


ANNUAL REPORT 2022

GROWING CASHFLOWS

TAG Immobilien AG

GROUP FINANCIALS

in EUR m

Income statement key figures	2022	2021	2020
Rental income (net rent)	339.9	333.1	322.5
EBITDA (adjusted) Germany	233.5	226.1	222.3
EBITDA (adjusted) Poland	80.8	13.2	12.6
Consolidated net profit	117.3	585.6	402.6
Result from operations in Poland	59.3	6.7	9.1
FFO I per share in EUR	1.19	1.24	1.18
FFO I	189.4	182.0	172.6
FFO II per share in EUR	1.56	1.29	1.51
FFO II	247.3	188.8	221.9

Balance sheet key figures	12/31/2022	12/31/2021	12/31/2020
Total assets	8,214.6	7,088.6	6,478.0
Equity	3,307.7	3,129.5	2,681.5
LTV in %	46.7	43.2	45.1

Portfolio data	12/31/2022	12/31/2021	12/31/2020
Units Germany	86,914	87,576	88,313
Units Poland (completed rental apartments)	1,153	361	0
Sold units Poland	1,751	412	509
Handovers in Poland	3,510	575	719
GAV (real estate volume in total) in EUR m	7,481.4	6,735.3	5,984.4
GAV Germany (real estate volume) in EUR m	6,328.8	6,387.4	5,834.3
GAV Poland (real estate volume) in EUR m	1,152.6	347.9	150.1
Vacancy in % (total, Germany)	4.8	5.7	5.6
Vacancy in % (residential units, Germany)	4.4	5.4	4.5
l-f-l rental growth in % (Germany)	1.5	1.5	1.4
l-f-l rental growth in % (incl. vacancy reduction, Germany)	2.7	1.3	1.5

EPRA Key figures	12/31/2022	12/31/2021	12/31/2020
EPRA Earnings per share in EUR	1.08	1.01	1.03
EPRA NTA per share in EUR	20.74	25.54	21.95
EPRA Net Initial Yields in %	4.2	3.9	4.5
EPRA Vacancy Rate in %	4.4	5.6	6.0
EPRA Cost Ratio (incl. vacancy costs) in %	30.3	31.9	31.1
EPRA Cost Ratio (excl. vacancy costs) in %	27.6	29.1	28.4
EPRA Loan to Value in %	47.6	43.5	-

Employees	2022	2021	2020
Number of employees	1,739	1,390	1,354

Capital market data	
Market cap at 12/31/2022 in EUR m	1.062
Share capital at 12/31/2022 in EUR	175,489,025
WKN/ISIN	830350/DE0008303504
Number of shares at 12/31/2022 (issued)	175,489,025
Number of shares at 12/31/2022 (outstanding, without treasury shares)	175,441,591
Free Float in % (without treasury shares)	99.97
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FOREWORD

FOREWORD BY THE MANAGEMENT BOARD

Dear Shareholders,
Ladies and Gentlemen,

The 2022 financial year was not an easy year for our shareholders. A 75% drop in TAG's share price, a rights issue carried out at a significant discount to the EPRA NTA, and the suspension of a dividend payment for the 2022 financial year proposed by the Management Board and Supervisory Board clearly illustrate this.

And yet from an operational point of view, we had an extremely successful year. In the German real estate portfolio, we clearly exceeded our targets for growth in rents and vacancy reduction, and achieved better results than we have in a long time. In Poland, we continuously generated profits and liquidity inflows through sales of apartments despite the most adverse market conditions. The Polish rental market is booming, which is impressively demonstrated by the results we achieved in our portfolio of rental apartments, which is still being built out. We met our forecasts for FFO I and FFO II, and the outlook is very positive in both markets as well: a strong population influx and a shortage of new construction will continue to ensure strong demand for apartments in the years to come.

Our two Polish subsidiaries Vantage Development S.A. (Vantage) and ROBYG S.A. (ROBYG) were merged into a single organisation in 2022. The two companies will remain legally separate in order to position Vantage as a platform for the rental business and ROBYG as a unit for sales and construction activities. However, both companies are under the same management and do business as a unified organisation to ensure the attendant synergies. It is particularly gratifying that the management consists of professionals who have worked for Vantage and ROBYG for many years, thus maintaining continuity and securing extensive market expertise. This was an important step for us, as Poland will continue to be a focus of our investment in the future.

2022 will also be remembered as the year in which the economic environment underwent a significant and negative change. The capital markets were impacted by sharply rising interest rates. In addition to the increase itself, both the speed of the interest rate rise and the future outlook, which is fraught with further uncertainties, caused great uncertainty here. For real estate companies, sharply falling share prices and rapidly rising yields on corporate bonds were the result. And the changes were not limited to the capital markets. The transaction market for German real estate was also weaker than it had been for many years. Investors showed increasing restraint as the year progressed. Here too, especially in the residential segment, the cause was less a doubt about future operating performance than uncertainty about future interest rates.

The changes in the economic environment and sharply increased interest rates hit us in 2022 at a moment when extensive financing measures were necessary for TAG due to the acquisition of ROBYG, which closed on 31 March 2022. Therefore, we had to react and, with the rights issue and the proposed dividend suspension, we strengthened our equity to such an extent that no further capital measures are necessary. In Poland, we have adjusted our investments for new rental projects so that initially only the projects currently under construction will be completed, and new projects will be put on hold. Thanks to this measure and the already strong sales business, we have already succeeded in bringing business activities in Poland to cash flow neutrality in financial year 2023. From FY 2024 onwards, liquidity surpluses can be expected, which can then also be used again for the construction of new rental apartments. Significant successes were also reported in the area of debt financing. In the German portfolio, refinancing and new bank loans were concluded, resulting in a liquidity inflow of EUR 209m; promissory note loans in Germany and corporate bonds in Poland were issued in a total amount of EUR 108m.

We also made progress with property sales in Germany, especially towards the end of the financial year. Overall, the sales were made at book value, and at the end of the year deliberately with moderate price concessions, i.e. slightly below the current book values, in order to generate demand in a currently difficult transaction market. After the reporting date, sales in the order of magnitude of the last few months of the year have also been realised or are imminent. Now that the last refinancing measures are complete, sales in Germany will only be continued on an opportunistic basis, so the future required sales volume is limited.

Claudia Hoyer (COO)

Martin Thiel (CFO)

All these measures not only significantly reduced the bridge facility from the acquisition of ROBYG, but also fully refinanced all our financial liabilities due for repayment in 2023. After the remaining EUR 250m of the bridge facility is repaid from further property sales and additional bank loans in Germany, there will no longer be any significant capital market liabilities in the next three years.

We are thus very close to our goal of having freed TAG from all major refinancing tasks in a challenging and difficult market environment. We see TAG's strategy of generating strong cash flows from a high-yield portfolio as the right way forward, especially in this challenging environment of sharply rising interest rates, and we will continue to pursue this strategy systematically.

We would like to thank you, dear shareholders, for your confidence in us, especially in this difficult environment. We firmly believe that the strong cash flow of our business compared to the rest of the sector and our strategic positioning, which combines the stability of the German residential market with attractive growth prospects in Poland, will also lead to better times for TAG's shares on the capital market.

At this point, we would also like to thank our entire team, both in Germany and in Poland, who delivered a great performance again in 2022 with their dedication and many years of experience and expertise.

With kind regards,

Claudia Hoyer
COO

Martin Thiel
CFO

BOARD REPORT

REPORT OF THE SUPERVISORY BOARD FOR THE 2022 FINANCIAL YEAR

**Dear Shareholders,
Ladies and Gentlemen,**

The economic environment in 2022 was anything but easy. Sharply rising energy prices, high inflation and rapidly rising interest rates led to a significant fall in share prices on the capital markets, especially in the case of residential real estate, and made financing conditions much more difficult. TAG's business model, which focuses on high yielding real estate portfolio in Germany as well as in Poland, and which offers affordable housing in Germany even in economically difficult times, proved to be robust even under these challenging conditions.

The total residential portfolio in Germany as at 31 December 2022 comprises around 86,900 units. There were no significant acquisitions or sales in the past financial year, so the portfolio remained largely constant. In Poland, on the other hand, we have made a significant investment with the acquisition of ROBYG S.A. to secure further attractive growth opportunities for our shareholders in the medium and long term, in addition to the German core market. This Investment took effect on 31 March 2022.

Collaboration with the Management Board and monitoring of the Company's management

In FY 2022, the Supervisory Board fulfilled with great diligence the duties imposed on it by law, the Company's articles of association, the German Corporate Governance Code (both in the version dated 20 March 2020 (the '2020 Code') and 27 June 2022 (the '2022 Code'), jointly the 'Code') and the rules of procedure. It regularly advised the Management Board in the discharge of its duties and monitored its activities. It was also directly involved at an early stage in all decisions of fundamental importance for the Company. The Management Board reported regularly, promptly and comprehensively on all issues of relevance for corporate planning and strategic development. The Management Board's reports covered the financial position and profitability of TAG and the TAG Group's companies, its business progress, the internal control system, the risk situation and risk management, compliance and sustainability matters. The reports were submitted in writing as well as orally. The Management Board was in regular contact with the Chairman of the Supervisory Board to consult on major business matters. This was particularly true of the equity issue of EUR 202m completed in July 2022.

Composition and organisation of the Supervisory Board

The Chairman of the Supervisory Board is Mr Rolf Elgeti. Mr Lothar Lanz is his deputy. Only Mr Elgeti is a former member of the Company's Management Board, having served on it until 31 October 2014. The members of the Supervisory Board possess the knowledge, skills and professional experience required for the proper exercise of their duties. As the respective areas of expertise held by individual members are mutually complementary, the Supervisory Board in its entirety and diversity is in a position to comprehensively fulfil its tasks. The Supervisory Board performs its monitoring and advisory duties in accordance with the law, the articles of association, the Code and the rules of procedure. It regularly reviews the effectiveness of the performance of its duties at its meetings.

It has established an Audit Committee and a Personnel Committee.

The Audit Committee reviews the documents for the year-end financial statements and the consolidated financial statements and prepares the adoption and approval of these documents and of the Management Board's proposal for the appropriation of net profit. The Committee discusses with the Management Board the principles of compliance, the risk management system and the adequacy and efficiency of the internal control system. The Audit Committee's duties also include preparing the election of the external auditor by the shareholders at the Annual General Meeting and reviewing the required independence. The members of the Audit Committee possess accounting and auditing expertise. Mr Lanz, the chairman of the Committee, has expertise in auditing, among other things, while Mr Elgeti has expertise in accounting, among other things. The expertise in both areas encompasses reporting on sustainability issues, including the review of such reports.

The Personnel Committee, which also serves as a Nominating Committee, is responsible for all personnel matters relating to the Supervisory Board and the Management Board, the conclusion and content of contracts with the members of the Management Board and related matters, including fixed and variable renumeration. In addition, the Personnel Committee selects suitable candidates for the Supervisory Board for its election proposals for submission to the shareholders at the Annual General Meeting.

The composition of the Supervisory Board and its committees is as follows:

	Supervisory Board	Audit Committee	Personnel Committee
Rolf Elgeti	Chairman	Member	Chairman
Lothar Lanz	Deputy Chairman	Chairman	Member
Prof. Dr. Kristin Wellner	Member	Member	-
Dr. Philipp K. Wagner	Member	-	Member
Harald Kintzel	Member	-	-
Fatma Demirbaga-Zobel	Member	-	-

Meetings of the Supervisory Board

At a total of one meeting in person and seven video conferences, the Supervisory Board was informed of the progress of the Group's business and discussed subjects and matters requiring its approval together with the Management Board. Resolutions were passed on ten matters by e-mail outside of the meetings. The following table shows the attendance record of the Supervisory Board members in the financial year under review

Meeting attendance by Supervisory Board members in 2022	14 Mar	20 Apr	12 May	5 July	7 July	16 Sept	18 Nov	21 Nov
Rolf Elgeti	x	x	x	x	x	x	x	x
Lothar Lanz	x	-	x	x	x	x	x	x
Prof. Dr. Kristin Wellner	x	x	x	x	x	x	x	x
Dr. Philipp K Wagner	x	x	x	x	x	x	x	x
Harald Kintzel	x	x	x	x	x	x	x	x
Fatma Demirbaga-Zobel	x	x	x	x	x	x	x	x

Attendance of meetings of the Audit Committee in 2022	17 Feb	14 Mar	16 Sept	18 Nov
Rolf Elgeti	x	x	x	x
Lothar Lanz	x	x	x	x
Prof. Dr. Kristin Wellner	x	x	x	x

Attendance of the meetings of the Personnel Committee in 2022	16 Nov
Rolf Elgeti	x
Lothar Lanz	x
Dr. Philipp K. Wagner	x

At its meeting on 14 March 2022 to approve the financial statements, the Supervisory Board dealt in detail with the annual financial statements and the consolidated financial statements for 2021 as well as the results of the external audit. Subsequently, it approved these financial statements. The auditors attended the meeting in person and discussed the results of the audit in detail with the Supervisory Board. At this meeting, the Supervisory Board and the Management Board also dealt at length with the proposals and the preference expressed by the Audit Committee in connection with the necessary change of auditor. The Supervisory Board also adopted the items of the agenda for resolution at the Annual General Meeting scheduled for 13 May 2022. Another key topic was the imminent closure of the transaction for the acquisition of all the shares in ROBYG S.A. and the funding of the purchase price.

At the meeting on 20 April 2022, the Management Board presented TAG's sustainability report for 2021, which was duly approved by the Supervisory Board.

In addition to the Management Board's report on the Group's business performance, the main item on the agenda of the meeting on 12 May 2022 was the funding of the purchase price for the acquisition of ROBYG S.A. The Supervisory Board also dealt with the 2021 compliance report.

At its meetings of 5 and 7 July 2022, the Supervisory Board deliberated on the funding of the purchase price for the acquisition of all the shares in ROBYG S.A. and the capital increase with subscription rights finally carried out in this context.

Among other things, the meeting held on 16 September 2022 covered the situation regarding the sales of the German real estate portfolio and potential candidates for the election of the shareholders' representatives on the Supervisory Board at the Annual General Meeting in 2023. The compliance report for 2021 was also considered.

The main focus of the meeting on 18 November 2022 was the report of the Management Board on the results for the third quarter and the outlook for 2022 as well as the budget for the period from 2023 to 2025. The budget was unanimously approved.

At its meeting on 21 November 2022, the Management Board discussed with the Supervisory Board the distribution of a dividend for 2022. The Supervisory Board unanimously decided not to propose any dividend payment to the Annual General Meeting, at which a resolution is passed on the appropriation of profits for 2022.

Work of the Audit Committee

In the year under review, the Audit Committee discussed with the statutory auditor the audit risk, the audit strategy and the audit plan as well as the audit results. The Committee Chairman maintained regular contact with the auditor, and continues to do so, on such matters as the progress of the audit. The Audit Committee held four meetings in the year under review. At its meeting on 17 February 2022, two auditing companies presented themselves as a new statutory auditor was required. In this context, the main agenda item of the meeting on 14 March 2022 was the review of the Management Board's report on the selection procedure. The interim financial statements for the first half of 2022, the budget and the main aspects of the audit for 2022 were the primary subjects of the meeting held on 16 September 2022. On 18 November 2022, the Audit Committee and the entire Supervisory Board held a joint meeting. From the point of view of the Audit Committee, the main items discussed at the meeting were the auditor's report on the current status of the audit, the report by the Management Board on the third-quarter results, among other things, and the outlook for the 2022 annual results and the planning for the years 2023 to 2025.

Statutory auditor for 2022

The Supervisory Board engaged Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, which had been elected by the shareholders at the Annual General Meeting on 13 May 2022, to audit the annual financial statements and the consolidated financial statements of TAG Immobilien AG for the year ending 31 December 2022.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft is auditing the annual and consolidated financial statements of TAG Immobilien AG for 2022 for the first time.

Approval of the annual financial statements and the consolidated financial statements

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, audited the annual financial statements and the Company's management report prepared in accordance with German commercial law, as well as the consolidated financial statements, including the Group management report for 2022, which were prepared in accordance with the International Financial Reporting Standards (IFRS). An unqualified audit opinion was provided in both cases.

The financial statements and audit reports were circulated to all members of the Supervisory Board in a timely manner and discussed in detail at the meeting on 13 March 2023, after the Audit Committee had already dealt with the results in detail and discussed them with the external auditor prior to this meeting and during the audit procedure. Representatives of the external auditor also attended the meeting of 13 March 2023, during which they elaborated on their report and were available to answer any questions of the Supervisory Board. The auditor additionally confirmed that the risk early detection system which had been installed by management was suitable for detecting in good time any developments liable to jeopardise the Company's going-concern status.

The Supervisory Board accepted the external auditor's results and, on the basis of its own review of the annual financial statements and the consolidated financial statements together with the respective management reports, did not raise any objections. Accordingly, the annual financial statements and the consolidated financial statements prepared by the Management Board were duly approved and accepted by the Supervisory Board.

Corporate governance

The Supervisory Board and the Audit Committee monitor management's compliance with the principles of good corporate governance. There were no conflicts of interests with the members of the Supervisory Board.

No member of the Management Board or the Supervisory Board has received or granted loans from or to TAG Immobilien AG or any of its subsidiaries.

The Company does not follow recommendation C.5 of the 'code' under which a member of the Supervisory Board who is also a member of the Management Board of a listed company may not hold more than two Supervisory Board mandates and may not accept the chairmanship of Supervisory Boards of non-group listed companies. The Chairman of the Company's Supervisory Board, Mr. Rolf Elgeti, exceeds the recommended maximum number of mandates.

Due to the expected increase in the time required for consolidation accounting as a result of the integration of ROBYG S.A., Code recommendation F.2, under which mandatory interim financial information is to be published within 45 days of the end of the period to which it refers, was not followed. The interim reports for the first and third quarters of 2022 as well as the interim report for the first half of 2022 were not published within the recommended period. It is intended to adopt recommendation F.2 of the Code again as of the first quarter of 2023.

The declaration in accordance with Section 161 of the German Stock Corporation Act was adopted for 2021 at the Supervisory Board's December meeting and updated by electronic resolution on 22 February 2022 with regard to compliance with recommendation F.2 of the Code. All other Code recommendations were fully followed in 2022. With the exception of recommendation C.5, the recommendations of the 2022 Code have been complied with since the beginning of 2023 and, with the exception of recommendation C.5, they are to be followed in full in the current year.

Vote of thanks to the staff

The Supervisory Board would like to commend and thank all employees, whose strong commitment and dedication made the Group's favourable business performance and continued growth possible in the first place, as well as the Management Board, for their good work under the difficult underlying conditions in the year under review.

Hamburg, March 2023

For the Supervisory Board:

Rolf Elgeti
Chairman of the Supervisory Board

EPRA

EPRA REPORTING

TAG Immobilien AG has been a member of EPRA (European Public Real Estate Association), a non-profit organisation representing listed European real estate companies, since 2001. EPRA regularly publishes best practice recommendations for financial reporting and for calculating certain performance indicators. Although TAG's internal management process is currently not based on EPRA figures, we are publishing below the figures and calculations prepared in accordance with the latest EPRA best practice recommendations (http://www.epra.com/finance/financial-reporting/guidelines) for information purposes. In doing so, TAG is actively supporting EPRA's initiative for uniform accounting and improved comparability of real estate companies' financials.

EPRA earnings

EPRA earnings are used to measure operating earnings from the letting of real estate. EPRA earnings per share are calculated on the basis of the weighted number of outstanding shares.

in EUR m	2022	2021
Net income Germany	**74.3**	**567.7**
Fair value changes in investment properties and valuation of properties held as inventory	97.3	-525.0
Deferred income taxes	-16.6	105.9
Deferred income taxes on valuation result	1.4	-0.1
Cash taxes on net revenues from sales	0.0	0.0
Fair value gains and losses on derivative financial instruments	15.6	-2.7
Deferred income taxes	-0.2	3.6
Breakage fees from the early repayment of bank loans	1.2	0.0
Cash dividend payments to minorities	-1.2	-1.3
EPRA earnings	**171.8**	**148.1**
Deferred income taxes (other than on valuation result)	30.1	17.1
Other non-cash financial results	-29.3	2.2
Non-recurring effects (Provisions for property transfer tax risks)	7.3	5.8
Depreciation/amortisation	9.4	8.7
Cash taxes on net revenues from sales	0.0	0.0
Adjusted EPRA earnings (FFO I)	**189.4**	**182.0**
Weighted number of shares (outstanding, in thousands)	158,900	146,358
EPRA Earnings per share in EUR	**1.08**	**1.01**
Adjusted EPRA Earnings (FFO I) per share in EUR	**1.19**	**1.24**
Interest expense convertible bond	0.0	0.1
EPRA Earnings, diluted*	**171.8**	**148.2**
Weighted average number of shares in TEUR, diluted	158,900	147,101
EPRA Earnings per share in EUR, diluted*	**1.08**	**1.01**

* Taking into account effects from the potential conversion of the convertible bonds issued as well as potential shares from the Management Board remuneration.

As is the case with funds from operations (FFO I), which are reported here as ‘adjusted EPRA earnings’, net gains and losses from changes in fair value and profits and losses from sales are eliminated from IFRS consolidated earnings. In contrast to the calculation of FFO I, not all deferred income taxes are eliminated from EPRA earnings. This means, for example, that the utilisation and impairment of deferred income taxes recognised on unused tax losses are deducted in full from EPRA earnings despite their non-cash nature but are eliminated from FFO I. Similarly, non-recurring special effects and depreciation are deducted from EPRA earnings, while they are adjusted out of FFO I.

