated revenues of EUR 12.9 million, down from EUR 24.5 million in the year-ago period. This substantial difference is due to the POC method applied in the previous year. It was not used in the period under review on account of the absence of new projects.

The number of contract signings dropped in line with projections as the Company is being realigned and no new properties were acquired.

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Personnel expenses rose from EUR 1.1 million to EUR 1.4 million for project-related reasons, although this trend will be reversed in 2006 with the adoption of the new strategy for the JUS Group.

Revaluation gains of EUR 2.5 million were achieved thanks to updated assessments of the value of the investment properties. Net borrowing costs contracted to EUR 3.8 million in the first nine months of 2005 due to a reduction in inventories, down from EUR 4.7 million in the same period one year earlier. In connection with the writeoff of JUS AG's enterprise value and the decision to focus on service business, additional non-cash adjustments were made to the balance sheet, resulting in charges of EUR 6.3 million on current assets.

As a result, the JUS Group's total assets shrank from EUR 173 million in the year-ago period to EUR 112 million as of September 30, 2005. Short-term liabilities were lowered from EUR 153 million to EUR 78 million.

In connection with the realignment to focus on the provision of services, negotiations concerning long-term projects are currently being conducted following the completion of the first transaction in November 2005.

Assets

Following the elimination of goodwill, the TAG Group's total assets are valued at EUR 507 million, down from EUR 620 million on September 30, 2004 and EUR 548 million on December 31, 2004. With equity standing at EUR 101 million, this translates into an equity ratio of 20 %. Properties for sale dropped from EUR 356 million on December 31, 2004 to EUR 322 million. Liabilities to banks were trimmed by EUR 18.7 million or 5.2 % compared with the same date one year earlier. In the first nine months of 2005, loan

liabilities were reduced by EUR 5.4 million at Bau-Verein and by EUR 10.6 million at JUS AG.

Revenues and earnings

The TAG Group's revenues declined from EUR 75.6 million one year ago to EUR 62.0 million in the first nine months of this year, equivalent to a drop of 17.9 %. Other operating income came to EUR 3.7 million (previous year: EUR 6.2 million). Net borrowing costs were reduced from EUR 14.0 million to EUR 13.2 million in the first nine months of 2005. Consolidated net loss for the first nine months of 2005 came to EUR 28.0 million, marking a swing away from the year-ago consolidated net profit of EUR 1.0 million.

Employees

On September 30, 2005, the TAG Group had 148 employees, down from 149 one year earlier. Mr. Olaf G. Borkers, a member of TAG's Management Board, left the company at his own request on September 30, 2005.

Mr. Michael Haupt, a member of the Management Board of TAG and JUS AG responsible for real estate, will be leaving the Company on December 31, 2005 at the expiry of his five-year contract.

Outlook

Bau-Verein and Austrian company Conwert AG, Vienna, agreed on a preliminary joint project in the German residential real estate market in November 2005. For this purpose, Conwert AG is to acquire a majority stake in one of Bau Verein's subsidiaries. This subsidiary will be acquiring 670 residential units from Bau-Verein's existing portfolio as well as further plots of land zoned for development for the purposes of long-term

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portfolio development. The transfer of these units will presumably have a favourable effect on Bau-Verein's revenues and operating earnings. Bau-Verein will be responsible for development, construction and the long-term management of this portfolio.

The Supervisory Boards of the companies involved have agreed to the joint activities. Looking forward, the subsidiary is to be developed into a straight residential property portfolio company and, following the completion of the planned activities, should have a portfolio of 1,100 units.

This will ensure financing for development projects and accelerate the equity turnover rate.

At the same time, JUS AG is arranging the sale of a package of residential properties to the same investor. Specifically, this entails over 2,000 units in five locations in Leipzig. Conwert AG has awarded JUS AG a contract for the modernization of apartments in accordance with the terms of an investment program.

This shows that the efforts to restructure JUS AG are already bearing fruit to a substantial degree. Negotiations are currently being conducted for further service projects, with an increasing volume expected for the future.

Given the focus on project finance with its reduced risk exposure in conjunction with a greater equity ratio and equity turnover rate, a basis for continued growth is being created.