EPRA NAV performance indicators

EPRA distinguishes between three different net asset value (NAV) ratios, which are intended to represent different scenarios for real estate companies. Different adjustments are made for this purpose depending on different investment strategies of a company using equity as the measure of its net assets.

The EPRA Net Reinstatement Value (EPRA NRV) assumes that a holding strategy is being pursued and essentially represents the reconstruction value of the real estate portfolio. Accordingly, transaction costs deducted as part of the real estate valuation under IFRS are added back, as are hidden reserves, after deferred tax effects and minorities, in the real estate held as fixed assets or inventories and valued at historical cost. An adjustment is also made for deferred taxes on real estate assets and for derivative financial instruments including deferred tax effects that are not expected to be realised in current business operations.

EPRA Net Tangible Assets (EPRA NTA) is based on the assumption that regular purchase and sale transactions are carried out and that deferred taxes are also realised on a pro rata basis. Therefore, an adjustment is made solely for deferred taxes on the strategic core portfolio within investment properties. As with EPRA NRV, hidden reserves in real estate assets are taken into account and derivative financial instruments after deferred tax effects are corrected. In addition, this strategy disregards intangible assets including goodwill.

EPRA Net Disposal Value (EPRA NDV) reflects the strategy of selling the real estate portfolio and thus requires the inclusion of deferred taxes and derivative financial instruments at their fair value, as well as other financial liabilities that would be settled under this strategy. Goodwill is excluded, but intangible assets continue to be recognised.

The ratios are calculated as follows as of the reporting date:

in EUR m	EPRA NRV 12/31/2022	EPRA NTA 12/31/2022	EPRA NDV 12/31/2022
Equity (without non-controlling interest)	**3,198.5**	**3,198.5**	**3,198.5**
Deferred taxes on investment properties and derivative financial instruments	693.9	638.6	0.0
Fair value of derivative financial instruments	-6.1	-6.1	0.0
Difference between fair value and book value of properties valued at cost	74.1	74.1	74.1
Goodwill	0.0	-261.3	-261.3
Intangible assets	0.0	-4.9	0.0
Difference between fair value and book value of financial liabilities	0.0	0.0	98.7
Transaction costs (e.g. real estate transfer-tax)	519.8	0.0	0.0
EPRA Metrics (diluted)	**4,480.2**	**3,638.9**	**3,110.0**
Number of shares outstanding (diluted, in '000)	175,442	175,442	175,442
EPRA metrics per share (diluted)	**25.54**	**20.74**	**17.73**

in EUR m	EPRA NRV 12/31/2021	EPRA NTA 12/31/2021	EPRA NDV 12/31/2021
Equity (without non-controlling interest)	**3,039.7**	**3,039.7**	**3,039.7**
Deferred taxes on investment properties and derivative financial instruments	682.4	653.8	0.0
Fair value of derivative financial instruments	16.6	16.6	0.0
Difference between fair value and book value of properties valued at cost	51.2	51.2	51.2
Goodwill	0.0	-18.3	-18.3
Intangible assets	0.0	-4.9	0.0
Difference between fair value and book value of financial liabilities	0.0	0.0	-22.2
Transaction costs (e.g. real estate transfer-tax)	541.8	0.0	0.0
EPRA Metrics (diluted)	**4,331.7**	**3,738.2**	**3,050.5**
Number of shares outstanding (diluted, in '000)	146,380	146,380	146,380
EPRA metrics per share (diluted)	**29.59**	**25.54**	**20.84**

All NAVs are calculated on a fully diluted basis. As in the previous year, the outstanding convertible bond 2020/2026 is 'not in the money'. Accordingly, it was not necessary to take account of any dilution effects.

For the calculation of the NTA, deferred income taxes are taken into account as follows

	2022			2021		
	fair Value in EUR m	share of total portfolio	share of deferred tax corrections	fair Value in EUR m	share of total portfolio	share of deferred tax corrections
Strategic core portfolio	6,223.3	92%	100%	6,336.8	96%	100%
Other portfolio including properties held for sale	534.0	8%	0%	275.6	4%	0%

EPRA NET INITIAL YIELD

EPRA net initial yield is the ratio between the annualised annual net rental income less non-rechargeable ancillary costs, maintenance costs and adjustments for rental incentives, on the one hand, and the fair value of the entire real estate holdings including the transaction costs deducted from the measurement of the fair value of the real estate assets, on the other hand. As TAG is a lessor of residential real estate, EPRA net initial yield also equals the 'topped-up' EPRA net initial yield as rent-free periods play only a very minor role in this business model.

in EUR m	12/31/2022	12/31/2021
Market value of total real estate assets	6,328.8	6,735.3
Transaction costs deducted	519.8	523.8
Market value of total real estate assets (gross)	**6,848.6**	**7,259.1**
Annualised net annual rental income on the reporting date	340.6	335.8
Maintenance expenses	-37.1	-38.8
Non-rechargeable ancillary expenses	-7.7	-7.0
Operating costs of vacant real estate	-9.3	-9.2
Net rental income after non-rechargeable costs	**286.6**	**280.8**
Adjustments for rental incentives (rent-free periods)	0.0	0.0
Rental after non-rechargeable ancillary costs, maintenance expenses and rental incentives	**286.6**	**280.8**
EPRA net initial yield (%)	**4.2%**	**3.9%**
EPRA 'topped-up' net initial yield (%)	**4.2%**	**3.9%**

EPRA VACANCY RATE

The EPRA vacancy rate is the ratio between the net rental income of the vacant units as of the reporting date and the current net rental income on the entire portfolio. Vacancies arising from protracted project development activities are excluded from the calculation of the EPRA Vacancy Rate.

in EUR m	12/31/2022	12/31/2021
Expected rental income in December	29.6	29.6
Rental income lost as a result of vacancies in December	1.3	1.7
EPRA vacancy rate (%)	**4.4%**	**5.6%**

EPRA COST RATIO

The EPRA cost ratios measure the ratio between rental and administration expenses (with and without vacancy costs allowing for any opposing operating income and eliminating non-recurring effects) and total rental income for the year in question. This is a key metric to enable meaningful measurements to be made of the changes in a Company's operating costs. As rental business in Poland only commenced in June 2021 with the completion of the first projects and therefore had no significant influence on the rental income achieved as of the reporting date, only expenses for Germany are reported for 2022, as in the previous year.

in EUR m	2022	2021
Rental expenses (non-rechargeable)	56.9	57.8
Impairment losses (rental business)	4.9	3.9
Net income from property services	-27.9	-26.3
Other operating income	-4.1	-3.4
Personnel expenses	55.6	57.1
Other operating expense	25.6	23.0
Non-recurring effects	-7.3	-5.8
EPRA costs incl. vacancy costs	**130.8**	**106.3**
Vacancy costs	9.3	9.2
EPRA costs excl. vacancy costs	**94.5**	**97.1**
Rental income (net rent)	339.9	333.1
EPRA costs ratio incl. vacancy costs in %	**30.5%**	**31.9%**
EPRA costs ratio excl. vacancy costs in %	**27.8%**	**29.1%**

Investment properties are initially recognised at historical cost including transaction costs. Borrowing costs in connection with the acquisition or construction of investment properties are capitalised provided that the applicable conditions for this are satisfied. This also includes any trailing extension, conversion or modernisation costs that contribute to an increase in the fair value of the real estate asset. Historical cost includes the costs directly attributable to the real estate asset. Overhead costs are not capitalised. In the year under review, directly attributable personnel expenses of EUR 3.8m (previous year: EUR 4.3m) were capitalised in connection with modernisation expenses carried out by the Group's own employees. No disclosures are made in this regard in connection with joint ventures, as TAG does not hold any interests in joint ventures.

EPRA loan to value (LTV)

EPRA loan to value (LTV) is the ratio of net debt to the total real estate portfolio and represents the ratio of debt to equity.

in EUR m	12/31/2022	12/31/2021
Liabilities to banks	2,522.0	2,066.5
Liabilities from corporate bonds and other loans	798.6	546.3
Liabilities from convertible bonds	460.6	457.8
Net liabilities	77.8	0.0
Cash and cash equivalents	-240.5	-96.5
Net debt	**3,618.6**	**2,974.1**
Investment properties	6,569.9	6,540.4
Real estate held as property, plant and equipment	9.9	9,1
Properties held as inventory	714.2	113.8
Real estate held as non-current assets for sale	187.4	72.0
Volume of real estate (carrying amount)	**7,481.4**	**6,735.3**
Intangible assets	4.9	4.9
Net receivables	0.0	21.7
Difference between fair value and book value of properties valued at cost	108.4	81.7
Real estate volume relevant for calculating LTV	**7,594.7**	**6,843.6**
EPRA loan to value (LTV)	**47.6%**	**43.5%**

Net liabilities and net receivables are the balance of trade accounts receivable and payable, other receivables and other liabilities, other accruals, and receivables from income tax assets and income tax liabilities.

EPRA CAPEX

EPRA CAPEX shows the real estate-related investments completed in the year under review.

in EUR m	2022	2021
Acquisitions in the financial year	137.7	4.6
Project developments	137.2	177.9
- thereof capitalised interest	2.7	1.7
like-for-like Portfolio Germany[1]	86.6	67.8
- thereof investments in existing areas	86.6	67.8
Other[2]	0.0	0.0
EPRA CAPEX	**361.5**	**250.3**

[1] Investments in investment properties EUR 86.1m (previous year: EUR 67.8m), investments in properties held for sale EUR 0.5m (previous year: EUR 0.3 m)
[2] Rent incentives, e.g. rent-free periods for tenants as a result of modernizations undertaken by tenants themselves, are of minor importance with a total volume of approximately TEUR 20 p.a.; information on modernization expenses in connection with joint ventures is not provided as TAG does not hold any interests in joint ventures.

The acquisitions include project developments from the acquisition of ROBYG in the amount of EUR 124.8m and the other purchases in the German portfolio in the amount of EUR 12.8m. Including a project development recognized in inventories, investments totaled EUR 20.3m in Germany (previous year: EUR 8.7m) and EUR 373.5m in Poland (previous year: EUR 234.9m).

The modernization expenses for the like-for-like portfolio only relate to investments in existing space; the investments in additional space are of minor importance.

MANAGE MENT REPORT

COMBINED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2022

FOUNDATIONS OF THE GROUP

Overview and corporate strategy

TAG Immobilien AG ('TAG' or 'the Company' in the following) is a Hamburg-based property company focused on the German residential real estate sector. The properties owned by TAG Immobilien AG and its subsidiaries are located in various regions of Northern and Eastern Germany and North Rhine-Westphalia, and, starting in the 2020 financial year, in Poland as well. Overall, at 31 December 2022 TAG managed around 86,900 (31 December 2020: around 87,600) residential units in Germany. In the residential rental business segment, TAG had around 1,150 completed flats in Poland as of the reporting date. A further approx. 2,200 rental flats are under construction. In addition, a property reserve exists for the future construction of approx. 10,100 further flats. In the sales business, approx. 6,400 flats are under construction as of the reporting date (including approx. 360 completed, but as yet unsold flats), and the property reserve in this business segment comprises a further approx. 12,600 future flats.

TAG Immobilien AG shares are listed in the MDAX of the Frankfurt Stock Exchange; TAG's market capitalisation at 31 December 2022 was EUR 1.1bn (31 December 2021: EUR 3.6bn).

TAG's business model in Germany is the long-term letting of flats. All functions essential to property management are carried out by the Company's own employees. The Company also delivers caretaker services and repair handyman services for its own inventories. It specialises in inexpensive housing that appeals to broad sections of the population. The Group's own multimedia company supports the provision of multimedia to tenants and expands the range of property management services offered. Energy management is pooled in a subsidiary and comprises commercial heating to its own portfolio with the aim of optimising energy management. In the medium term, these services are to be further expanded and supplemented with new services for tenants.

In Germany, TAG invests primarily in medium-size towns and in the vicinity of large metropolises, as this is where potential for growth, and in particular better opportunities for returns in comparison with investments in the big cities, is seen. The newly acquired portfolios usually have higher vacancies, which are then reduced following the acquisition, through targeted investments and proven asset-management concepts. Investments in Germany are made nearly exclusively in regions already where TAG already manages assets, so as to be able to use existing administrative structures. Also, local knowledge of the market is essential in the acquisition of new portfolios here.

Besides long-term property management, the Group selectively exploits sales opportunities in order to reinvest the realised capital appreciation and liquidity into new portfolios with higher yields. This strategy of 'capital recycling' is TAG's response to the intense competition for German residential real estate, and puts a focus on earnings per share. Growth in absolute orders of magnitude is no longer at the forefront of the corporate strategy in Germany. Instead, the aim is to offer tenants affordable housing through sustained and active portfolio management, and investors growing cash flows through attractive dividends.

At the beginning of financial year 2020, TAG regionally expanded its portfolio to Poland. Here, Vantage Development S.A. ('Vantage'), a real estate developer whose headquarters and main activities are in Wrocław in the western part of Poland, served as the initial platform for further development, which focuses on building a portfolio of residential units in Poland, and at present also includes the continuing sale of units that have already been planned and have yet to be built.

The growing Polish residential real estate market is the target of a regional expansion of TAG's business model, which will focus on strong cash returns (i.e. FFO returns in relation to the equity invested). The Polish rental housing market is characterised by a supply shortage. It is considered one of the least saturated housing markets in Europe, with a housing shortage that exceeds 2.1m units. Furthermore, the absolute size of the Polish market (approx. 38m inhabitants, fiths-largest EU country in terms of population), coupled with a growing services sector and favourable demographic trends ('Generation rent' – a growing preference for rented apartments) supports TAG's market entry in Poland. The Management Board expects that early market entry can give TAG a competitive advantage in terms of scope, market knowledge, market penetration, and market position.

With the acquisition of Warsaw-based ROBYG S.A. ('ROBYG'), which became effective as of 31 March 2022, TAG enlarged its platform in the fast-growing Polish residential market. In addition to strengthening the portfolio in the existing regions of Wrocław, Poznań and Tricity in particular, this acquisition also enables TAG to enter the Warsaw market on a comprehensive scale. TAG's medium-to long-term growth target is to build up a portfolio of around 20,000 residential units in Poland. The existing sales activities in Poland are also to be continued. Capital spending will focus on the construction of new residential units in large cities with favourable population trends, proximity to universities, and a well-developed infrastructure. Though Vantage and ROBYG will continue to operate as separate legal entities going forward, the two companies were merged into one organisational unit in the fourth quarter of 2022. The rental housing portfolio will be held and managed at Vantage in the future, while sales projects will be implemented and construction activities carried out through ROBYG.

Group structure and organisation

TAG Immobilien AG heads an integrated real estate group. It essentially performs the functions of a management holding company and, in this capacity, performs Group-wide tasks for the entire group of companies. Central departments such as Finance, Accounting, Tax, Controlling, Human Resources, IT, Procurement and Law are located directly at TAG Immobilien AG.

At Management Board level, responsibilities were distributed as follows in the year under review:

- COO: Real Estate Management, Acquisitions and Sales, Strategic Property Management/Marketing, Shared Service Centre, Facility Management services, Trades services, Central Purchasing, Change Management, Business Apartments, Energy residential services, Multimedia for the properties, Business Development, Environmental Social Governance (ESG), Digitalisation, and Human Resources

- CFO: Group Accounting, Financing and Treasury, Taxes, Controlling, Investor & Public Relations, ERP/Data Management, Legal, Judicial rent collection, IT, Compliance, Internal Audit, and Owners' association

The Group consists of additional subgroups, operating subsidiaries and property companies, each of which own real estate inventories and are included in TAG's consolidated statements. As at 31 December 2022, the Group consists of 187 (previous year: 101) fully consolidated subsidiaries after the acquisition in Poland in the 2022 financial year. A complete overview of all companies in the Group is shown in the Notes to the consolidated financial statements.

The organisational structure of TAG's operative business is decentralised, has flat hierarchies, and short decision-making paths. In Germany, this organisation centres on the 'LIM' structure (Leiter/in Immobilienmanagement – Head of Real Estate Management). Each LIM is assigned a regionally delimited property portfolio, which is managed in a decentralised way and largely autonomously within the approved budget. In sum, the regions correspond to the 'Rental' segment presented in the segment reporting. Key areas of decentralised responsibility include direct customer care and tenant satisfaction, letting, technical support for residential units with regard to maintenance measures, as well as receivables management.

The LIMs report directly to the Management Board (specifically the COO). The LIMs meet regularly to network, exchange ideas and ensure a consistent implementation of the centrally set corporate strategy and of the Management Board's decisions.

The central functions of the operating business primarily concern the overarching development of portfolio, location, and management concepts and standards, with the aim of ensuring uniform quality and more service for tenants, efficiently and sustainably. In addition, functions such as Purchasing/Sales, Facility Management Services, Purchasing and Shared Service Centres are centrally organised. Bundling these functions reduces the workload of operational management and guarantees independence from third-party service providers. Beyond this, the central Strategic Property Management and Central Purchasing departments standardise processes, negotiate nationwide framework agreements, and review products and services across the Group.

The Polish subsidiaries form a separate subgroup within the Group. The organisational structure of the operating business in Poland - like the rest of the Group - has flat hierarchies and short decision-making paths. Central decisions are made in close consultation with the Management Board of TAG and the departments active in Germany. The Polish subsidiaries as well as the sales activities in Germany are allocated to the ‘Business Activities Poland and Sales’ segment.

Management system

To monitor and steer its business activities, TAG uses a management system that is constantly up to date. The management system is based on operating figures determined at regional level, as well as on financial indicators at Group level. The CFO is responsible for the management and ongoing monitoring of these KPIs at the Management Board level.

Operative indicators
The two key operative indicators, which are determined and reported to the Management Board monthly, are:

- Rental income
  In order to assess the rental income performance, the development of rental income over time is calculated in absolute terms and on a like-for-like basis (i.e. not including properties acquired and sold during the previous twelve months), along with the net actual rent and new letting rent per square metre. In like-for-like rental growth, there continues to be a distinction between like-for-like rental growth with and without the effects of vacancy reduction. The development of the indicators over time provides information on where we stand on attaining our rental growth targets. For corporate controlling, like-for-like rental growth including the effects of vacancy reduction is the key performance indicator used to assess the development of rental income over time.

- Vacancy
  Vacancy is calculated as the ratio of unlet square metres to the total square metres of residential or commercial floor space. Within the Group, a distinction is made between the development of vacancy across the Group’s residential units (i.e. excluding commercial floor space and the effects of acquisitions and sales during the financial year), and the development of vacancy for the overall portfolio. Corporate controlling is primarily based on the development of vacancy across the entire portfolio. The vacancy rate serves as an indicator of the effectiveness of the Group’s modernisation and letting activities, and of the successful implementation of neighbourhood development concepts. Vacancy reduction is another driver of value in the development of rental growth. For corporate controlling, vacancy across the residential units is the key indicator for assessing vacancy.

In addition, expenditures on maintenance and modernisation are calculated, reported and reviewed monthly and quarterly as supporting indicators. The measures are subdivided into ‘major projects’ (e.g. modernisation of entire residential complexes), modernisation of previously vacant apartments, and modernisation when there is a change of tenants. Reviewing the measures serves to assure both the achievement of target returns and the long-term maintenance of the portfolio.

Furthermore, contribution margins are calculated on a quarterly basis for the two segments of ‘Rentals’ and ‘Services’. For the Services segment, these are derived directly from the Group income statement. Segment earnings I for this segment correspond to the result of services reported in the consolidated income statement, while segment earnings II are calculated by deducting all other income and expenses with the exception of financing and income tax items. For the Rental segment, the contribution margin I (segment earnings I) for each region and for the Group as a whole is calculated from the net actual rents and related expenses. Taking into account personnel expenses and other operative costs directly attributable to the LIM regions, contribution margin I is carried over to contribution margin II (segment earnings II).

A detailed reconciliation of segment earnings II with EBT as reported in the income statement can be found in the Notes to the consolidated financial statements in the section ‘Notes to segment reporting’. In the Rental segment, the contribution margin II or the segment earnings II are also, after deduction of related interest expenses, put in relation to the equity invested (calculated as the book value of the region’s real estate assets less related bank loans) for each region. This yields the return on equity for the region, which is used as a measure of efficiency for the capital investment.

Financial KPIs

Key indicators for Group controlling are funds from operations (FFO). The FFO is calculated from the Group result in Germany adjusted for non-cash items such as valuation results, depreciation, amortisation (without an adjustment for impairment losses on rent receivables), non-cash interest expense and without regularly non recurring special effects, and then deducting current tax income. Within FFO a distinction is made between FFO I (excluding profits from sales) and FFO II (including profits from sales in Germany and profits from the operations in Poland). In particular, a key control parameter used by the Group as an indicator of sustainable operative profitability is undiluted FFO I, which is calculated monthly and compared with the budgeted figures, both in absolute terms and on the basis of shares outstanding.

For TAG’s activities in Poland, the 'Result from operations in Poland' is calculated on a quarterly basis as a supporting key indicator. It is calculated from the IFRS consolidated net profit after minority interests of the Polish subsidiaries, adjusted for non-cash effects from purchase price allocations, from real estate valuation, and from deferred income taxes, and excluding regularly recurring special effects.

Beyond this, the Loan to Value (LTV) debt ratio, which is the sum of total financial liabilities (bank loans and corporate and convertible bonds including promissory note loans and commercial papers), less cash and cash equivalents relative to total real estate assets (including hidden reserves in real estate held as tangible or intangible assets and measured at cost of acquisition or construction, as well as advance payments made on real estate and company acquisitions), is calculated on a monthly basis and reported to the Management Board as a further supporting indicator. Another supporting indicator, the EPRA NTA, is calculated monthly and reported to the Management Board.

The Group’s current liquidity situation is reviewed daily. Each month, a short- to medium-term liquidity plan is compiled, for a period of twelve months. Once a year, a long-term liquidity plan is drawn up for a period of three years. In each case, the ‘available liquidity’ (a supporting indicator) is reviewed, i.e. unrestricted cash and bank balances plus any unused credit lines at banks. These measures safeguard the Group’s financial stability.

The relevant parameters and KPIs for the remuneration of the Management Board are presented in the 'Report on the Main Features of the Company’s Compensation System (Compensation Report)' section of the remuneration report.

Macroeconomic and sector-specific conditions and their influence on the residential real estate market in Germany

According to the ifo Economic Forecast Winter 2022, the development of the economy in the eurozone is dominated by bottlenecks in the supply of energy, raw materials and intermediate products, as well as by high inflation. This limits production opportunities and increases production costs due to the general shortage of supply.

Initial calculations by the Federal Statistical Office of Germany (Destatis) indicate that price-adjusted gross domestic product (GDP) in 2022 was 1.9% higher than in the previous year. In 2022, the overall economic situation in Germany was impacted by the Ukraine war, in particular by the extreme energy price increases. Relative to 2019, the year before the Corona pandemic, GDP in 2022 was 0.7 percentage points higher.

German consumer prices increased by an average of 7.9% in 2022 compared with 2021. According to Destatis, this means that the annual rate of inflation was significantly higher than in previous years. In 2021, the annual inflation rate was still at just 3.1%.

Monthly inflation rates were also consistently high in 2022, and stood at 10% in September. Inflation peaked at 10.4% in October 2022. Crisis- and war-related effects (e.g. supply bottlenecks and significant price increases) had a major impact on price developments in 2022. Despite the fact that price increases were not fully passed on to consumers, energy and food in particular became significantly more expensive.

Regardless of the tense economic situation, the labor market is stable at the end of 2022, with employment actually reaching its highest level since Germany's reunification in 1990. Relative to December of the previous year, the number of unemployed people was 124,000 higher at 5.4% in December 2022. The rise in unemployment is due to the registration of Ukrainian refugees at job centers. Without factoring in the Ukrainian refugees, unemployment would have decreased year-on-year. Demand for new employees remained at a high level in the first half of the year, but weakened in the second half of the year.

The ifo Institute estimates that demand for goods and services will remain strong, while inflation is expected to fall in the months ahead due to the government's curbs on electricity and gas prices, which will take effect from December. Furthermore, high wage settlements should significantly increase both purchasing power and wage costs. The inflation rate should fall from 7.9% in 2022 to 6.4% next year. At the same time, the core rate is expected to rise from 4.8% to 5.8%.

In 2022, the European Central Bank (ECB) responded to the persistently high inflation rates in the eurozone with significant increases in key interest rates. Further interest rate steps are likely to follow in the months ahead, although they are likely to be somewhat weaker than the most recent ones. The ECB expects the interest rate for main refinancing operations to rise to 4.0% by mid-2023. In line with weakening inflation rates, key interest rates are expected to fall again by around 50 basis points in 2024, moving to a neutral level. Lending and capital market rates will follow these developments. Yields on ten-year German government bonds are therefore expected to rise to around 3.5% by the middle of next year.

The above-described factors, e.g. increased interest rates, a weakened economy, and high inflation, have an impact on how the housing market has developed, as they directly affect all market participants, such as investors or housing seekers, in terms of available funds and household income, respectively.

Accordingly, the German residential investment market was significantly more subdued in 2022 than in the previous year. Nevertheless, around EUR 13bn was invested in residential portfolios nationwide. However, it should be noted that the record result of the previous year, which was influenced by Vonovia's takeover of Deutsche Wohnen, was not matched. A look at the long-term average shows that the result was down by a third.

An initial estimate by the Federal Statistical Office (Destatis) puts Germany's population at at least 84.3m at the end of 2022, a record level. Compared with year-end 2021, the population increased by 1.1 million people. The cause of this strong growth was net immigration (positive balance of inflows and outflows), which was four times higher than in 2021, and in fact higher than at any time since the start of the time series in 1950.

Major German cities (with more than 100,000 inhabitants) saw a more pronounced loss of population in 2021 than at any time since 1994. Outward migration rose by 1.8% compared with 2019, while inward migration fell by 5.4%. These figures from the Federal Institute for Population Research (BiB) based on Destatis data indicate increasing suburbanisation. Small towns and rural areas are benefiting from changes in residential preferences, housing shortages and high prices in large cities. These regions are experiencing population growth thanks to rising inflows and falling outflows of young people.

After a slight easing of the housing market situation in the Corona years 2020 and 2021 and a significant reduction in housing deficits, deficits rose again significantly in 2022, previously balanced markets are again showing deficits, and vacancy rates have decreased significantly in previous surplus regions. A study by the Pestel Institute indicates that housing deficits are expected to be in the range of 700,000 units by the end of 2022. This is more than twice the annual production of apartments.

For further information, please refer to the section on 'Development of the German real estate and residential real estate market'.

Macroeconomic and sector-specific conditions and their influence on the residential real estate market in Poland

According to the European Commission's economic forecast for Poland, the Polish economy maintained its positive upward trend in the first half of 2022, although the country has been strongly affected by the war in Ukraine. For instance, the decline in inventories and investments led to a decrease in real GDP in the second quarter. National GDP declined by 3.3% year-on-year overall in the third quarter of 2022. Nevertheless, the substantial inflation rate of 16.6% as of December 2022 has led to a significant increase in the price level for consumers. The acute labour shortage is expected to lead to the labour market adjusting to the weakening economic activity through a slowdown in wage growth rather than an increase in the unemployment rate. Unemployment at the end of 2022 was 2.9% (previous year 2021 3.4%). According to forecasts this rate will only rise slightly again to 3.1% by 2024. The high inflation allows companies to adjust to rising energy prices by further reducing real wages in 2023, as already expected in 2022.

The strong influx of approx. 1.6 million war refugees from Ukraine to Poland had a strong impact on the housing market in 2022 and has further driven its dynamics of supply and high demand. In the course of the year, higher construction costs led to an increase in new rental rates.

For further information, please refer to the chapter 'Development of the Polish real estate and residential real estate market'.

Sustainable corporate development[1]

Few issues are currently being discussed as intensively as matters of sustainability. In particular, questions about sustainability targets and the impact of business activities on the environment and society have changed the public's view of companies and investment decisions. As a large real estate company, TAG bears a special responsibility to society, even if the priority of this topic receded somewhat into the background during the last year given the macro-political developments. We want to offer our tenants a secure home and good service in the long term and - as far as we are able as a landlord - to help them in difficult situations, such as those currently caused by the energy crisis, and offer flexible solutions. It is also important to protect our employees, who work on behalf of our customers on a daily basis. Community involvement, which we have been practising for years in many of our residential quarters, is more important to us than ever. Our goal is to incorporate sustainability aspects into our corporate strategy across our entire value chain. In fiscal 2020, we established the TAG Miteinander Stiftung (TAG Together Foundation) to more systematically help ensure that people who live in our residential complexes enjoy good living conditions and a vibrant neighbourhood spirit. As a responsible employer, we give our employees options for flexible and remote work. Individual responsibility and shared commitment, along with respectful and transparent treatment of others, are essential contributors to the Company's success.

Moreover, we understand sustainable corporate development as an integrated concept with synergy effects between the various levels of sustainability. As we see it, by achieving economic stability and long-term yields, we create the conditions for practicing social and environmental responsibility, and our social and environmental measures in turn have a positive effect on TAG's long-term commercial success. And so, in sum, we meet all of our various stakeholders' key requirements.

Within TAG, sustainability aspects were integrated even more strongly into business activities and awareness was raised. This also includes coordination processes for the setting up and execution of sustainability activities by our subsidiaries in Poland.

To better align our sustainability strategy with our stakeholders' expectations, we are intensifying our dialogue with them. TAG's sustainability surveys amongst shareholders, banks and other investors confirm the increased importance of ESG (Environment – Social – Governance) issues.

[1] Unaudited information

Sustainability Report and ESG Rating[2]

Detailed, annual reporting on the topic of sustainability is presented and published in a separate Sustainability Report (available at www.tag-ag.com under ‘Sustainability/Reports’). We systematically document our sustainability strategy as well as our goals and activities in accordance with the internationally established GRI standards as well as the recommendations of the European Public Real Estate Association (EPRA). This allows us to compare our results and targets over time, and to review and present our development according to objective criteria.

Our efforts in the area of sustainable corporate development are recognised and rewarded by rating agencies. In a report published in January 2023 by Sustainalytics, a leading company for market research, ratings, and data on ESG (environment, social, governance) issues, TAG ranked 10th out of a total 1,000 real estate companies analysed worldwide, placing it in the top 2% of all companies in the sector. Across all sectors, more than 15,000 companies were analysed. TAG was ranked 34th, putting it in the top 1%. Our risk is rated as ‘negligible’ at 6.9 points, reflecting – once again – a year-on-year improvement of three points (previous year: 9.9 points).

Furthermore, on 20 January 2022, TAG received an “AA’ (previously ‘A’) MSCI ESG Rating, the second highest of the seven rating levels possible with this renowned ESG ratings provider.

For further details, please see our Sustainability Report, which constitutes TAG’s non-financial reporting in accordance with Sections 289b et seq. of the German Commerical Code (HGB).

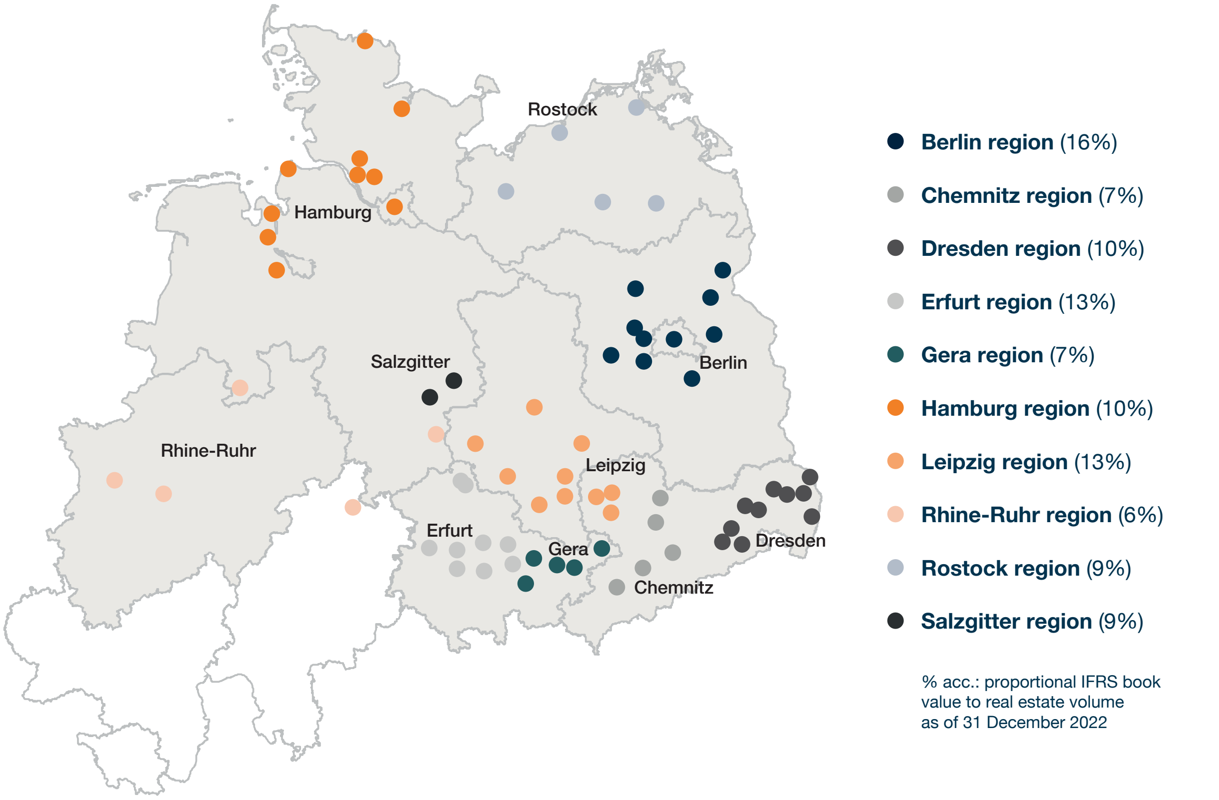
Research and Development

Due to the nature of its business, the Group does not pursue any research or development activities. The Group’s business does not depend on patents, licences, or brands, although the wordmarks and logos of TAG Immobilien AG in particular are copyrighted.

[2] Unaudited information

Overview of the portfolio and portfolio strategy

At the end of the financial year 2022, TAG's property portfolio in Germany comprised approx. 86,900 residential units. The focus in Germany is on the management of attractive yet affordable housing, with great awareness of our social responsibility towards our tenants. The regional focus in Germany is mainly on the northern and eastern parts of the country, distributed as follows.



Portfolio data	12/31/2022	12/31/2021
Units	86,914	87,576
Floor space in sqm	5,203,677	5,263,883
Real estate volume in EURm*	6,328.8	6,387.4
Annualised net actual rent in EURm p.a. (total)	340.6	335.8
Net actual rent in EUR per sqm (total)	5.73	5.64
Net actual rent in EUR per sqm (residential units)**	5.64	5.55
Vacancy in % (total)	4.8	5.7
Vacancy rate in % (residential units)	4.4	5.4
l-f-l rental growth in %	1.5	1.5
l-f-l rental growth in % (incl. vacancy reduction)	2.7	1.3

* EUR 7,481.4m total real estate volume (6,735.3m in the previous year) (of which EUR 1,152.6m – EUR 347.9m in the previous year – are properties in Poland)
** excluding acquisitions

In Germany, TAG is consistently focusing on the so-called "ABBA strategy", i.e. investing in the A locations of B cities and in the B locations of A cities. In our opinion, this strategy is working more than ever. Small and medium-sized cities are also benefitting from the disproportionate demand for housing in cities, where affordable living space in particular is growing scarce. Many people are moving to the outskirts of big cities or to the centres of medium-sized cities to find attractive yet affordable living conditions.

Even if the rents in B locations or B cities do not always match Germany's top locations in absolute terms, we feel they are nevertheless very attractive. In our view, the achievable return, i.e. the ratio of the expected rent or the expected FFO I to the purchase price or the equity employed, is a key criterion in assessing the advantageousness of an investment. In our view, B locations and B cities offer the much better yield-risk profile.

Investments in Germany are made exclusively in residential properties, including the smaller commercial properties that are sometimes part of larger residential portfolios. High vacancy rates at the time of purchase are not an impediment to investment, provided that they are not structurally caused. In fact, a continuous reduction in vacancy, as has been achieved steadily in the past, can lead to attractive rental growth with a relatively low outlay.

In contrast, TAG pursues a different approach in Poland. Although here, too, we concentrate on the rental market for residential real estate, and since the acquisition of ROBYG S.A. increasingly on the sale of residential units, however here investments are made exclusively in new construction projects and in the country's major cities, because we see substantial growth opportunities in these products and markets and we feel that – in contrast to Germany – the returns which can be achieved here are very attractive.

BUSINESS REPORT

Development of the German real estate and residential real estate market

According to the CBRE Market Report Germany, the transaction volume on the German real estate investment market was EUR 65.8bn in 2022, which represents a significant decline of 41% compared to 2021, but is only 7% below the ten-year average. The usual transaction-active last quarter failed to materialise due to increased and imponderable risk factors in the form of the conflict in Ukraine, global recessionary trends, higher financing costs, and the sometimes widely diverging price expectations on the part of buyers and sellers.

According to the BNP Paribas Real Estate Residential Market Report Q4 2022, the investment volume for the residential use type has fallen significantly from EUR 51bn in 2021 to EUR 13bn. The previous year's outstanding record result was distorted upwards by Vonovia's EUR 22bn acquisition of Deutsche Wohnen, while a lack of M&A and large-volume transactions had a negative impact on the transaction market in 2022. Overall, BNP notes that significantly higher interest rates, a weakening economy, and inflation at historically hight levels are all combined to ensure that the German residential investment market was noticeably more subdued in 2022 than in previous years.

The distribution of the investment volume by buyer group has changed noticeably compared to previous years. The usually very strongly represented real estate companies/REITs are currently responsible for only EUR 1.2bn. Their availability of equity is significantly lower than in previous years, so that they hardly made an appearance as buyers. In contrast, the fact that special funds (30%) and investment managers (20%) together invested more than EUR 6.5bn proves that residential real estate remains attractive for institutional investors despite all the economic uncertainties. Besides the further increase in financing costs, the net prime yields for new construction properties also increased noticeably at the end of 2022. The increase compared to the previous year was in the range of 15 to 25 basis points. Munich remains the most expensive location (2.80%), followed by Berlin, Frankfurt and Stuttgart, each at 2.85%. Düsseldorf, Hamburg, and Cologne are currently at 2.90%.

According to the January 2023 residential property market report by Savills, an improved outlook is emerging from the perspective of existing tenants in the German residential property market. On the one hand, the demand for rental flats is increasing as a result of a growing population and an increasing number of households that are unable to purchase their own home due to rising financing costs, and are therefore additionally pushing into the rental market. On the other hand, this development is contrasted with further declining construction completion figures. As a result, it can be assumed that the already low vacancy rates in most rental housing markets will continue to fall and that rents will rise.

The government is likely to respond to this situation with additional financial incentives to boost housing construction and possibly also with further regulations. However, the latter may reinforce the defensive investment character of residential real estate, as they will cap rental growth potential, tighten supply, and thus ensure secure and stable returns. For risk-averse investors, the market therefore remains attractive in principle, even under new regulations.

Overcoming the housing shortage and achieving the envisaged climate targets in existing buildings will also be central issues in the housing market in the years ahead. The regulatory pressure on owners of unrenovated existing buildings could grow, with a view to achieving the climate targets set. Regulations targeting energy-efficient refurbishments affect both the revenue and the cost side, and thus pose a different risk for investors. This risk can only be eliminated by purchasing new buildings or by investing in the energy-efficient refurbishment of existing buildings. The market is therefore likely to increasingly differentiate between unrefurbished and refurbished and/or newly built properties.

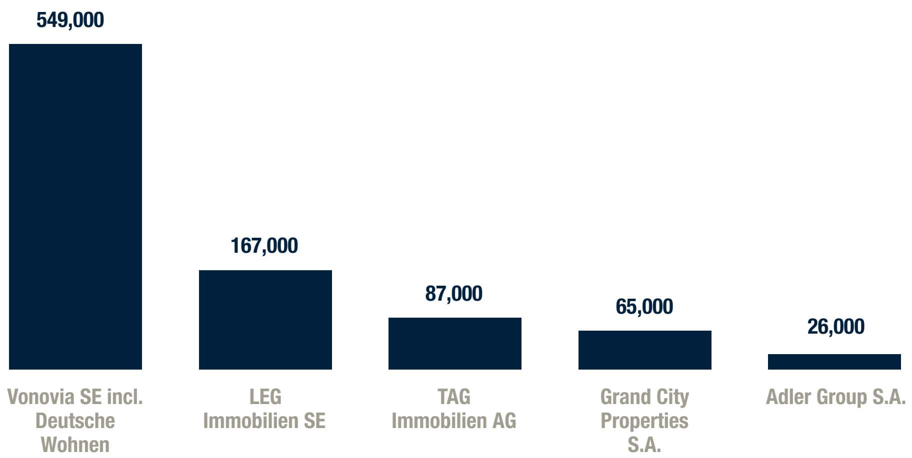
According to the JLL report 'Energy Crisis for the Housing Market', the globalisation process has profoundly affected supply chains as a result of the Corona pandemic and the Russian attack in Ukraine, and this also has an impact on the German housing market. New housing construction in Germany is affected by the shortage of building materials and the rising prices for them. On the other hand, increased energy prices are a challenge for consumers in the housing market, as the cost of hot water, electricity, and housing has increased.

To mitigate the financial effects of the sharp rise in energy costs for people and the economy, the Federal Government introduced a total of three relief packages in 2022. The elimination reduction of the 'cold progression' will help to protect citizens from higher taxation due to inflation. In addition, an economic defence shield is to cushion rising energy costs and the most severe consequences for consumers and businesses. It includes, among other things, the introduction of a gas and heating price brake as well as an electricity price brake, and financial resources of up to EUR 200bn.