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CONSOLIDATED BALANCE SHEET

ASSETS

		9/30/2005 EUR 000s	12/31/2004 EUR 000s
A.	<u>Fixed assets</u>		
I.	Investment properties	123,436	112,629
II.	Tangible assets	5,108	5,095
III.	Intangible assets	116	111
IV.	Goodwill	0	19,739
V.	Financial assets		
	Shares in associated companies	980	980
	Other financial assets	2,910	2,892
		<u>3,890</u>	<u>3,872</u>
B.	<u>Deferred taxes</u>	1,315	0
C.	<u>Current assets</u>		
I.	Land available for sale and other inventories		
	Land with unfinished and finished buildings	315.533	349.076
	Other inventories	6,751	6,845
		<u>322,284</u>	<u>355,921</u>
II.	Receivables and other assets		
	Trade receivables	23,137	37,687
	Receivables from construction orders	718	536
	Other assets	18.698	7,409
		<u>42,553</u>	<u>45,632</u>
III.	Cash and cash equivalents	8,668	4,795
D.	<u>Prepaid expenses</u>	62	105
		<u>507,432</u>	<u>547,899</u>

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CONSOLIDATED BALANCE SHEET

		EQUITY AND LI- ABILITIES	
		9/30/2005	12/31/2004
		EUR 000s	EUR 000s
<u>Shareholders'</u>			
A.	<u>equity</u>		
Equity attributable to shareholders in the parent company			
I.	Subscribed capital	10,045	6,229
II.	Capital reserve	107,831	83,180
III.	Revenue reserves	6,689	6,689
IV.	Accumulated deficit	-32,952	-4,864
Minority interests		9,319	9,588
		<u>100,932</u>	<u>100,822</u>
B.	<u>Long-term liabilities</u>		
	Liabilities to banks	94,180	88,707
	Pension provisions	2,468	2,467
	Other long-term liabilities	3,965	4,238
		<u>100,613</u>	<u>95,412</u>
C.	<u>Short-term liabilities</u>		
	Liabilities to banks	248,027	271,179
	Trade payables	17,524	33,905
	Tax provisions	730	1,042
	Other short-term liabilities	39,554	45,022
		<u>305,835</u>	<u>351,148</u>
D.	<u>Deferred taxes</u>	0	461
E.	<u>Deferred income</u>	52	56
		<u>507,432</u>	<u>547,899</u>

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CONSOLIDATED INCOME STATEMENT

	9 M 2005 EUR 000s	9 M 2004 EUR 000s	Q 3 2005 EUR 000s	Q 3 2004 EUR 000s
Revenues	62,035	75,627	26,231	29.297
Other operating income	3,700	6,221	1,112	356
Other own work capitalized	707	347	657	116
Cost of materials	-50,736	-52,899	-26,046	-23.308
Personnel expenses	-6,633	-6,256	-2,095	-2.072
Other operating expenses	-10,857	-10,579	-4,839	-3.358
EBITDA	-1.784	12,461	-4,980	1,031
Amortization and depreciation (excluding goodwill)	-517	-443	-270	-155
Revaluation of investment properties	5,698	2,286	2,548	1.125
EBITA	3.397	14,304	-2,702	2,001
Goodwill amortization	-19,739	0	-19,739	0
EBIT	-16.342	14,304	-22,441	2,001
Net income from investments	0	32	0	-2
Net income from associated companies	0	0	0	0
Net income from financial assets	-13,197	-14,069	-4,529	-4.532
EBT	-29.539	267	-26,970	-2,533
Income taxes	1,154	715	-10	733
Minority interests	297	58	147	-90
Consolidated net profit/loss	-28,088	1,040	-26,833	-1,890
Earnings per share (EUR), basic	-4.12	0.17	-3.94	-0.31

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CONSOLIDATED CASH FLOW STATEMENT

	9 M 2005 EUR 000s	9 M 2004 EUR 000s
Consolidated earnings	-28,088	1,040
Amortization excluding goodwill	517	443
Changes in the value of investments/associated companies	0	0
Goodwill amortization	19,739	0
Changes in value of properties held as investments	-5,698	-2,286
Increase in other long-term liabilities (excluding financial liabilities)	-541	-100
Increase/decrease in deferred tax liabilities	-1,776	-921
Cash flow in accordance with DVFA/SG	-15,847	-1,824
Profit/loss from disposal of fixed assets	9	7
Increase/decrease in receivables and other assets	31,431	10,311
Increase /decrease in accounts payable and other liabilities (excluding financial liabilities)	-22,165	14,499
Cash flow from operating activities	-6,572	22,993
Payments made for investments in properties held as investments	0	-4,978
Payments made for investments in intangible assets	0	-21
Proceeds from sale of intangible assets	0	0
Payments made for investments in tangible assets	-343	-189
Proceeds from sale of tangible assets	0	8
Payments made for investments in financial assets	0	-12
Proceeds from sale of financial assets	0	0
Payments made for acquisition of consolidated companies	0	0
Cash flow from investing activities	-343	-5,192
Payments received from equity issues and sale of own shares	28,467	4,396
Raising/repayment of debt	-17,679	-6,484
Raising/repayment of other financial liabilities	0	0
Cash flow from financing activities	10,788	-2,088
Net change in cash and cash equivalents	3,873	15,713
Consolidation-related changes	0	-924
Cash and cash equivalents at the beginning of the period	4,795	17,460
Cash and cash equivalents at the end of the period	8,668	32,249