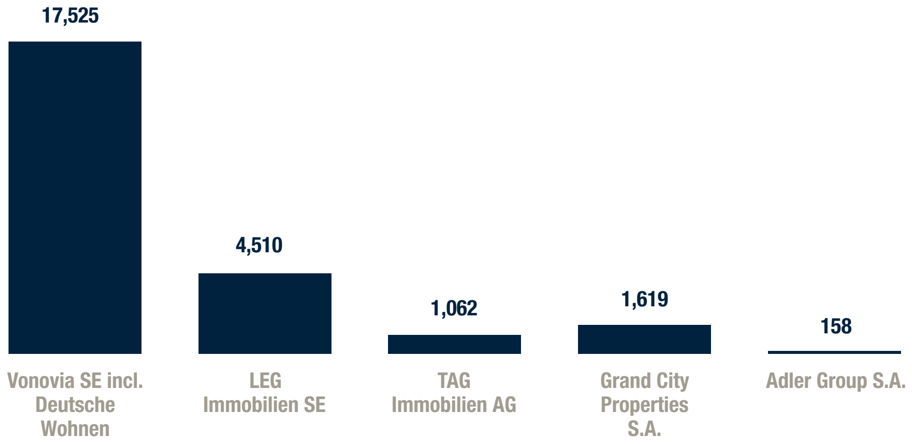
All in all, the solid and robust basis of the fundamental data continues to support investing in the German housing market. The upcoming wave of refurbishments in the decades ahead could trigger a new investment rally. However, the conditions with regard to financing, construction costs, and cost allocability remain uncertain.

For the listed residential property companies, the number of flats (as at 30 September 2022, each rounded to full thousands) and the market capitalisation (as at 31 December 2022 in EURms) are as follows:

Number of Apartments



Market capitalisation in EUR Mio.



Development of the Polish real estate and residential real estate market

Historically, most of the housing stock in Poland is still in the hands of private owners. Increasing urbanisation and a growing demand for modern housing have led to an estimated shortage of around 2.1m flats in the major Polish cities alone.

The latest data from Eurostat shows that only 15.8% of Poland's inhabitants currently rent their housing. The real estate service provider CBRE sees demographic change and social changes in the Polish population as reasons for why this demand will rise sharply in the coming years. However, the increase is also due to a strong influx of immigrants, mainly from Ukraine, last year, as well as a steady increase in foreign students in recent years.

Furthermore, the Polish residential real estate market is still very attractive for institutional investors due to positive forecasts regarding its rental market and high yields in a pan-European comparison.

According to the Jones Lang LaSalle (JLL) consultancy, in 2022 a total of 35,000 units were sold on the primary market in Warsaw, Kraków, Wrocław, Tricity, Poznan, and Łódź in Poland. This represents a nearly 50% decline in sales compared to the record-breaking previous year (2021: 69,000 units).

Considering the strong change in supply and demand, especially with regard to the low availability of loans to buy or build a home, Poland's sales results in 2022 should be viewed as positive. The figures are comparable to previous years such as 2013, when the real estate market environment was much more stable. The BIK (Credit Information Bureau) reported a sharp decline in lending, which led to fewer purchases overall. Meanwhile, however, the share of cash purchases in the Polish residential property market increased.

According to JLL, there were many promotions and price reductions by developers in the fourth quarter of 2022, which caused a slight correction in prices per unit sold. Accordingly, Q4 2022 saw the first signs of price stagnation to reduction in the sales segment in some Polish cities; in Warsaw and Gdansk, prices remained stable in the last quarter, while in Łódź they rose by just under 3%.

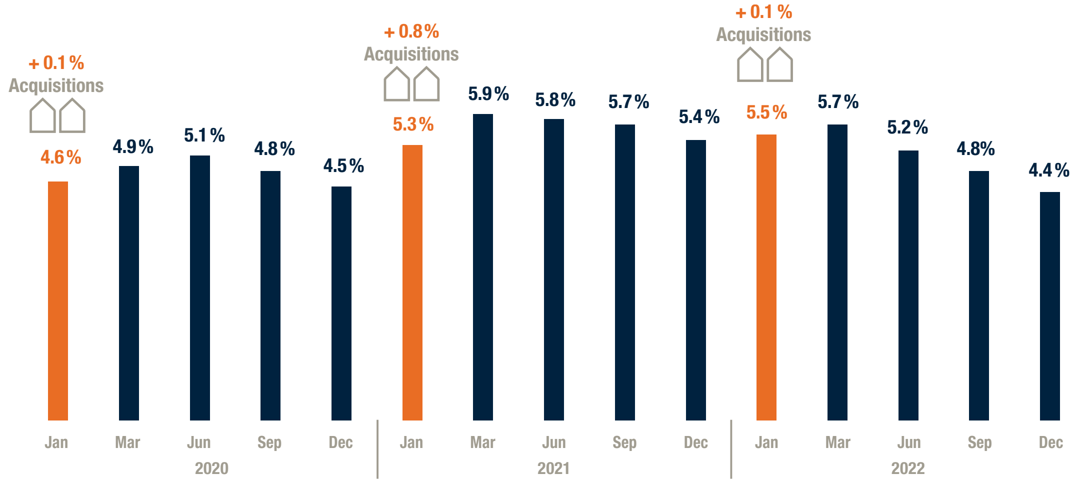
All in all, a significant year-on-year increase in purchase prices for Polish residential properties was seen in 2022. On an annual basis, the increase in five markets was between 8.7% and 18.6%, and in Wrocław it was as high as 22.6%. In the capital Warsaw, the price increase was 10.1%. The reason for the price increase is not only a high inflation rate but also the greatly improved quality of new residential properties in Poland.

The mood of market participants was influenced by many negative factors that made buying a property much more difficult. The ongoing war in Ukraine, rising interest rates, inflation, and high energy prices are being felt in Poland as elsewhere. But according to JLL, investor sentiment has improved, especially in December. Acceptance of both the new interest rate environment and inflation, combined with a mild winter, may have led to these stable sales figures. JLL also points out that the increase in cash purchases indicates that a large number of market participants are confident of rising prices in the next 1-3 years and sustained rental growth. The de facto rent indexation in residential property due to the unregulated market should result in rental growth of around 7-9% in 2023, while rising energy and service costs will also lead to rising ancillary costs.

Operative business performance and portfolio developments

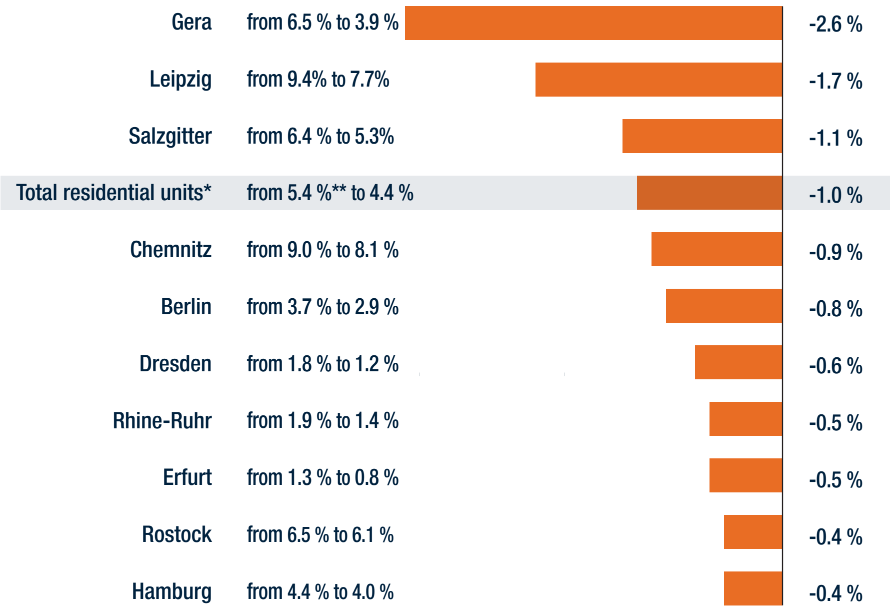
Vacancy

The following diagram (unaudited quarterly figures) highlights once again the development of vacancy in the Group's residential units in Germany in the 2020 to 2022 financial years:



After a slight first-quarter increase in vacancy in the Group's residential units, as in previous years, vacancy was reduced by 1.1 percentage points over the course of the year to 4.4% in December 2022. This means that TAG has significantly exceeded its forecast for FY 2022, which envisaged a reduction in vacancy of 0.3 to 0.5 percentage points. This is mainly due to the significant increase in housing demand in our regions as a result of high net immigration and a lack of supply. In addition, rising energy costs are having an impact on disposable household incomes, making affordable housing even more attractive in our view.

The individual regions managed by TAG (change in % points since the beginning of the financial year) contributed to the vacancy changes as follows:



*incl. acquisitions 2022 **as of 1 January 2022

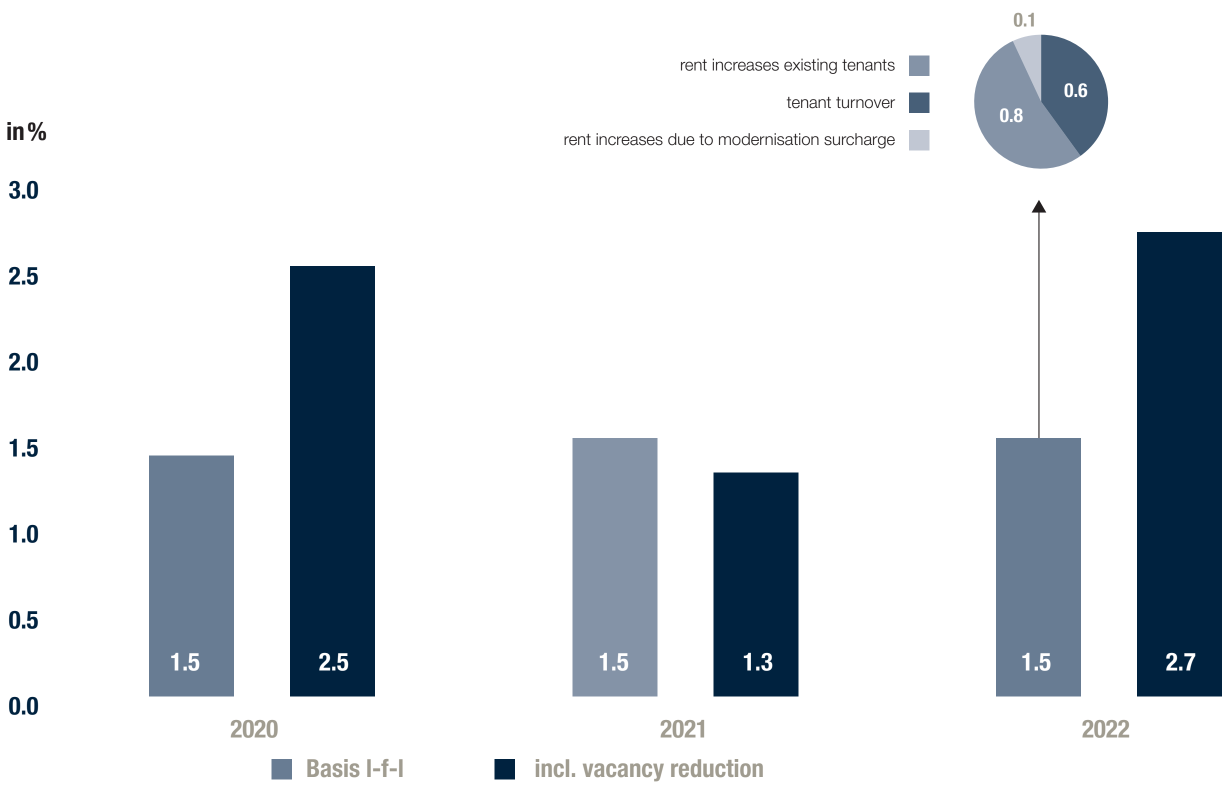
Major vacancy reductions were achieved particularly in the regions of Gera (vacancy reduction by 2.6 percentage points), Leipzig, and Salzgitter (-1.7 and 1.1 percentage points, respectively). Of all eleven regions in TAG's real estate portfolio, seven now have vacancy rates of under 5% as of 31 December 2022.

In the overall portfolio, which also includes several commercial units within the residential portfolio, as well as residential units newly acquired during the financial year, vacancy stood at 4.8% on 31 December 2022, after 5.7% in the previous year.

Growth in rents

Basic growth in rents in the Group's residential units in Germany amounted to 1.5% on a like-for-like basis (i.e. not including acquisitions and sales of the previous twelve months), after 1.5% in the previous year. This 1.5% growth in rents consisted of ongoing rent increases for existing tenants (0.6% after 0.6% in the previous year), rent increases in connection with a change of tenant (0.8% after 0.8% in the previous year), and rent increases due to modernisation allocations (0.1% after 0.1% in the previous year). Including the effects of vacancy reduction, total growth in rents on a like-for-like basis was 2.7% (1.3% in FY 2021). Thus, the forecast for total rental growth on a like-for-like basis of 1.5% to 2.0% made for the full 2022 financial year was clearly exceeded.

The following diagram shows the development of growth in rents in the financial years 2020 to 2022:



Average rent in the portfolio's residential units increased from EUR 5.55 per sqm to EUR 5.64 per sqm in 2021. New lettings in FY 2022 were made at an average of EUR 5.86 per sqm in the reporting year. This, too, reflects an increase over the previous year (EUR 5.82 per sqm).

The portfolio in detail

The following table shows further details of the TAG property portfolio in Germany, by region:

Region	Units	Rentable area sqm	IFRS BV EURm 12/31/ 2022	In-place yield %	Vacancy Dec. 2022 %	Vacancy Dec. 2021** %	Current net rent EUR / sqm	Reletting rent EUR / sqm	I-f-I rental growth (y-o-y)	Total I-f-I rental growth** (y-o-y)	Maintenance EUR / sqm	Capex EUR / sqm
Berlin	10,356	601,797	959.9	4.5%	2.9%	3.7%	6.14	6.77	2.4%	3.4%	7.58	25.21
Chemnitz	8,009	470,769	407.3	6.5%	8.1%	8.7%	5.08	5.13	1.4%	2.4%	7.52	18.82
Dresden	6,112	395,157	628.8	4.6%	1.2%	1.8%	6.12	6.28	1.5%	2.1%	4.06	8.67
Erfurt	10,246	574,905	767.8	4.8%	0.8%	1.3%	5.44	5.77	1.0%	1.4%	6.22	10.42
Gera	9,245	531,031	450.0	7.1%	3.9%	6.8%	5.20	5.34	1.1%	3.9%	5.61	20.42
Hamburg	6,665	405,548	636.7	4.5%	4.0%	4.3%	6.18	6.72	2.3%	2.7%	8.90	18.03
Leipzig	13,092	763,153	812.0	5.7%	7.7%	9.3%	5.45	5.68	1.9%	3.8%	7.36	17.66
Rhine-Ruhr	4,133	262,342	388.5	4.6%	1.4%	1.9%	5.78	6.05	2.1%	2.5%	13.14	7.18
Rostock	8,325	466,188	578.3	5.2%	6.1%	6.5%	5.73	6.12	1.3%	1.7%	8.38	30.11
Salzgitter	9,179	563,049	574.6	6.1%	5.3%	6.4%	5.51	5.65	0.8%	1.9%	7.39	9.90
Total residential units	**85,362**	**5,033,939**	**6,203.9**	**5.2%**	**4.4%**	**5.4%**	**5.64**	**5.86**	**1.5%**	**2.7%**	**7.35**	**17.20**
Acquisitions	359	17,530	14.2	4.2%	45.1%	22.6%	5.10	-	-	-	-	-
Commercial units within resi. portfolio	1,066	134,733	-	-	13.9%	14.5%	8.18	-	-	-	-	-
Total residential portfolio	**86,787**	**5,186,202**	**6,218.0**	**5.4%**	**4.8%**	**5.7%**	**5.69**	**5.86**	**-**	**-**	**-**	**-**
Other*	127	17,475	110.9	5.8%	0.2%	3.7%	15.78	-	-	-	-	-
Grand total	**86,914**	**5,203,677**	**6,328.8**	**5.4%**	**4.8%**	**5.7%**	**5.73**	**5.86**	**-**	**-**	**-**	**-**

* Incl. commercial properties and serviced apartments. The IFRS carrying amount includes project developments of EUR 53.6m

** Incl. effects from vacancy reduction

Revaluation of the portfolio in the financial year under review

As in the previous years, in the 2022 financial year two valuations for the total portfolio were carried out by CBRE GmbH as an independent appraiser. The appraisals were once again carried out as at 30 June and 31 December of the year.

The overall valuation result for the 2022 financial year was a loss of EUR -97.3m for the portfolio in Germany (previous year: gain of EUR 525.0m). Of this, around EUR 57.3m (previous year: approx. EUR 104.6m) is attributable to a better operating performance than projected in the previous valuation, and a negative amount of around EUR 154.6m (previous year: positive effect of approx. EUR 420.4m) to 'yield compression'. Compared with the book value at the beginning of the year, this corresponds to a decrease in value, excluding increases in book value due to modernisation measures (capex), of -1.5% compared with a 9.0% increase in value financial year 2021.

The following table shows the valuation effects in more detail for the individual regions in Germany:

Region (in EUR m)	12/31/2022 Fair value (IFRS)	12/31/2022 Fair value (EUR/sqm)	12/31/2022 Implied multiple	FY 2022 Valuation result	Share of operational performance/other market developments	Share of Yield compression	12/31/2021 Fair value (IFRS)	12/31/2021 Fair value (EUR/sqm)	12/31/2021 Implied multiple
Berlin	959.9	1,535.0	21.5	-8.7	2.8	-11.5	959.3	1,518.8	21.9
Chemnitz	407.3	843.9	15.1	-9.7	4.0	-13.7	403.3	849.4	15.5
Dresden	628.8	1,546.6	21.3	-3.3	1.2	-4.5	630.6	1,551.1	21.8
Erfurt	767.8	1,284.5	19.6	-7.0	1.2	-8.1	784.5	1,269.4	19.5
Gera	450.0	808.8	13.6	-20.3	9.2	-29.5	470.3	818.5	14.4
Hamburg	636.7	1,535.3	21.1	-10.0	2.8	-12.8	670.3	1,532.0	21.8
Leipzig	812.0	1,050.5	17.2	-6.5	19.0	-25.5	813.3	1,048.2	17.8
Rhine-Ruhr	388.5	1,425.9	20.4	-0.5	0.1	-0.6	391.8	1,419.5	20.9
Rostock	578.3	1,216.7	18.6	-5.4	1.3	-6.7	569.6	1,198.7	18.7
Salzgitter	574.6	1,017.7	16.0	-23.8	10.0	-33.8	592.9	1,050.0	16.9
Total residential units	**6,203.9**	**1,200.3**	**18.4**	**-95.2**	**51.6**	**-146.7**	**6,285.9**	**1,200.8**	**18.9**
Acquisitions	14.2	807.8	24.0	1.4	1.4	0.0	4.9	501.6	12.6
Total residential units	**6,218.0**	**1,198.9**	**18.4**	**-93.8**	**53.0**	**-146.7**	**6,290.8**	**1,199.5**	**18.9**
Other*	110.9	3,258.4	17.2	-3.6	4.3	-7.9	96.6	3,257.7**	21.8**
Grand total	**6,328.8**	**1,205.9**	**18.4**	**-97.3**	**57.3**	**-154.6**	**6,387.4**	**1,207.1****	**18.9****

* incl. book value of project developments of EUR 53.6m
** excl. project developments

The valuation multiplier of the portfolio (as a relation of the IFRS book value to net actual rent) slumped from 18.9 at the end of 2021 to 18.4 at 31 December 2022. This corresponds to a gross initial yield of 5.4% (previous year: 5.3%). The price per square metre across the total portfolio continues to be around EUR 1,200.

The valuation of the units in Poland that are rented or designated for rental and recognised as investment properties resulted in a valuation result of EUR 33.1m at a book value of EUR 491.7m (31 December 2021: EUR 268.2m), compared with EUR 15.1m in the previous year.

Acquisitions in Germany in the 2022 financial year

After there were no acquisitions in the previous year, a purchase of 360 flats in Halle an der Saale was signed in FY 2022 at a purchase price of EUR 11.0m. The purchase multiplier (the ratio between the purchase price excluding transaction costs and the annual net actual rent of EUR 0.5m p.a.) was 21.4 and corresponds to a gross initial yield of 4.7%. Vacancy in the purchased portfolio is at 51.7%, and thus offers attractive development opportunities for active asset management within the Group. The transaction was completed in August 2022.

Signing	2022	2021
Units	360	0
Current net cold rent EUR/sqm/month	5.05	0.00
Vacancy	51.7%	0.0%
Purchase price in EUR m	11.0	0.0
Current net cold rent EUR m p. a.	0.5	0.0
Location	Halle, Eilenburg	n.a.
Closing	August 2022	n.a.
Multiples	21.4	-

Property Sales in Germany in the 2022 financial year

While in previous years, a primary focus of sales was on non-core assets, i.e. properties that are not part of TAG's core portfolio due to their geographical location, type of use, or structural condition, in 2022, portfolio sales to refinance financial liabilities maturing in 2023 and 2024 were additionally stepped up.

A total of 1,589 (previous year: 684) residential units were sold in Germany over the course of the past financial year, at a total purchase price of EUR 102.3m (previous year: EUR 64.3m). The average factor based on current annual net cold rent for the residential real estate was 17.9 times (previous year: 23.7 times), which corresponds to an annual gross initial yield of 5.6% (previous year: 4.3%). Net cash proceed, i.e. the purchase price remaining after deduction of the loans to be repaid, amounted to around EUR 86.3m in the 2022 financial year (previous year: around EUR 50.8m). The sales resulted in a book loss of EUR -2.7m (previous year: book gain of EUR 12.0m).

The following table provides an overview of sales signed in the 2022 financial year:

Signing	Total 2022	Total 2021
Units	1,589	684
Current net cold rent EUR/sqm/month	5.51	5.39
Vacancy	12%	19%
Sales price in EUR m	102.3	64.3
Current net cold rent EUR m p. a.	5.71	2.72
Net cash proceed in EUR m	86.3	50.8
Book gain in EUR m	-2.7	12.0
Closing	2022/2023	0
Multiples	17.9	23.7

Development of the business activities in Poland

Based on an average exchange rate of the Polish złoty (PLN) to the euro of 4.6861:1 in the 2022 financial year, revenue from property sales in Poland amounted to EUR 337.6m after EUR 63.4m in the previous year. With production costs of EUR 300.8m (including effects from the purchase price allocation of EUR 53.9m), the result from sales was EUR 36.8m (previous year: EUR 12.4m).

In total, sales of 1,751 flats (previous year: 412) were signed in the 2022 financial year and 3,510 (previous year: 575) flats were handed over to the buyers.

At EUR 2.7m (previous year: EUR 0.5m), revenue from the rental of flats was still of minor importance in the 2022 financial year. In the medium to long term, the development of a rental housing portfolio of around 20,000 flats in Poland is planned, with the aim of becoming the leading provider on the Polish residential real estate market, even though there will temporarily be no construction of new rental housing projects due to the difficult capital market/financing environment.

As at 31 December 2022, the portfolio in Poland is as follows:

Region	Units planned	Units completed	Units under construction	landbank (possible units)	area in sqm	12/31/2022 fair value in EUR m
Wrocław	3.734	861	753	2.120	179.280	184
Poznań	3.350	229	970	2.151	179.474	140
Warsaw	2.763	0	0	2.763	132.383	51
Tricity	1.821	0	0	1.821	88.786	51
Łódź	1.433	63	473	897	64.293	41
Krakow	334	0	0	334	17.177	10
Units build to hold	**13.435**	**1.153**	**2.196**	**10.086**	**661.393**	**477**
Warsaw	7.927	0	2.777	5.150	412.910	291
Tricity	4.979	0	2.071	2.908	263.427	213
Wrocław	3.559	0	1.118	2.441	208.362	110
Poznań	2.561	0	446	2.115	111.408	62
Units build to sell	**19.026**	**0**	**6.412**	**12.614**	**996.107**	**676**
Total portfolio	**32.461**	**1.153**	**8.608**	**22.700**	**1.657.500**	**1.153**

Acquisition of ROBYG S.A.

On 22 December 2021, TAG signed a purchase agreement via a wholly owned German subsidiary to acquire all shares in ROBYG S.A. The transaction became legally effective on 31 March 2022. Since this date, ROBYG has been included in TAG’s consolidated financial statements by way of full consolidation.

This initial consolidation resulted in goodwill of EUR 244.8m, which amounts to EUR 243.4m as at 31 December 2022 due to changes in the exchange rate. This calculation is based on the difference of the cash purchase price for the shares, EUR 526.0m, to the fair values of the acquired assets and liabilities.

The purchase price, possible repayments of existing financial liabilities of ROBYG, and further working capital for ROBYG’s investments will be financed through bridge financing of up to EUR 750m, provided by four banks. The term of this bridge financing, including all extension options, ends in January 2024 at the latest. As at 31 December 2022, the residual liability from this bridge financing, which has since been drawn down in the amount of EUR 650m, is EUR 250m.

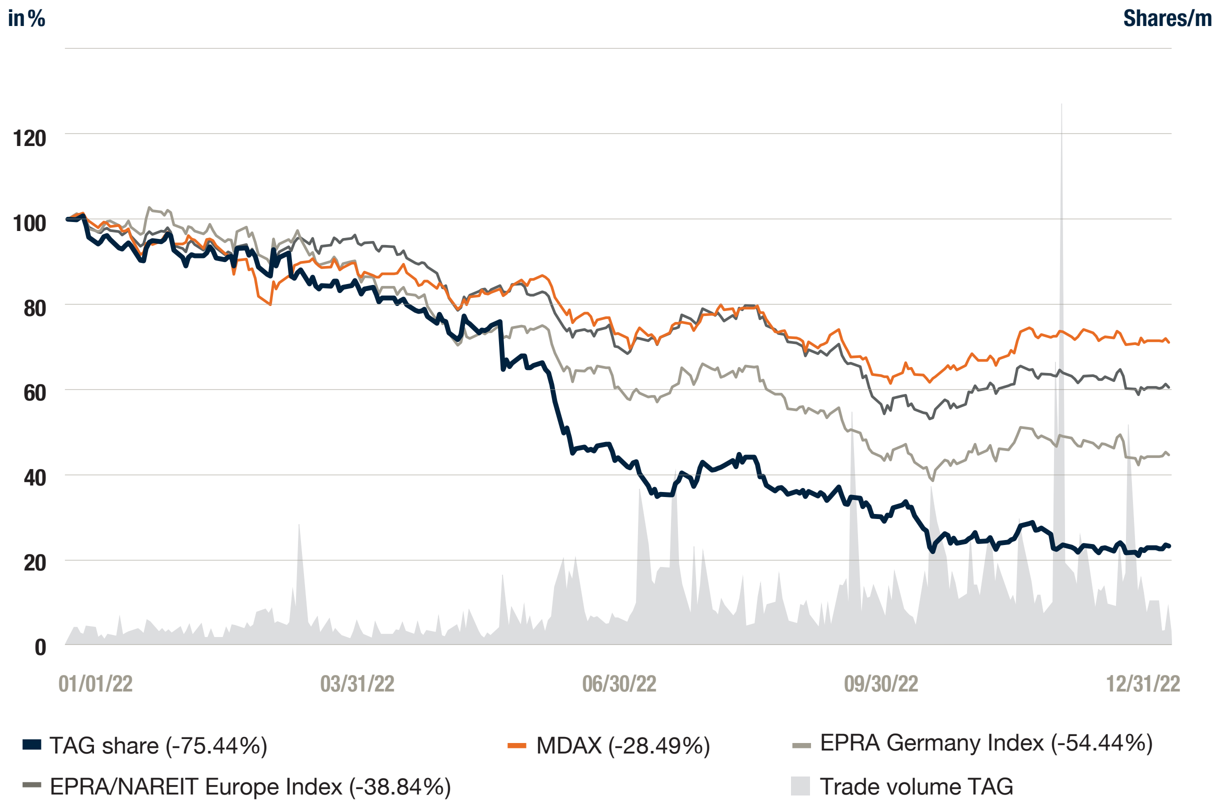
THE TAG SHARE AND THE CAPITAL MARKET

Share performance

The price of the MDAX-listed TAG share came under strong pressure with the onset of the Ukraine crisis at the end of February 2022 and the resulting uncertainty on the capital markets in FY 2022. Inflation and significantly rising energy prices led to rapidly rising interest rates. As a result, TAG's shares underwent a highly volatile and, especially in the second half of the year, very negative development. After a closing price of 24.61 at the end of 2021, the shares traded at prices that peaked at around EUR 24.79 in January 2022 (5 Jan 2022), and dropped to lows of EUR 5.52 in December 2022 (20 Dec 2022) . At year-end 2022, the share price stood at EUR 6.05, a 75% decrease compared to the beginning of the year. Additionally taking into account the dividend of EUR 0.93 per share paid out to shareholders in May 2022, the overall performance of the TAG share in 2022 was -72% (previous year: -2%).

By comparison, the EPRA index, comprised of various European real estate companies listed on international stock exchanges, recorded a 39% loss (previous year: +15%).

At the national level, the MDAX dropped 29%. The EPRA Germany index, which comprises the main German real estate stocks, also plummeted by 55% (previous year: minus 7%), still outperforming the TAG share, as shown in the diagram below:

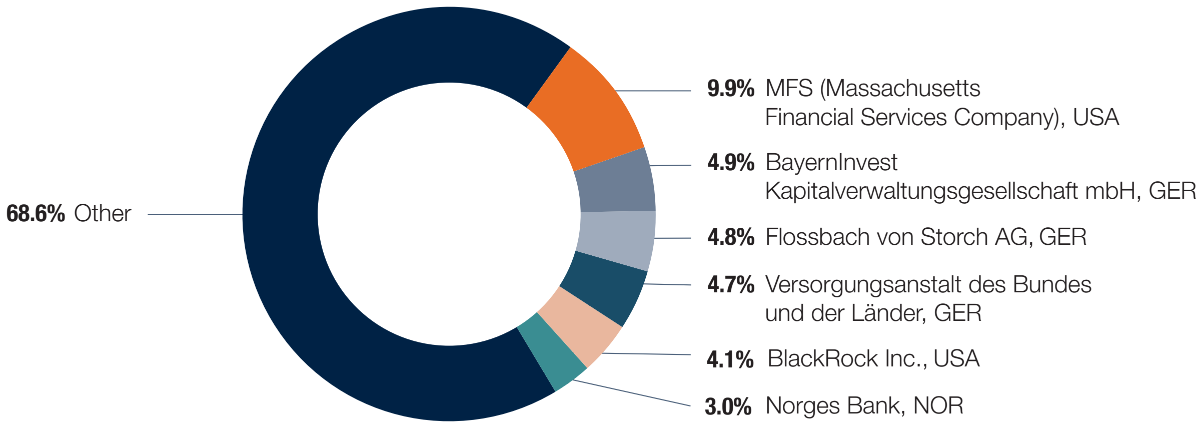


Share capital and shareholder structure

TAG's market capitalisation was EUR 1.1bn on 31 December 2022, compared to EUR 3.6bn on 31 December 2021. The share capital and number of shares at 31 December 2022 were EUR 175,489,025.00 and 175,489,025 shares. This represents a year-on-year increase of approx. 19.8%, which stems from the rights issue of 28,990,260 newly issued shares carried out in July 2022.

Free float at the reporting date was 99.97% of the share capital; 0.03% of the share capital (47,434 shares at 31 December 2022 after 119,264 at 31 December 2021) are held by TAG as treasury shares for purposes of Management Board and employee compensation.

As before, national and international investors with a predominantly long-term investment strategy make up the majority of TAG shareholders, as the following diagram (as at 31 December 2022) shows. This is based on the last number of voting rights reported to TAG, so the shareholding may have changed within the respective thresholds without having triggered a reporting obligation:



Dividend

In 2022, too, TAG let its shareholders participate in the Company's success for the tenth consecutive year by paying an attractive dividend. At this year's Annual General Meeting, which took place virtually on 13 May 2022, a dividend of EUR 0.93 per share, after EUR 0.88 per share in the previous year, was approved and subsequently paid out for the 2021 financial year.

In a departure from the dividend policy of previous years, the Management Board and Supervisory Board of TAG plan to propose no dividend payment for FY 2022 at the Annual General Meeting in 2023, so as to further strengthen the capital and financing base. This represents a departure from the original dividend forecast, which still envisaged a dividend payment of EUR 143m (EUR 0.81 per share). As soon as the capital and investment markets have returned to normal, TAG intends to resume its dividend payments and return to its previous distribution policy of 75% of FFO I. A decision on a dividend payment for 2023 will not be made until the end of the year at the earliest, concurrently with the forecast for 2024, and is dependent on market conditions and the refinancing of all financial liabilities, which mainly refers to the outstanding bridge financing.

Capital increase with subscription rights

On 8 July 2022, TAG resolved a rights issue fully underwritten by the sponsoring banks to partially refinance the bridge financing from the acquisition of ROBYG. For every 101 existing shares, shareholders were able to acquire 20 new shares at a subscription price of EUR 6.90 per share. The total of 28,990,260 new shares issued (approx. 19.8% of the existing share capital) carry full dividend rights as of 1 January 2022.

On 26 July 2022, the capital increase was successfully completed with gross proceeds of EUR 202m. The subscription rate for the new shares was 97.65%, the remaining shares were sold on the market. Since the registration of the capital increase in the commercial register on 27 July 2022, the share capital and the number of shares of the Company have amounted to EUR 175,489,025.00 and 175,489,025 shares, respectively.

Credit rating

As of the date of this report, TAG has credit ratings from the rating agencies Moody's (Ba1, outlook stable) and S&P Global (BBB-, outlook negative). In October 2022, the Moody's rating was downgraded from Baa3 to Ba1, i.e. outside the investment grade range. S&P Global confirmed its existing investment grade rating of BBB- in November 2022, but changed the outlook from stable to negative. With the exception of the 0.5 percentage point increase in the interest rate on the EUR 250m bridge loan granted by banks until January 2024 for the acquisition of the ROBYG shares, the Moody's downgrade had no effect on TAG's financial liabilities. Should TAG no longer be rated investment grade by S&P Global in the future, there would be no effect on financial liabilities, with the exception of a 0.5-percentage-point increase in the interest rate on promissory note loans with terms of between three and seven years totalling EUR 74.5m; in particular, there are no financing commitments or financial liabilities that are linked to the existence of an investment grade rating.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSET POSITION

Results of operations

Rental revenues and net rental income

The financial year 2022 once again saw a positive development in rental revenues. Including rent increases and reductions from acquisitions in the previous year and from disposals, the Group's net actual rent ('cold rent') increased by 2.1% to EUR 339.9m. This was mainly due to a significant increase in overall like-for-like growth in rents of 2.7% (previous year: 1.3%) (including effects from vacancy reduction).

Including the additional income to be reported under rental revenues (mainly third-party operating and utility costs), total rental revenues increased from EUR 436.9m to EUR 453.9m over the course of the year, due to vacancy reduction among other things. The rental business in Poland, which only started in 2021 with the completion of the first projects and generated net actual rent of EUR 2.7m (previous year: EUR 0.5m), had no significant influence on rental revenues as of the reporting date.

As a result of the increased net actual rent, with less of an overall increase in expenses, the Group's rental profit – i.e. revenues net of expenses for property management from continuing operations – also improved from EUR 271.3m in the previous year to EUR 277.9m in 2022.

For the Rental segment, the segment result II, after deduction of operating costs and directly attributable personnel and material costs, was EUR 235.7m (previous year: EUR 230.9m).

Results from sales of investment properties and properties held as inventories

At EUR 418.8m, combined revenues from the sale of portfolios and investment properties were well above the previous year's level of EUR 117.7m. This increase is due to the first-time inclusion of ROBYG in the consolidated financial statements from 31 March 2022. Revenues generated in Poland from the sale of portfolio properties amounted to EUR 327.0m after EUR 62.4m in the previous year (cf. also the comments in 'Development of the business activities in Poland').

In Germany, revenues from sales related to the ongoing, usually smaller-scale sales of individual apartments and small-scale residential portfolios.

Overall, this resulted in a sales result of EUR 35.4m in 2022, compared to EUR 12.5m in the previous year.

Besides the book profits, the sales results also include commission expenses for ongoing sales, allocations to accruals for compensation risks and litigation costs from building projects and sales from previous years, and other selling costs. In all, the expenses amounted to EUR 3.4m (previous year: EUR 1.7m).

Revenues from services and net service income

Of the revenues from services totalling EUR 82.2m (previous year: EUR 57.5m), nearly all, i.e. EUR 80.4m (previous year: 57.2m) are generated in Germany. They relate to the business fields of energy management, multimedia, small repair services, in-house caretaker and maintenance services, and homeowner association management. Of this, EUR 3.2m (previous year: EUR 2.1m) relates to proportionately attributable property tax and insurance charges. The increase is mainly due to the higher consumption prices for heat and gas during the reporting period. After deducting the directly attributable purchase and material costs, net income from services amounts to EUR 28.6m (previous year: EUR 26.3m).

Segment result II for the Services segment, after deduction of directly attributable purchasing and material costs and directly attributable personnel and non-personnel costs, amounted to EUR 10.0m (previous year: EUR 10.6m).

Other operating income

Other operating income increased to EUR 20.2m in FY 2022 (previous year: EUR 7.6m), mainly attributable to capitalisation of personnel expenses in connection with project developments in Poland, and the reversal of other provisions.

Valuation results

Following a gain of EUR 540.1m in the previous year, the revaluation (fair value change) of investment properties and effects from the valuation of properties held as inventories resulted in a negative valuation result of -64.2m for the first time due to the negative price developments in Germany. The valuation result in Germany reduced the result by EUR -97.3m (previous year: gain of EUR 525.0m), while a positive valuation result of EUR 33.1m (previous year: EUR 15.0m) was achieved in Poland (cf. also 'Operative business performance and portfolio developments – Revaluation of the portfolio in the financial year under review' above).

Personnel expenses

In the reporting period, personnel expenses increased to EUR 77.7m (previous year: EUR 63.0m). The first-time inclusion of ROBYG starting from the second quarter of 2022 increased both the number of employees and the personnel expenses in the Group. The number of employees in the German companies remained nearly constant year-on-year.

As at 31 December 2022, TAG employed 1,739 employees including the employees in Poland, compared to 1,390 employees at the end of fiscal 2021.

In this connection, a total of EUR 53.9m (previous year: EUR 39.6m) in personnel expenses is allocated to individual segments. Of this, EUR 11.3m (previous year: EUR 14.7m) relates to the Rental segment, EUR 20.6m (previous year: EUR 19.0m) to the Services segment, and EUR 22.1m to the business activities in Poland (previous year: EUR 5.9m).

Depreciation/amortisation of intangible assets and property, plant and equipment

The amortisation of intangible assets and property, plant and equipment of EUR 10.6m (previous year: EUR 8.8m) relates exclusively to scheduled depreciation, mainly to IT software and the Group's own owner-occupied office properties, which are to be accounted for at amortised cost according to IFRS, to business equipment, and to rights of use within the meaning of IFRS 16.

Other operating expenses

At EUR 32.7m, other operating expenses were above the previous year's level of EUR 24.5m. In connection with the acquisition of the shares in ROBYG S.A., a transaction tax of EUR 5.1m was incurred in Poland. The other items mainly refer to legal, consulting and audit costs, as well as costs for business premises and costs of communications.

A total of EUR 7.8m (previous year: EUR 2.5m) in directly allocable expenditure (and income) is assigned to the individual segments. Of this, EUR 3.9m (previous year: EUR 3.5m) is attributable to the Rental segment, while the Services segment accounts for income of EUR 2.7m (previous year: EUR 3.3m) and on the segment Business Activities Poland and Sales EUR 9.0m (previous year: EUR 0.0m).

Share of profit or loss of associates, income from associated companies, impairment of financial assets, and interest income

The total financial result, i.e. the result of investment income, income from associated companies, depreciation on financial assets, interest income, and interest expenditure, essentially improved, despite rising interest expenses due to positive valuation results from derivatives, to EUR -32.6m (previous year: EUR -43.3m). Eliminating the financial result from operations in Poland, non-recurring effects, as well as non-cash gains or losses e.g. from derivatives (here mostly the equity option of convertible bonds issued), leads to a P&L cash financial result excluding special items of EUR -41.9m for FY 2022 after -42.1m in 2021; this amount is included in the calculation of the FFO.

Due to the increase in interest rates over the course of the year and the higher interest rate level in Poland, the average interest expense for total financial liabilities rose to 2.1%, compared to 1.4% at the end of the previous year.

Income from investments, impairment of financial assets, and currency conversion effects amounted to EUR -1.0m (previous year: EUR 3.1m).

Taxes on income

Taxes on income and earnings amounted to EUR 26.9m in 2022, after EUR 132.5m in 2021. The proportion of actual tax expenses in 2022 was EUR 16.0m (previous year: EUR 4.2 m), the remaining expenses of EUR 11.0m (previous year: 128.2m) relate to non-cash deferred taxes, primarily from the valuation of investment properties and from the activation of or value adjustments to deferred taxes on tax loss carry-forwards.

Consolidated net profit

In the 2022 financial year, TAG achieved a consolidated net profit of EUR 117.3m (previous year: 585.6m). The main reason for the EUR -468.3m decrease in consolidated net profit was a EUR 604.3m drop in the valuation result.

Adjusted EBITDA

For the rental business in Germany, this results in the following adjusted EBITDA and adjusted EBITDA margin as the ratio of adjusted EBITDA to net actual rent (not including results of sales) for the 2022 financial year:

in EUR m	2022	2021
EBIT	**118.0**	**736.7**
Revaluations	97.3	-525.0
Depreciation	9.4	8.7
One-off's	7.3	5.8
Valuation result	1.4	-0.1
EBITDA (adjusted)	**233.5**	**226.1**
Rental income (net rent)	337.2	332.5
EBITDA Margin (adjusted)	**69.2%**	**68.0%**

The increase in adjusted EBITDA can mainly be attributed to the rise in rental income. At 69.2%, the EBITDA margin is above the prior-year level, which is due in particular to the year-on-year increase in rental revenues. As last year, the non-recurring items relate in full to expenses in connection with the acquisition of the shares in ROBYG, such as the transaction tax and legal and consulting costs.

Funds from Operations (FFO)

FFO I is calculated based on the Group's consolidated EBT in Germany, adjusted for non-cash items, such as evaluation results, depreciation, amortisation (without adjustment for impairment of rent receivables), non-cash interest expense, and without regularly non recurring special effects, and then deducting current tax income. FFO I also does not include proceeds from property sales. AFFO (Adjusted Funds From Operations) is based on FFO I, but minus the capitalised investments in the portfolio holdings ('Capex'). FFO II is based on FFO I and additionally takes into account the balance sheet profit from property sales and the earnings contribution from the business activities in Poland. The number of shares outstanding was calculated as a weighted average.