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CONSOLIDATED STATEMENT OF EQUITY CHANGES

	Subscribed capital	Capital reserves	Revenue reserves	Unappr. loss	Minority interests	Total
	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s	EUR 000s
01.01.2004	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
31.12.2004	6,229	83,180	6,689	-4,864	9,588	100,822
Consolidated earnings				-28,088	-269	-28,357
Cash capital increase	3,816	23,962				27,778
Miscellaneous		689				689
30.09.2005	10,045	107,831	6,689	-32,952	9,319	100,932

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CONSOLIDATED SEGMENT REPORTING

	Railway infra- structure 9 M 2005 EUR 000s	Building manage- ment 9 M 2005 EUR 000s	Construct- ion activity 9 M 2005 EUR 000s	Recon- ciliation 9 M 2005 EUR 000s	Con- solidated 9 M 2005 EUR 000s
External revenues	939	8,135	53,021	-60	62,035
<i>Previous year</i>	952	7,850	66,885	-60	75,627
Internal revenues	0	728	540	-1,268	0
<i>Previous year</i>	0	865	765	-1,630	0
Revenues	939	8,863	53,561	-1,328	62,035
<i>Previous year</i>	952	8,715	67,650	-1,690	75,627
Segment earnings	2,020	3,512	-13,565	-21,506	-29,539
<i>Previous year</i>	1,256	3,265	-3,958	-296	267
- of which earnings from associated companies	0	0	0	0	0
- of which depreciation/amortization	-40	-362	-98	-17	-517
- of which interest income	0	2,362	201	-2,077	486
- of which interest expenses	0	-5,167	-10,002	1,486	-13,683
- of which non-cash	1,700	-998	-6,309	-17,910	-23,517
Segment liabilities	243	107,980	323,437	-25,160	406,500
<i>Previous year</i>	461	95,236	420,081	-1,858	513,920
Segment assets	5,313	207,848	347,313	-53,042	507,432
<i>Previous year</i>	3,798	197,868	437,819	-19,435	620,050
-of which associated companies	0	0	0	0	0
Segment investments	297	30	16	0	343
<i>Previous year</i>	0	3,667	58	15	3,740

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Notes

General information

The interim consolidated financial statements of TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft (TAG) for the period ending September 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. Exceptions are formed by the revised accounting rules obligatory as of January 1, 2005 (IAS Improvement Project).

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.

Restatement of previous year's figures

Deferred tax assets and liabilities have been netted for the first time in this interim report. The previous year's figures have been restated accordingly.

Material transactions

In July and September 2005, two cash capital increases were executed with the issue of 2,282,975 and 913,000 new ordinary bearer shares, respectively. These transactions were entered in the companies register on September 8 and 29, 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. These shares were then sold in the capital market.

Business performance

Following an impairment test in accordance with IAS 36, the enterprise value of JUS has been adjusted. As a result, the enterprise value of EUR 17.9 million has been written off in full on a non-scheduled basis. Further charges of EUR 1.8 million have been taken on enterprise values carried in JUS AG's sub-group financial statements, resulting in total adjustments to enterprise value of EUR 19.7 million. Additional adjustments and book losses in connection with inventories and receivables carried on JUS AG's sub-group financial statements resulted in charges of around EUR 6.3 million.

In order to reduce interest expenditure, related parties who are 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. The resultant proceeds were taken to the income statement accordingly and shown under other operating income. Compared with the previous year, this also includes the reduction of EUR 5.1 million in the purchase price agreed upon with the former holders of Bau-Verein shares.

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

Bau-Verein and Austrian company Conwert AG, Vienna have agreed on a preliminary joint project in the German residential real estate market. For this purpose, Conwert AG is to acquire a majority stake in one of Bau Verein's subsidiaries. This subsidiary will be acquiring 670 residential units as well a further plots of land zoned for development for the purposes of long-term portfolio development. Bau-Verein will be responsible for development, construction and the long-term management of this portfolio.

Other details

As of September 30, 2005, the Group has contingent liabilities of EUR 9.2 million and other financial obligations of EUR 7.7 million.

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

October 26, 2005

Conference “Real Estate Share Initiative” in Frankfurt/M.

November 2005

Publication of the figures for the first nine months of 2005

April 2006

Publication of the annual financial statements for fiscal 2005

May 2006

Annual press conference, analyst conference for 2006

Publication of report for the first quarter of fiscal 2006

Statutory disclosures



TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft

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