The following table shows the calculation of FFO I, adjusted EBITDA, AFFO, and FFO II in the financial year under review and compared to the same period of the previous year:

in EUR m	01/01/ - 12/31/2022	01/01/ - 12/31/2021
Net income	**117.3**	**585.6**
Elimination net income Poland	-43.0	-17.9
Net income Germany	**74.3**	**567.7**
Taxes	14.3	127.4
Financial result	29.4	41.6
EBIT	**118.1**	**736.7**
Adjustments	0.0	0.0
Valuation result	97.3	-525.0
Depreciation	9.4	8.7
One-off's	7.3	5.8
Sales result	1.4	-0.1
EBITDA (adjusted)	**233.5**	**226.2**
Rental income (net rent)	337.2	332.5
EBITDA (adjusted)	**69.2%**	**68.0%**
Net finance income (cash, without one-time invoice)	-41.9	-42.1
Income taxes (cash)	-1.0	-0.7
Guaranted dividend minorities	-1.2	-1.3
FFO I	**189.4**	**182.0**
Capitalised maintenance	-17.2	-16.5
AFFO (before modernisation capex)	**172.3**	**165.5**
Modernisation capex	-69.4	-51.6
AFFO	**102.8**	**113.9**
Net income from sales Germany	-1.4	0.1
Result operations Poland	59.3	6.7
FFO II (FFO I + net revenues from sales and result operations Poland)	**247.3**	**188.8**
Weighted average number of shares (outstanding, in 000)	158,900	146,358
FFO I per share (in EUR)	**1.19**	**1.24**
FFO II per share (in EUR)	**1.56**	**1.29**
Weighted average number of shares fully (diluted, in 000)	158,900	147,101
FFO I per share (in EUR)	**1.19**	**1.24**
FFO II per share (in EUR)	**1.56**	**1.28**

The rental activities in Poland (rental income of EUR 2.7m in 2022) were not included in FFO I for reasons of materiality. The contributions of the business activities in Poland to TAG's Consolidated net profit, and to the TAG Group's FFO II, are as follows for FY 2022:

in EUR m	01/01/ - 12/31/2022	01/01/ - 12/31/2021
EBIT Poland	58.8	24.7
Result of effects from purchase price allocation	53.9	3.4
Valuation result	-33.1	-15.0
Depreciation	1.2	0.1
EBITDA (adjusted) Poland	**80.8**	**13.2**
Net financial result	-3.2	-1.7
Cash taxes	-15.0	-1.5
Minority interests	-3.3	-3.3
Result operations Poland (contribution to FFO II)	**59.3**	**6.7**

FFO I increased by 4.1% year-on-year, from EUR 182.0m to EUR 189.4m. On a per-share basis, FFO I decreased by 4.0% from EUR 1.24 to EUR 1.19.

In the previous year, the Group had issued an FFO I forecast of EUR 1.30 per share for FY 2022, which in absolute terms corresponded to FFO I of EUR 188m to EUR 192m. Taking into account the rights issue carried out in July in the amount of 19.8% of the previous share capital, an adjustment of the FFO I forecast on a per share basis to EUR 1.20 per share became necessary in August 2022; the forecast for FFO I in absolute terms remained unchanged. With FFO I at EUR 189.4m and FFO I per share of EUR 1.19 for the 2022 financial year, this forecast was met in absolute terms, while FFO I per share was just EUR 0.01 below the forecast.

In March 2022, the Group published a forecast for FFO II of EUR 247.0m to EUR 253.0m or EUR 1.58 per share for the first time (after taking into account the rights issue carried out in July 2022). With FFO II of EUR 247.3m and FFO II per share of EUR 1.56, this forecast was also maintained in absolute terms and was only slightly undercut by EUR 0.02 in terms of FFO II per share.

Assets position

Assets

Assets at 31 December 2022 totalled EUR 8.2bn after EUR 7.1bn at 31 December 2021. In addition to investment properties of EUR 6,569.9m (previous year: EUR 6,540.4m), the Group's total real estate assets also include properties reported under property, plant and equipment totalling EUR 9.9m (previous year: EUR 9.1m), as well as inventories, especially in Poland, of EUR 714.2m (previous year: EUR 113.8m). Beyond this, real estate of EUR 187.4m (previous year: EUR 72.0m) is reported under non-current assets held for sale. At 31 December 2022, total real estate assets amounted to EUR 7,841.4m, as compared to EUR 6,735.3m at the end of the previous year, of which EUR 6,328.8m (previous year: EUR 6,387.4m) is attributable to German properties and EUR 1,152.6m (previous year: EUR 347.9m) to properties in Poland.

Cash and cash equivalents at 31 December 2022 totalled EUR 240.5m compared to EUR 96.5m at 31 December 2021.

Investments and Capex reporting

In 2022, TAG spent a total of EUR 123.7m (previous year: EUR 106.9m) on ongoing maintenance and modernisation in its like-for-like portfolio in Germany, i.e. excluding the acquisitions of the financial year and project developments. EUR 37.1m (previous year: EUR 38.8m) was spent on maintenance recognised in profit or loss, and EUR 86.6m (previous year: EUR 68.1m) on capitalisable modernisations, broken down as follows for the German portfolio:

in EUR m	2022	2021
Large-scale measures (e.g. modernisation of entire residential complexes)	48,9	33,2
Modernisation of apartments		
Previously vacant apartments	20,5	18,3
Change of tenants	17,2	16,5
Total modernisation costs like-for-like portfolio	**86,6**	**68,1**

Total investments (ongoing maintenance recognised in profit and loss and capitalised renovation and modernisation) in the Group's like-for-like portfolio amounted to EUR 24.55 per sqm in 2022, after EUR 20.92 per sqm in the previous year, and to EUR 23.77 per sqm across the whole portfolio (previous year: EUR 20.31 per sqm).

Broken down into acquisitions, project developments and residential portfolio including the acquisitions of the financial year, total capital expenditure on the investment properties were as follows:

in EUR m	2022	2021
Acquisitions in the financial year	137.7	4.6
Project developments	137.2	177.9
thereof capitalised interest	2.7	1.7
Like-for-like Portfolio Germany[1]	86.6	67.8
thereof investments in existing areas	86.6	67.8
Other[2]	0.0	0.0
Total investments in investment properties	**361.5**	**250.3**

[1] Capex on investment properties EUR 86.1m (previous year: EUR 67.8m), capex on properties held for sale EUR 0.5m (previous year: EUR 0.3m)
[2] Rent incentives, e.g. rent-free periods for tenants for modernisation work performed by the tenant themselves, are of secondary importance with a total volume of approx. TEUR 20 p.a.; information on modernisation expenses in connection with joint ventures is omitted as TAG does not hold any interests in joint ventures.

The acquisitions include project developments from the purchase of ROBYG in the amount of EUR 124.8m as well as the other purchases in the German portfolio in the amount of EUR 12.8m. The project developments relate entirely to investments in new residential construction in Poland, designed to build up the rental business. Including a project development reported under inventories, EUR 20.3m (previous year: EUR 8.7m) was invested in Germany and EUR 373.5m (previous year: EUR 234.9m) in Poland.

The modernisation expenses for the like-for-like portfolio only concern investments in existing space; the investments in additional spaces are of minor importance.

A detailed breakdown of ongoing maintenance expenditure and renovation, and modernisation measures per sqm for the individual regions can be found in the portfolio table in the 'Business performance – The portfolio in detail' section above.

The Group's segment reporting shows maintenance expenses and investment costs totalling EUR 69.9m (previous year: EUR 68.8m). This amount, which follows the internal reporting methodology, does not include some items that are capitalised in IFRS accounting, such as in the area of apartment modernisation.

Goodwill

The initial consolidation of Vantage in 2020 resulted in goodwill of EUR 19.8m, which has gone down to EUR 17.9m as at 31 December 2022 due to currency translation effects. This calculation is based on the difference between the cash purchase price for the shares of EUR 131.9m and the fair values of the acquired assets and liabilities.

The initial consolidation of ROBYG in 2022 resulted in goodwill of EUR 232.6m, which increased to EUR 244.8m due to the costs of a currency hedge for the purchase price payment. The calculation is based on the difference between the cash purchase price for the shares of EUR 526.0m and the fair values of the acquired assets and liabilities. As of the reporting date, this goodwill was reduced to EUR 243.3m due to currency translation effects.

Financial position

Equity

In the financial year 2022, the equity base was increased by EUR 117.3m (previous year: EUR 585.6m) as a result of the Group's ongoing performance. In May 2022, a dividend payment in the amount of EUR 136.2m (previous year: EUR 128.8m) was made for the 2021 financial year. By resolution of the Management Board on 8 July 2022, equity was increased by EUR 192m by way of a rights issue with a nominal value of EUR 29.0m. The equity increase was entered in the commercial register on 27 July 2022.

As of the balance sheet date, Group equity totalled EUR 3,307.7m (31 December 2021: EUR 3,129.5m). The equity ratio at the end of the 2022 financial year was 40.3%, compared with 44.1% at the end of the previous year.

The ongoing appraisal rights proceedings on the appropriateness of the compensation of minority shareholders in TAG Colonia-Immobilien AG ended with the ruling by the Hanseatic Higher Regional Court on 29 March 2022, which ruled in favour of TAG. TAG published the decision in the Federal Gazette on 14 April 2022 pursuant to Section 14 SpruchG. According to the ruling, the compensation offer made by TAG to the minority shareholders of TAG Colonia-Immobilien AG at a price of EUR 7.19 per share was appropriate. The minority shareholders' right to tender shares was not exercised by the expiry of the deadline on 14 June 2022. The minority shareholders' right to tender shares, which had been reported as a liability in the amount of EUR 19.7m until then, has therefore been reported in equity as 'attributable to non-controlling interests' since 30 June 2022.

EPRA Net Tangible Assets (NTA)

The following table shows the calculation of NTA for the entire portfolio:

in EUR m	12/31/2022	12/31/2021
Equity (before minorities)	3,198.5	3,039.7
Effect from conversion of convertible bond	0.0	0.0
Deferred taxes on investment properties and derivative financial instruments*	638.6	653.8
Fair value of derivative financial instruments	-6.1	16.6
Difference between fair value and book value for properties valued at cost*	74.1	51.2
Goodwill	-261.3	-18.3
Intangible assets (book value)	-4.9	-4.9
EPRA NTA (diluted)	**3,638.9**	**3,738.2**
Number of outstanding shares (diluted, in 000)	175,442	146,380
EPRA NTA per share in EUR (diluted)	**20.74**	**25.54**

* Deferred taxes on derivative financial instruments as well as deferred taxes and minorities are taken into account in the determination of hidden reserves on property, plant and equipment and inventories.

In calculating NTA, deferred taxes are taken into account as follows:

	2022			2021		
	Fair Value in EUR m	share of total portfolio	share of deferred tax corrections	Fair Value in EUR m	share of total portfolio	share of deferred tax corrections
Strategic core portfolio	6,223.3	92%	100%	6,336.8	96%	100%
Other portfolio including properties held for sale	534.0	8%	0%	275.6	4%	0%

Financing and liquidity

The loan-to-value (LTV) ratio at the reporting date is calculated as follows:

in EUR m	12/31/2022	12/31/2021
Liabilities to banks	2,522.0	2,066.5
Liabilities from corporate bonds and other loans	798.6	546.3
Liabilities from convertible bonds	460.6	457.8
Cash and cash equivalents	-240.5	-96.5
Net financial debt	**3,540.8**	**2,974.1**
Investment properties	6,569.9	6,540.4
Property reported under tangible assets	9.9	9.1
Property held as inventory	714.2	113.8
Property reported under non-current assets held for sale	187.4	72.0
Real estate volume (book value)	**7,481.4**	**6,735.3**
Book value of property for which purchase prices have already been paid in advance	0.0	67.9
Difference between fair value and book value for properties valued at cost	108.4	81.7
Relevant real estate volume for LTV calculation	**7,589.8**	**6,884.9**
LTV	**46.7%**	**43.2%**

The TAG Group's LTV declined to 46.7% as at 31 December 2022, after LTV of 43.2% in the previous year.

TAG bases its funding on various pillars. In addition to bank loans secured by property in its subsidiaries, the Company also uses capital market-based financing, such as corporate bonds in Germany and Poland, convertible bonds and, albeit to a lesser extent, usually to a maximum of EUR 50m, short-term bearer bonds with maturities of generally one to twelve months as a special form of corporate bond ('Commercial Papers'). TAG and its subsidiaries can also draw on credit lines at banks.

As of the reporting date, TAG has credit ratings from the rating agencies Moody's (Ba1, outlook stable) and S&P Global (BBB-, outlook negative). In October 2022, the Moody's rating was downgraded from Baa3 to Ba1, i.e. outside the investment grade range. S&P confirmed its existing investment grade rating of BBB- in November 2022, but changed the outlook from stable to negative.

The convertible bond 2020/2026 with a nominal value of EUR 470.0m has a term of six years, is unsecured, and carries a coupon of 0.625% p.a. The conversion price as of the reporting date is EUR 31.95. This conversion price will be adjusted if future dividend payments exceed a value of EUR 0.77 per share.

The key data of the convertible bond outstanding as at 31 December 2021 is as follows:

Convertible bond 2020/2026 WKN A3E46Y
Volume: EUR 470m
Nominal value per bond: EUR 100,000.00
Maturity: 6 years to 08/27/2026
Interest rate: 0.625%
Issue price: 100%
Conversion price: EUR 31.9486

The key data of the corporate bonds outstanding as at 31 December 2022 is as follows:

Corporate bond WKN A2LQP69	Corporate bond WKN A2LQP77
Volume: EUR 125m	Volume: EUR 125m
Nominal value per bond: EUR 100,000.00	Nominal value per bond: EUR 100,000.00
Maturity: 5 years to 06/19/2023	Maturity: 7 years to 06/19/2025
Interest rate: 1.25%	Interest rate: 1.75%
Issue price: 99.395%	Issue price: 99.615%

On the Polish capital market, the Group has issued currently unsecured bonds with a total volume of PLN 657m in various tranches as part of a bond issuance programme:

Titel	Volume in m PLN	Outstanding Volume in m PLN	Outstanding Volume in EUR m	Maturity	Interest as of 12/31/2022
Serie PA	300.0	237.1	51.3	03/29/2023	9.8%
Serie PB	60.0	60.0	13.0	07/05/2023	10.0%
Serie PC	100.0	100.0	21.6	12/04/2024	10.1%
Serie PD	150.0	150.0	32.4	06/17/2026	9.5%
Serie PE	110.0	110.0	23.8	12/22/2025	12.0%

The bonds are hedged economically by interest rate swaps with a volume of TPLN 470.

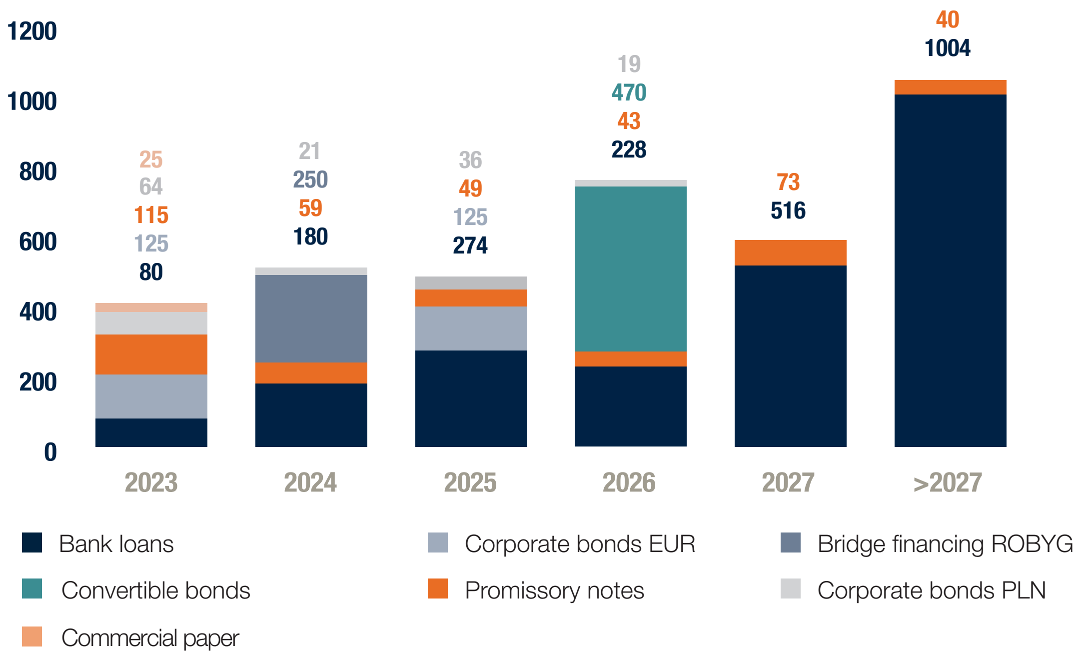
In Germany, TAG has also placed a number of promissory note loans through private placements:

Instrument	issued in	Nominal volume in EUR m	Duration of tranches	Average interest rate as of 12/31/2022
Promissory notes	2019	102.0	5–7 years	1.4%
Promissory notes	2020	92.0	3–10 years	1.9%
Promissory notes	2021	100.0	2 years	0.1%
Promissory notes	2022	84.5	3–7 years	4.8%

With an average remaining term of 2.7 years, this results in an average interest rate of 1.9% p.a. for the German promissory note loans.

TAG concluded bridge financing of up to EUR 750.0m for the acquisition of the shares in ROBYG S.A., for possible repayments of existing financial liabilities of ROBYG, and for further working capital for the investments of ROBYG. The term of this bridge financing, which has since been drawn down in the amount of EUR 650m and is valued at EUR 250m as of the reporting date, ends in January 2024 at the latest.

The following table shows the maturity of all liabilities as of 31 December 2022:



If one adds to the bank loans of EUR 534m maturing in the next three years those for which fixed interest rates are ending, the total refinancing volume for bank loans for the period up to 31 December 2025 is EUR 603m. The average interest rate of these bank loans is 2.8%.

The average volume-weighted residual maturity of all bank loans as of the balance sheet date was 6.8 (previous year: 7.6) years; the average term of all financial liabilities was 6.8 (previous year: 6.3) years. The average interest rate on bank loans as at 31 December 2022 was 2.1% (previous year: 1.6%), and that on total financial liabilities was 2.1% (previous year: 1.4%). 90% (previous year: 99%) of total financial liabilities have fixed interest rates.

The Management Board expects that all loans maturing in 2023, nearly all of which are in euros, will be refinanced or repaid from existing cash resources.

The following provides an abbreviated view of the development of cash flow in the past financial year, based on the presentation in the consolidated cash flow statement:

in EUR m	2022	2021
Cash flow from operating activities	133.6	164.0
Cash flow from investment activities	-561.2	-272.2
Cash flow from financing activities	573.5	-119.3
Effects from currency changes	-1.3	1.6
Cash and cash equivalents at the beginning of the period	94.1	320.0
Cash and cash equivalents at the end of the period	**238.7**	**94.1**

The main driver in operating cash flow is higher income from rental and sales. The area of Investments especially reflects the construction and modernisation activities of the past financial year as well as the acquisition of ROBYG. Cash flow from financing activities mainly includes the results from the capital increase with subscription rights carried out during the year, the bridge financing raised in the course of the ROBYG acquisition, and the assumption and repayment of bank loans.

As of the balance sheet date, the Group had the following freely available cash and cash equivalents, which are also shown in this amount in the consolidated cash flow statement:

in EUR m	12/31/2022	12/31/2021
Cash and cash equivalents according to consolidated balance sheet	240.5	96.5
Cash and cash equivalents not available at balance sheet date	-1.8	-2.4
Cash and cash equivalents as per consolidated cash flow statement	**238.7**	**94.1**

Above and beyond this, TAG has available credit lines totalling EUR 149.4 m at various banks (previous year: EUR 145.0m). As of 31 December 2022, EUR 0.0m had been drawn down (previous year: EUR 0.0m).

Overall assessment of the economic situation

In the Management Board's view, TAG again achieved excellent operating results in both Germany and Poland in FY 2022. The forecast for both FFO I and FFO II were achieved.

The decline in EPRA NTA per share in the past financial year by around 19% to EUR 20.74 per share was mainly due to the rights issue carried out in July 2022 and the goodwill from the ROBYG acquisition, which by definition is not included in this key figure. Furthermore, in 2022, for the first time in many years, the annual property valuation resulted in a EUR -64.2m decline (after a gain of EUR 540.1m in the previous year). This also led to a higher Loan to Value ratio (LTV), which was 46.7% on the reporting date after 43.2% at the beginning of the year.

After the implementation of the rights issue in July 2022 with gross proceeds of around EUR 202m and the proposed waiver of a dividend payment for the 2022 financial year, which will result in liquidity savings of around EUR 143m, the Management Board feels TAG has a solid financial structure. The Group is thus stably financed despite the unusually difficult capital and investment markets.

REPORT ON THE SEPARATE FINANCIAL STATEMENTS OF TAG IMMOBILIEN AG IN ACCORDANCE WITH HGB

Fundamentals of the Company

TAG Immobilien AG (the 'Company' in the following) is the parent company in the Group. It primarily functions as a management holding company and performs all material central functions with its employees. The separate financial statements of TAG Immobilien AG are prepared in accordance with the provisions of the German Commercial Code (HGB) for large corporations.

Management system

For TAG Immobilien AG as an individual company, the net profit for the year under German commercial law is also used as a key performance indicator, which is calculated annually in the annual financial statements. Adjusted net profit for the year as defined by the key performance indicator is calculated without results from control and profit and loss transfer agreements with subsidiaries, before income taxes and deferred taxes, and without effects that do not recur annually. The annually non-recurring effects essentially include extraordinary refinancing costs, results from disposals and valuation effects. This is particularly relevant for the calculation of the distributable net profit, as it must be ensured that the Company not only has sufficient liquidity but also sufficient distributable results under commercial law for the dividend to be paid in the following year.

Business performance

TAG Immobilien AG acts as a holding company and generates revenues from agency services for the entire Group. In addition, it receives income from its subsidiaries' equity interests and generates interest income by financing the operating activities of its subsidiaries. To this end, funds raised by means of external financing and capital increases are passed on to Group companies.

In contrast, the Company's operating real estate business is not of material importance. Besides a boarding house in Leipzig, the real estate portfolio as at 31 December 2022 still includes 71 apartments in Riesa, as in the previous year. The majority of the operating business within the Group is conducted by subsidiaries.

Results of operations, financial position, and net assets in the annual financial statements of TAG Immobilien AG

Results of operations

TAG Immobilien AG's results of operation are largely determined by its holding function and by the centralisation and management of resources deployed across the Group. Most of the employees' employment contracts are pooled in the parent company and are allocated to the subsidiaries by means of intra-group cost allocations. This results in both high personnel expenses and high revenues.

The Company achieved a net loss of EUR 0.5m in fiscal 2021, after net profit of EUR 104.6m in the previous year. The decline is primarily due to significantly lower investment income.

The following table shows the reconciliation of the net result for the year to the adjusted net result for the year as defined by the key performance indicator for TAG Immobilien AG as a single entity:

in EUR m	2022	2021
Consolidated net profit as reported in the income statement	-0.5	104.6
costs of capital increase	11.0	0.0
Income taxes and deferred income taxes	9.5	2.5
Expenses relating to bridge financing ROBYG	3.7	0.8
Expenses from write-down of convertible bond 2017/2022	0.0	9.1
Effects from currency conversion	0.0	-0.6
Expenses from convertible bond 2017/2022	0.0	58.1
Investment income	0.0	-33.1
valuation effect purchase price guarantee	-0.5	-0.4
Income from profit transfer agreements	-24.7	-153.4
Result after adjustments	**-1.5**	**-12.4**

On this basis, the Company achieved a net result of EUR -1.5m, above the previous year (EUR -12.4m) after adjustment. This means that the forecast made in the previous year for the HGB annual financial statements, which assumed an adjusted net loss of between EUR 11.0m and EUR 14.0m, was clearly exceeded. This was mainly due to the significantly higher interest income compared to the forecast, and to lower personnel costs.

Revenues declined from EUR 46.8m in fiscal 2021 to EUR 43.1m in the 2022 financial year. Of this amount, EUR 42.6m (previous year: EUR 46.3m) is attributable to the allocation of costs within the Group for personnel and material costs.

Other operating income fell from EUR 4.2m in the previous year to EUR 2.4m. This reduction in income is due to income from currency translation, which fell from EUR 2.0m in the previous year to EUR 0.0m in the financial year. The other amounts reported here mainly comprise income from the reversal of provisions.

Personnel expenses decreased from EUR 41.2m to EUR 38.2m in the 2022 financial year. The drop in these expenses results from staff savings through efficiency improvement measures in the operating Group departments as well as from the EUR 1.6m reduction in Management Board remuneration in the financial year.

Amortisation of intangible assets and depreciation of property, plant and equipment were slightly above the previous year's level at EUR 3.0m (previous year: EUR 2.7m) and mainly relate to ERP software.

At EUR 38.4m (previous year: EUR 89.1m), total other operating expenses were well below the previous year's level. This difference is due to the previous year's expenses (EUR 58.1m) in connection with the cancellation of the convertible bond 2017/2022. A significant part of the operating expenses in the 2022 financial year consists of the costs of the rights issue of EUR 11.0m (previous year: EUR 0.0m).

Most of the remaining items in other operating expenses were legal and consulting costs, including IT consulting costs, of EUR 7.7m (previous year: EUR 4.9m), business premise rentals of EUR 3.8m (previous year: EUR 3.8m) communication costs of EUR 1.8m (previous year: EUR 2.0m), car and travel costs of EUR 2.0m (previous year: EUR 1.6m) , and IT costs of EUR 1.7m (previous year: EUR 1.4m).

In 2022, TAG Immobilien AG generated income of EUR 24.7m (previous year: EUR 153.4m) from control and profit transfer agreements. This significant decline was primarily due to the fact that the previous year's income included EUR 71.7m in distributions from subsidiaries, and because profit transfers from subsidiaries were lower compared to the previous year.

In the year under review, net interest income increased to EUR 18.9m (previous year: EUR 3.1m). Interest income from affiliated companies and holdings increased to EUR 44.8m (previous year: EUR 17.7m) due to the increase in the interest rate environment in 2022 and associated adjustment of the interest rate. Interest expenses increased from EUR 14.8m in fiscal 2021 to EUR 25.9m in 2022. The increase in interest expenses is mainly due to the bridge financing for the acquisition of ROBYG. Promissory note loans, corporate bonds, and convertible bonds accounted for current interest expense of EUR 11.2m (previous year: EUR 10.3m) in fiscal 2022. Interest expenses to affiliated companies and holdings increased from EUR 4.1m to EUR 10.5m.

Financial position and net assets

Total assets increased by EUR 594.6m to EUR 3,157.5m as of 31 December 2022 (previous year: EUR 2,563.1m). This increase was mainly due to the acquisition of a subsidiary ROBYG at a purchase cost of EUR 531.4m. Cash and cash equivalents at the end of the financial year amounted to EUR 112.0m (previous year: EUR 43.5m).

Shareholder's equity increased from EUR 921.0m to EUR 986.4m as at 31 December 2022, in particular due to the capital increase carried out in July 2022. The dividend payment for the 2022 business year in the amount of EUR 136.2m decreases equity. The equity ratio decreased from 35.9% in the previous year to 31.2% as at 31 December 2022.

Tax provisions exclusively comprise provisions for taxes on income. Other provisions mainly include purchase price guarantees from the sale of shares in a subsidiary of EUR 1.9m (previous year: EUR 2.5m), for royalties of EUR 0.9m (previous year: EUR 1.5m), for outstanding invoices of EUR 1.3m (previous year: EUR 1.1m), further provisions for personnel costs of EUR 0.4m (previous year: EUR 1.0m) and for auditing costs of EUR 0.4m (previous year: EUR 0.6m).

Overall liabilities increased to EUR 2,138.9m (previous year: EUR 1,620.0m) and include the corporate bonds, convertible bonds, commercial papers, and promissory notes issued by the Company. The increase in liabilities is mainly due to the bridge financing and other newly issued promissory note loans.

As of the balance sheet date, various banks have granted the Company credit lines of EUR 84.4m (previous year: EUR 80.0m). As of 31 December 2022, as in the previous year, the credit lines had not been utilised.

General statement by the Management Board on the business situation

Overall, the Company's earnings situation is satisfactory. Much like previous years, TAG Immobilien AG's financial year 2022 was shaped by one-off effects and the results from its subsidiaries. Compared to the previous year, these results decreased from EUR 153.3m to just EUR 24.7m, leading to a slightly negative result of EUR 0.5m after net profit of EUR 104.6m in the previous year.

In the Management Board's view, the Company's equity ratio remains at a good level at 31.2% (previous year: EUR 35.9%). The Company has sufficient liquidity and is, in the Management Board's opinion, stably financed.

FORECAST, OPPORTUNITIES AND RISK REPORT

Forecast

Projected economic conditions

The sharp rise in inflation under the pressure of energy, food and other commodity prices is hitting both the German and Polish economies, both of which are still struggling with the economic repercussions of the Covid-19 pandemic.

The German economy is forecast to shrink by shrink by 0.1% of the Gross Domestic Product in 2023. Unemployment is expected to rise from currently 5.3% to 5.5%, while consumer prices, which have risen sharply in 2022, are expected to fall from 7.8% to 6.4% (ifo Economic Forecast Winter 2022). From today's perspective, Poland's GDP is expected to grow by 0.7%, the unemployment rate is expected to rise from currently 2.7% to 3.0%, and inflation is expected to increase from 13.3% in 2022 to 13.6% in 2023 (European Economic Forecast, Autumn 2022). The realisation of the assumptions underlying the forecast is subject to high risks. The potential for further disruptions triggered by the Ukraine war still exists. In particular, unfavourable developments in the gas market and the risk of crippling shortages lead to a high degree of uncertainty.

Despite the decline in investments in residential construction in Germany, it is assumed that the demand for housing continues to exist in principle. Due to the Ukraine war and the related high migration, the demand could even increase further in 2023 according to estimates by the Deutsche Bundesbank. Therefore, with regard to rents and vacancies, we expect a continuation of the positive trend of the past business years, i.e. continued very good demand for affordable housing in the regions we manage.

After a slowdown in sales at the beginning of and during 2022, sales in the Polish real estate market picked up again at the end of 2022. This increase shows that a large number of market participants believe in rising prices over the next 1-3 years as well as in sustained rental growth.

Given the persistent inflationary pressures, the ECB is likely to continue on the course of tightening its monetary policy. It is expected that the ECB will again raise its key interest rate in 2023. Short-term interest rates are therefore likely to rise further in the forecast period 2023.

Group forecast for the 2023 financial year

The following section should be read in conjunction with the other chapters in this Group Management Report. The forward-looking figures contained in this forecast report are based on estimates and conclusions drawn from the information available at the present time. The figures are based on a number of assumptions relating to future events. Forward-looking figures are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking figures. A large number of these risks and uncertainties relate to factors that TAG can neither control, influence, nor estimate precisely. These include, for example, future market and economic conditions, the behaviour of other market participants, the ability to successfully integrate acquired companies and realise expected synergy effects, as well as government tax legislation procedures.

In particular, the actual impact of Russia's still ongoing war of aggression against Ukraine on the economy, individual markets, and specific sectors cannot be conclusively assessed at present. In this context, the forecast presented below are characterised by a high degree of uncertainty.

Our strategy for shareholders focuses on total return per share. In contrast to previous years, growth in absolute numbers is not a priority for TAG, as the Group's real estate portfolio in Germany of around 86,900 units has reached a size that allows us to effectively manage our portfolio. For this reason, in future we will continue to focus even more on optimising the German portfolio and effectively increasing our cash flows. Ultimately, this means that we will take advantage of attractive opportunities in the market and invest at sites with development potential where we already have a presence, in order to expand and further develop our residential portfolio. However, as always, our strategy when purchasing portfolios is determined by stringent capital discipline. At the same time, we will continue to take advantage of selective sales opportunities if they improve the profitability of the portfolio as a whole.

In the medium and long term, approx. 20,000 apartments are to be built for the rental portfolio in Poland. In addition, there will be future cash inflows from the sale of apartments to owner-occupiers in Poland as well.

The following FFO I and FFO II forecast is made for the 2023 financial year:

- FFO I (excluding result from sales and potential dilution effects from convertible bonds): EUR 170m to EUR 174m (2022: EUR 189.4m, approx. -9% year-on-year) or EUR 0.98 per share (2022: EUR 1.19, approx. -18% year-on-year)

- FFO II (FFO I plus profit from operations in Poland): EUR 240m to EUR 246m (2022: EUR 247.3m, approx. -3% year-on-year) or EUR 1.38 per share (2022: EUR 1.56, approx. -11% year-on-year)

The number of shares used for the FFO I and FFO II per share forecast is the current number of shares outstanding (excluding treasury shares), i.e. 175,441,591. Book gains or losses from the sale of flats in Germany were not assumed for purposes of the FFO II forecast.

The Management Board and Supervisory Board of TAG plan not to propose a dividend payment for the 2022 financial year at the Annual General Meeting in order to further strengthen the capital and financing base. As soon as the capital and investment markets have returned to normal, TAG intends to resume its dividend payments and return to its previous distribution policy of 75% of FFO I. A decision on a dividend payment for 2023 will not be made until the end of 2023 at the earliest and is dependent on market conditions and the refinancing of all financial liabilities by the beginning of 2024, which essentially concerns the outstanding bridge financing. In this connection, besides new financing, targeted sales of residential properties in Germany are to be further pursued.

The expected year-on-year decline in FFO I by approx. EUR 18m in FY 2023 is mainly the result of planned approx. EUR 9m higher interest expenses, approx. EUR 6m higher income taxes, approx. EUR 4m higher maintenance expenses, as well as approx. EUR 4m higher bad debt losses and utilities costs due to higher energy prices. The positive contribution from letting activities in Poland included in the FFO I forecast, which will still be of minor importance in 2022, amounts to approx. EUR 4m for the year 2023.

The FFO I forecast was made based on the property portfolio existing at the date of this report, i.e. it does not take into account any subsequent acquisitions or sales. The sale of another 2,000 to 2,500 flats in Germany is currently planned, mainly to repay the bridge financing for the acquisition of ROBYG. These flats have an FFO I contribution of approximately EUR 6m p. a., and would therefore reduce FFO I pro rata temporis in the event of a sale during the year.

With regard to FFO II, the decline of only around EUR 4m despite the approximately EUR 17m lower FFO I and alongside projects with higher sales prices, is partly due to the fact that ROBYG will be consolidated for a full financial year in 2023 (in 2022 from 31 March) and thus higher revenues from flat sales will be realised. A total of at least 3,500 flats are expected to be handed over in Poland in 2023. Sales of at least 2,700 flats are expected in Poland in 2023.

Total growth in rents, i.e. including the effects from vacancy reduction, is expected to be around 2.0% to 2.5% p.a. (2022: 2.7% p.a.) for the German portfolio on a like-for-like basis. Vacancy in the Group's residential units is expected to decrease by approximately 0.3% to 0.5% points (2022: decrease of 1.1% points).

Forecast of TAG Immobilien AG as a single entity for fiscal 2023

Excluding the results of control and profit transfer agreements with subsidiaries and non-recurring effects, before taxes, and excluding annually non-recurring effects, we expect TAG Immobilien AG to report a net adjusted loss of between EUR 4m and 7m for the year in its single-entity financial figures prepared in accordance with the German Commercial Code (HGB) for fiscal 2023.

OPPORTUNITIES AND RISKS

Risk management

TAG has implemented a central risk management system (RMS) designed to identify, measure, control and monitor all of the existentially threatening risks to which the Group is exposed. This risk management system is designed to help reduce potential risks through measures, safeguard assets, and support the TAG Group's continued successful development. All organisational units within TAG are obliged to comply with the requirements of the risk management system. Updating and developing the risk management and compliance management system as well as the in-house monitoring system is seen as an ongoing management task to which top priority is assigned.

The Management Board of TAG is responsible for ensuring a consistent and appropriate risk management process. In order to identify risks, TAG monitors the overall economy, as well as developments in the financial services and real estate sectors. On account of the continuously changing conditions and requirements, risk identification is an ongoing task that is integrated in the organisation and in operational processes. All organisational units are required to identify all risks likely to arise from present or future activity. Regular meetings, LIM meetings, department meetings, one-on-ones and queries also help to identify and build awareness for risks.

The Central Risk Management department supports the Management Board and the organisational units subject to reporting requirements by managing and performing the risk management process. The risk officers of the organisational units are responsible for implementing risk management within their areas. They report the risks from their respective areas to Central Risk Management on a quarterly basis. There, these risks are transferred into a 'summarised risk report'.

Risk identification and assessment

Risk identification involves the regular, systematic analysis of internal and external developments and events. Here, the focus is on risks that could jeopardise the Company's existence. The risks are assessed according to the probability of their occurrence and the absolute amount of damage, and recorded in the risk questionnaire.

Risk assessment is the quantification of an expected value that is calculated by multiplying the probability of occurrence with the net amount of damage (gross amount of damage minus measures initiated) of a risk. With regard to the possible damage caused by a risk, the effect on liquidity (cash) is determined and considered at the Group level. The risk can also be qualitative.

The following classifications were chosen for quantifying the damage potential:

	in EUR m	Probability of occurrence				
Quantitative extent	> 15.0	medium	high	high	severe	severe
	> 5.0- ≤ 15.0	low	medium	high	high	severe
	1.0 - ≤ 5.0	low	low	medium	medium	high
		rare	unlikely	possible	probable	almost certain
		≤ 5%	> 5% - ≤ 25%	> 25% - ≤ 50%	> 50% - ≤ 75%	> 75%

All risks at TAG are classified in a closed 15-field matrix (risk map) according to the amount of damage and the probability of occurrence. As part of the further development of risk management in the 2022 financial year, the risk map was adjusted from a 25-field matrix to a 15-field matrix for simplification. A summary aggregation of the reported expected values, taking into account interdependencies, is carried out as part of risk reporting.

Risk management

Risk management is carried out on the basis of measures taken for the identified risks by means of risk avoidance, risk reduction, risk transfer, and risk acceptance. Risk avoidance by refraining from risky transactions is not a universally valid strategy, as this also means foregoing profit opportunities. Risk management therefore encompasses all measures to reduce or transfer risk.

The monitoring of risk management measures is the decentralised responsibility of the risk managers. The risk manager is to compare the risk reports and the implementation and effectiveness of the corresponding measures to the respective previous quarter.

Risk-bearing capacity

TAG's business model is cash flow-based. Risk-bearing capacity is defined as the maximum amount of risk that the Company can bear without jeopardising its continued existence. The methods used to determine the individual risk-bearing capacity are at the discretion of the Company. The Company's main financial goal is to generate continuously growing and reliably predictable cash inflows from the letting of residential properties. With this in mind, the determination of risk-bearing capacity is liquidity-oriented. TAG's maximum risk-bearing capacity (risk coverage amount) is determined on a rolling basis within the next twelve months based on the lowest value of 'available cash' as derived from the monthly liquidity planning. Any dividend payment that is only planned but not yet approved is eliminated. A safety margin of 20 % is applied to take into account further liquidity risks that are not recognised from today's perspective. The value determined in this way is checked for plausibility with the three-year liquidity planning of the last plan. If significant liquidity risks become apparent in a period of more than one to three years (e.g. expiring loans that cannot be refinanced even in the medium term), these are additionally deducted.

The expected value calculated for each risk is aggregated to the Group's expected value and set in relation to the risk coverage amount. The result is the risk-bearing capacity expressed as a percentage.

Risk communications

The risk officers shall report to Central Risk Management regularly on a quarterly basis or according to the risk-specific agreed reporting cycle. A uniform risk-recording form is used for this purpose. Central Risk Management sends the Management Board a consolidated report of the risk-recording forms (risk reporting for the CFO) with an overview of the reported risks in the individual risk categories, the expected value for the Group, the risk coverage amount and the resulting risk-bearing capacity, and the classification of the risks in the risk map. At the same time, a PowerPoint presentation of this report is prepared for the Supervisory Board, which also contains the Group's expected value, the risk coverage amount, and the resulting risk-bearing capacity.

The Management Board receives a quarterly summary of reported risks, by risk category, from Risk Management as well as an overview showing the allocation of the reported risks in the risk map. The risk categories and the risk matrix are presented to the Supervisory Board at the respective Supervisory Board meetings and explained by the Management Board.

If new risks that threaten the existence of the Company, or risks that have changed at short notice with an expected value of more than EUR 5m, arise outside the regular reporting, they must be reported immediately by the risk officers or their representatives to the risk manager (ad hoc risk reporting). The risk manager or representative receives the reports from the risk officers, checks and updates the information and reports it to the Management Board without delay. Appropriate risk management measures are decided by the Management Board.

Internal audit

TAG has an internal auditing department that additionally monitors risk management and compliance with the internal control system. As an independent unit, it regularly reviews the Company's business processes, installed systems, and implemented checks.

Compliance management

Compliance means conformity with rules, i.e. adherence to the laws, regulations, and codes relevant to the Company, voluntary commitments as well as the Company's internal guidelines and organisational measures. To ensure compliance with the rules, TAG has a compliance management system (CMS) in place to design corresponding internal processes and specifications. It is aimed at limiting compliance risks and thus avoiding compliance violations. The CMS is based on the central pillars of identifying compliance risks, primarily legal and reputational risks, and preventive and reactive management based on these. The CMS is not integrated into the RMS; the systems complement each other. The common goals of RMS and CMS are to identify and make visible risks and dangers, and to minimise these risks and dangers.

The internal control system (ICS), which is also not part of the risk management system, comprises the principles, procedures and measures (rules) introduced by the Management Board at TAG to ensure (i) the effectiveness and efficiency of business activities, (ii) the correctness of accounting and (iii) compliance with the legal provisions relevant to TAG. The ICS consists of the components control environment, risk assessment, control activities, information and communication, as well as monitoring activities, which are mostly integrated in the corporate processes. The ICS thus helps to ensure, with corresponding regulations, that the organisation and processes are properly set up, and supports the optimal flow of the corporate processes. The Management Board has examined the risk management system and the ICS in the past financial year and has not find any objections that would speak against the appropriateness and effectiveness of these systems in their entirety.[3]

[3] Unaudited information

Individual risks with regard to their future development

Definition of risk
The various individual risks considered by the Management Board to be of material importance to TAG are summarised as follows:

- Market risks
    - Economic and sector risks
    - Regulatory and political risks
    - ESG risks
- Performance risks
    - Rental risks
    - Portfolio valuation risks
    - Project development risks
- Financial risks
    - Liquidity risks
    - Interest risks
    - Currency risks
- Other risks
    - Legal risks
    - Tax risks
    - IT risks
    - Data quality risk
    - Data protection risks
    - Personnel risk

Economic and sector risks
The German real estate market depends on macroeconomic developments and the demand for real estate in Germany. Demand for real estate is influenced, in particular, by demographic trends, the job market, private debt levels and real incomes, as well as the activities of international investors in Germany, and is largely dependent on the regional situation and the overall economic situation. One key factor is the tax environment in which taxation instruments such as special depreciation, income tax and real estate transfer tax exemptions, as well as gift and inheritance tax benefits, influence the demand for real estate.

TAG is exposed to intense competition. Especially for the acquisition of real estate portfolios, it competes with real estate companies, real estate funds, and other institutional investors, some of which may have considerable financial resources or other strategic advantages at their disposal. This means that there is a risk of TAG being unable to assert itself in the face of this competition, or to sufficiently set itself apart from the competition and hence cannot realise planned acquisitions.

With regard to future maintenance, construction and modernisation measures, there is a risk that in many cases the craftsmen and construction industry currently lacks sufficient capacity and materials to swiftly fulfil the orders. In the context of TAG's planned maintenance and modernisation measures, this may lead to delays and, as a result of high demand, to additional unscheduled price increases.

TAG's business focus on specific regions within Germany can also lead to a dependency on regional market developments and expansion risks. This applies in particular to the eastern German states, where the majority of TAG's real estate assets are located.

TAG's strategic concentration on dynamic urban centres and selected other locations limits these risks. Select purchases of residential real estate also serve to strengthen its concentration on a high-quality, high-yield portfolio. To prepare for acquisition decisions, general and regional market developments are permanently monitored, and the properties on offer are meticulously analysed with regard to their condition, location and rents. To assess potential income, synergies and rental and cost risks, potential transactions are subjected to a thorough due diligence process. These factors are evaluated in the same way for TAG's entire real estate portfolio and are also considered in potential sales of inventories.

The individual environment and sector risks described are regarded as low to medium. Even though we believe that the likelihood of the risk of delays and higher prices due to capacity bottlenecks in maintenance and modernisation measures is high, TAG's activities in this area are not very extensive compared with the industry as a whole. Besides, this risk has already been countered for several years by the further expansion of the Group's in-house tradesman (handyman and small repair) services. If the risks in question were to occur, this would mean that the expected development described in the forecast report presented above (section 'Group Forecast for the 2023 financial year'), in particular FFO I would not be achieved.

In comparison with the German real estate market, we believe that the competitive situation in Poland is less intense. In particular, the rental market for apartments targeted by TAG is currently hardly being addressed by institutional investors. Apart from the opportunities arising from this, there is also the risk that future market developments may be incorrectly assessed and that planned rental or project results may not be realised to the extent expected, By contrast, numerous project developers in Poland are implementing traditional property development projects in which apartments are built and subsequently sold to private individuals (mostly as owner-occupiers). Here, too, this is currently leading to rising land prices and bottlenecks in the availability of construction companies and craftsmen.

Regulatory and political risks

TAG is exposed to general risks arising from changes in the regulatory or legislative environment. Besides tax legislation, such regulatory changes may affect general tenancy laws in particular, but also construction, employment, and environmental law.

In particular with regard to future tenancy law, there is currently a risk of significant adverse changes for landlords, some of which have already been implemented into law. In addition to the tightening of rent controls (the 'rent brake') as defined in Section 556d of the German Civil Code (BGB) in previous years, and the now reduced apportionment for modernisation expenses in accordance with Section 559 of the German Civil Code (BGB), further regulatory measures were taken in 2022, such as the adoption of the Carbon Dioxide Cost Sharing Act, which stipulates that carbon dioxide costs will be distributed to tenants and landlords on a graduated basis according to the building's carbon dioxide emissions per sqm of living space, as of 2023. Further tightening may occur in the future as a result of the implementation of the government programme of Germany's Federal Government.

The risk of adverse changes in tenancy law is classified as low for TAG. Although the probability of occurrence is high, the economic impact for TAG is not significant, as far as can be seen at present, since the Group's investment focus is neither on rent increases through modernisation levies nor on sharp rent increases in metropolitan areas, which are particularly dependent on 'rent control' and the development of the rent indexes. In our view, however, the current discussions are essentially focused on two areas, namely the sharp rise in new rents in large cities in recent years and extensive rent increases as a result of modernisation measures. In this connection, many tenants fear that current or future rents will no longer be affordable. This is to be counteracted by tighter rent regulation. However, TAG's investments are not being made in Germany's major cities but deliberately in the wider areas of major cities and in medium-sized towns. The bulk of our residential portfolio (more than 75%) is located in Eastern Germany. TAG's biggest locations are the cities or regions of Salzgitter, Gera, and Erfurt. Modernisation programmes for existing tenants are only carried out to a very limited extent (in FY 2022 they contributed only 0.1% to total rental growth (previous year: 0.1%)) the main focus of investment is on reducing vacancy.

Against this backdrop, we do not anticipate that the discussion about tighter regulation (in particular restrictions on rent increases), will affect our locations significantly. Although we consider the probability to be low, there is nonetheless a risk that TAG, too, will not be able to increase its rents in the future or will only be able to do so to a limited extent in the event of stricter regulation of rents across Germany. Although this would not endanger the survival of the Group, it could have significant disadvantages for the future development of rents (like-for-like rental growth), FFO, and NTA as presented in the forecast.

Unlike Germany, Poland does not have an independent tenancy law. Rental agreements are subject only to the provisions of general civil law, so the owner and tenant are largely free to agree on their own terms. Even if regulations of the rental housing market are not currently being discussed and are unlikely in our opinion, it cannot be ruled out that regulatory initiatives will be launched in Poland in later years, provided that the trend of rising rents observed in recent years continues. In this event, it could not be ruled out that such regulatory initiatives could have a negative impact on individual components of the letting result, such as apportionable operating costs or permissible (net) rents.

All other individual regulatory and political risks are considered to be low to medium. Such developments could have an adverse effect on the expectations presented in the forecast report, especially regarding the development of rents and hence of FFO I and EBT.

ESG risks

ESG (Environmental, Social, Governance) issues are increasingly coming into focus, in risk management as elsewhere. These topics include, for example, future legal regulations to reduce CO_2 emissions in the residential portfolio and disclosure requirements on the sustainability of business activities under the EU Taxonomy Regulation, an increased demand for needs-based conversions and senior programmes due to demographic changes, as well as ground-floor flats and barrier-free and senior-friendly flats. The need for social support services and counselling on general issues in the residential neighbourhoods is increasing. Other aspects include the increase in the costs of utilities (especially energy and water consumption), and increased damage due to heavy rain and storms, resulting in higher insurance costs.

TAG increasingly offers counselling and social services (e.g. Jumpers, Aktiv Treff, tenant and neighbourhood offices, nursing care support bases). Rising energy costs are counteracted by continuous renewal of the heating systems. Further energy efficiency measures on the buildings are being carried out successively.

In addition, regulatory pressure on owners of unrefurbished existing buildings to meet climate targets could increase in the future. The investments required for the energetic refurbishment of the portfolio are generally subject to the risk of a shortage of personnel and raw materials for carrying out the refurbishment projects, which could make the refurbishment more expensive or delay it.

Overall, the risks are classified as low but increasing. If modernisation measures and measures in connection with new energy and measurement requirements, which are extensively necessary to reduce CO_2 emissions in the entire German residential portfolio, cannot be passed on to tenants, or only to a lesser extent than expected, this would have a negative impact on rental expenses and thus on FFO I in particular.

Rental risks

Substantial vacancy and a loss of or reduction in rental income can lead to a loss of income and would cause additional costs that might not be transferable to tenants. An increase in vacancy may result from lower demand for housing in the future, for example if the number of households decreases in individual regions, be it due to demographic developments or as a result of relocations or job cuts by the region's major employers.

In the residential segment, a standard credit check is performed on potential new tenants. In addition, one of TAG's strategic goals is to reduce vacancy through active asset and property management, thereby lowering vacancy costs while harnessing available rental potential. TAG uses active portfolio management, extending through to effective tenant relationship management to ensure long-term leases. At the same time, receivables management ensures that payments are received continually and can help to avert defaults with minimum delay.

Although there are always individual risks of default (default risk on receivables from letting), we currently consider it to be marginal on the whole. In total, impairment losses on rent receivables, including the separately disclosed impairment losses in net income from services, of EUR 5.9m (previous year: EUR 4.3m) were recognised in the 2022 financial year. Based on the net actual rent of EUR 339.9m (previous year: EUR 333.1m), this corresponds to a bad debt ratio of 1.3% (previous year: 1.3%). Rent losses are of secondary importance in the single-entity financial statements of TAG Immobilien AG itself.

In 2022, the Ukraine war in particular had a negative impact on global supply chains and energy prices. Based on data from the BDEW Bundesverband der Energie- und Wasserwirtschaft e.V. (German Association of Energy and Water Industries), the average natural gas price for multi-family houses increased to EUR 19.81 ct/kWh in the fourth quarter of 2022; in 2021, the average price of natural gas was EUR 6.35 ct/kWh. The average electricity price for households in H2 2022 was around 25% higher than the electricity price in 2021.

In this connection, TAG already took concrete measures in the 2022 financial year to reduce any operating cost payment defaults. Besides adjusting the advance payments as part of the annual operating cost figures, TAG offered its tenants the option of voluntarily increasing their monthly advance utilities payments in the second quarter of 2022.

Even though there were no significant effects on TAG's operating business in FY 2022, future developments in this area are difficult to assess. The assessment of the individual risk in this area therefore remains medium. The development of energy prices is primarily influenced by external effects that are beyond TAG's sphere of action. If tenants are unable to adjust their advance payments for operating costs to rising prices in the future, or to make supplemental payments resulting from the annual utilities statement, the risk of bad debts from rentals could increase significantly.

Future rental risks also depend on population trends. In terms of their probability of occurrence, they are classified as low due to the fact that the high demand for residential space is expected to continue. An increase in the vacancy rate would have a negative impact on rents and hence especially on FFO I. In such a situation, it would not be possible to meet the expectations set out in the forecast for the 2022 financial year.

In Poland, too, TAG will focus on the letting of flats as well as selling them. In contrast to Germany, the rental housing market in Poland is much smaller. The ownership ratio in Poland is currently around 80-85%, while in Germany this ratio is only around 45-50%. Against this backdrop, there is a risk for TAG that the apartments offered for rent in Poland in the future will not encounter sufficient demand as the ownership ratio is not declining, and is actually increasing further, including in the large cities in Poland targeted by TAG. In combination with a further increase in new construction activity, this could result in oversupply.

However, this risk is classified as low. The market for apartment rentals in Poland has increased significantly in recent years, as can be seen from the steady rise in rents. In fact, we believe that, on the contrary, the Polish rental housing market is characterised by a supply deficit. It is considered one of the least saturated residential markets in Europe. In addition, the absolute size of the Polish market with around 38 million inhabitants, and favourable demographic developments, support the expectation that there will continue to be a growing demand, not only for owner-occupied but also for rented apartments going forward.

Portfolio appraisal risks
For the valuation of the market values (fair values) reported in the consolidated financial statements and the properties reported under current assets, appraisals are generally used. These appraisals are currently carried out twice a year by independent, accredited appraisers. The market values depend on various factors, some of which are objective – such as macroeconomic conditions, or prevailing interest rates – as well as other discretionary exogenous factors such as rental levels and vacancies. In addition, encumbrances in the existing portfolio, such as lead pipes, can influence the appraisal.

The appraiser also takes into account discretionary, qualitative factors such as the location and quality of the property, as well as the achievable rental income. This may result in changes in the fair values reported, resulting in high volatility for Group net income. It does not, however, have any direct impact on TAG's liquidity.

The assumptions used in valuing the properties are made by the independent appraiser based on their professional experience and are subject to uncertainty. Please refer to the section 'Notes to the Balance Sheet – Investment Properties' in the Notes to the Consolidated Financial Statements for information on the effects of possible fluctuations in the valuation parameters, not taking into account potential interdependencies between the individual parameters.

A continued rise in interest rates can also result in value declines in the portfolio's valuation, as in such a situation, investors' return expectations and thus the capitalisation interest rates used in the valuation model should also rise, at least in the medium term. Corresponding value declines in the portfolio's valuation can also occur in the event of a decline in rents or an increase in vacancies.

In Poland, risks of an incorrect assessment of the still relatively young and small market for residential rentals, as well as changes in the demand for suitable properties, can also lead to valuation risks. Moreover, because of the comparatively young history of this market, it may only be possible to estimate comparative parameters for the valuation within wider ranges.

Despite the continued strong demand for apartments, in conjunction with insufficient new construction activities and the further increase in rents expected as a result, we classify the portfolio valuation risks as medium. This is mainly due to the continuing rise in interest rates expected for 2023. If balance sheet losses occur, they do not affect liquidity and in many cases (e.g. with regard to the corporate bonds and convertible bonds issued by TAG) do not impair compliance with credit agreement conditions. However, the expectations outlined with regard to the development of the NTA might not be met.

Project development risks
Since fiscal 2020, TAG has also engaged in the Polish real estate market as a project developer. On the expense side, this may involve material risks if construction projects entail unplanned costs or rising costs for building materials or labour, or if they take longer to execute than planned. Although this has not been observed in Vantage's projects in recent years, such cost risks are inherent in the project development business against the background of the increased inflation level in Poland. On the earnings side, there is a risk of incorrect rental or sales price calculations, especially if the time between the planning and completion of the project is longer than planned.

In particular in connection with the planned closing of the acquisition of ROBYG S.A. in 2022, a leading project developer in Poland, completion risks, procurement risks and construction risks arising from the project development business will increase significantly in the future. The same goes for the risk of selling the apartments from the ongoing project developments on the market at the calculated prices. In this respect, too, there are price and sales risks in Poland, at the subsidiary Vantage S.A. on the one hand and at ROBYG S.A. on the other, provided that the signed purchase agreement is completed.

Although we assess our individual project development risks as medium, we rate the total project risks as high. There were no significant effects on the valuation of the projects in Poland reported on the balance sheet. In the event of these risks occurring, the NTA could be negatively affected and the expectations presented for these KPIs may not be met.

Liquidity risks
TAG's business activities expose it to various risks of a financial nature, especially liquidity and interest-rate risks. Based on the guidelines issued by the Company's managing bodies, risk management is carried out by the central finance department. Potential default risks in connection with the investment of the Group's liquidity, derivative financial instruments and other financial transactions are minimised by monitoring the counter-party risk and selecting investment-grade financial institutions.

For liquidity planning and liquidity management, both short- and medium-term, the following instruments are used for reporting to the Management Board, and the current business transactions are mirrored with the planning data: a daily liquidity report summarising all accounts; monthly liquidity planning for the next twelve months; and medium-term liquidity planning for the next three years.

Moreover, TAG is dependent on securing external capital at reasonable terms to fund its ongoing business and acquisitions. For these financings, it is essential that TAG continues to have an investment grade rating. A crisis in the financial markets, which could also arise from the current conflict between Russia and Ukraine could make it substantially more difficult for TAG to raise the necessary funds and could lead to liquidity problems. Should this lead to problems in servicing ongoing loans, lenders could institute foreclosure proceedings, and such distress sales would lead to considerable financial disadvantages for TAG. TAG is using current market conditions in order to refinance long-term loans on favourable terms in order to mitigate this risk.

The Group has loans totalling EUR 2,453.8m (previous year: EUR 1,692.8m), for which the banks have specified financial covenants regarding capital service ratios and equity/debt ratios. If any of these covenants are breached, premature loan repayments may become necessary. As in the previous year, TAG Immobilien AG itself has no loan liabilities with covenants in its separate financial statements.

Similarly, the promissory notes issued are subject to certain terms and conditions that, if breached, constitute a liquidity risk. In the event of any breach of the terms of issue, e.g. a change of control, these corporate bonds – as well as the loans referred to in the section entitled ‘Disclosures in accordance with Section 289a and Section 315a of the German Commercial Code may be subject to a right of premature termination.

As of the date of this report, TAG has credit ratings from the rating agencies Moody’s (Ba1, outlook stable) and S&P Global (BBB-, outlook negative). In October 2022, the Moody’s rating was downgraded from Baa3 to Ba1, i.e. outside the investment grade range. S&P Global confirmed its existing investment grade rating of BBB- in November 2022, but changed the outlook from stable to negative.

With the exception of the 0.5 percentage-point increase in the interest rate of the bridge financing for the ROBYG share acquisition granted by banks until January 2024, the outstanding amount of which is EUR 250m as of 31 December 2022, the Moody’s downgrade has no impact on TAG’s financial liabilities. If S&P Global were to downgrade TAG from investment grade in the future, this would not have any effect on financial liabilities either, except that the interest rate on promissory note loans with maturities of between three and seven years totalling EUR 74.5m would increase by 0.5 percentage points; in particular, there are no financing commitments or financial liabilities that are linked to the possession of an investment grade rating. TAG assesses the risk of a further downgrade as medium.

After the completion of the acquisition of all shares in ROBYG at the end of the first quarter of 2022, TAG will be exposed to a refinancing risk in relation to this purchase price, which, if TAG uses debt financing, will be influenced by the development of the rating, particularly with regard to the conditions. The bridge financing granted for the acquisition of the shares, which also includes the possibility to refinance ROBYG’s loans and provide further working capital for ROBYG, originally had a total amount of EUR 750.0m and a term of 18 months through mid-2023, which has since been extended to January 2024. In the course of 2022, parts of the bridge financing were refinanced as planned by means of capital market transactions, reducing the outstanding amount on the balance sheet date to EUR 250.0m. However, TAG is still dependent on the performance of the capital markets and general financing conditions. A difficult capital market environment may also result from international crises, such as the military conflict in Ukraine, over which the Group has no influence and which are assessed as high at the current time. TAG is therefore exposed to liquidity risks for the duration of the bridge financing. However, TAG expects in its own estimation that sufficient liquidity could be procured if necessary through corresponding capital market refinancing or by taking out new bank loans or extending existing ones.

Interest rate risks

The Group's activities are subject to risks arising from changes in interest rates. The vast majority of bank loans are concluded only with fixed interest, either through a directly agreed fixed interest rate, or through a variable interest rate that is then converted into a fixed interest rate using a derivative financial instrument (usually interest rate swaps). At the reporting date, bank loans with a fixed interest rate accounted for 79% of the total lending volume (previous year: 99%). As of the reporting date, there are two promissory note loans of EUR 10.0m (maturity until mid-2025) and EUR 34.5m (maturity until mid-2027) outstanding, for which variable interest rates have been agreed. At the reporting date, fixed interest rates accounted for 90% of the Group's total financial liabilities (previous year: 99%).

Against this backdrop, an interest rate risk exists mainly with regard to the future refinancing of expiring loans, and with new loans from further acquisitions. Rising financing costs, particularly in the field of long-term financing that is relevant to TAG, would negatively impact the profitability of acquisitions, and TAG's future results and cash flows. As a consequence, the fundamental level of interest rate risk is currently considered to be medium.

However the Group enters into long-term fixed-rate loans in order to minimise interest rate risks. There are currently no interest rate derivatives (e.g. swaps). Interest rate risks are classified as low in the financing area. This applies in particular given the Group's long-term financial liabilities at fixed interest rates – with the exception of the bridge financing for the acquisition of ROBYG S.A. With regard to this bridge financing, there is a risk that, in refinancing it, TAG will achieve poorer borrowing conditions compared with the current average interest rate on financial liabilities if it takes up debt capital.

With regard to the follow-on financing for the short-term bridge financing taken out for the acquisition of ROBYG S.A. there are interest rate risks and financing cost risks in addition to the risks of refinancing

Interest rate risks can be classified as low at the level of TAG Immobilien AG's separate financial statements as well. All financial liabilities have fixed interest rates and, as of the balance sheet date, have remaining maturities of 3.7 years (convertible bonds), around 0.5 to 2.5 years (corporate bonds), and around 0.2 to 7.6 years (promissory notes) for the main borrowings.

Currency risks

Due to the launch of business activities in Poland, TAG is exposed to currency risks as of the beginning of 2020. All of the Group's revenues (sales and rents) in Poland are currently and will continue to be generated in Polish złoty, whose exchange rate is subject to fluctuations in relation to the euro. Future financing of the business in Poland via TAG in euros is likewise subject to an exchange rate risk. Even though the business model in Poland is geared to the long term, significant exchange rate losses may occur if it becomes necessary to realise assets or repay financial liabilities at short notice. As at the reporting date, the difference from currency translation recognised in equity amounted to EUR 24.0m (previous year: EUR 15.0m).

Overall, this risk is assessed as medium. In the event of this risk materialising, there may be corresponding outflows of liquidity.

Legal risks

In Germany, TAG is party to various legal proceedings whose outcome is as yet uncertain. These relate to civil and administrative proceedings, in particular disputes with owners' associations concerning construction defects, and disputes with tenants.

Legal risks stem from the Company's past activity in the property development business. As the judicature often does not consider final inspections of buildings carried out years ago by purchasers to be effective, claims of construction defects by purchasers or homeowner associations are possible years later and after the usual warranty periods of five years. A number of these proceedings are still pending in the courts, for cases where works were completed more than ten years ago. There is also the risk of claims of environmental contamination or hazards arising from construction materials, or warranty claims in connection with the sale of real estate, which may exceed the corresponding rights of recourse available. Appropriate provisions have been formed for these risks from legal disputes, claims for damages, or warranty claims. The property development business in Poland can always give rise to legal risks arising from the acceptance of buildings. They are inherent in the business. At present, however, these risks are considered to be low for Poland.

Several legal risks are assessed as medium to high with regard to the probability of their occurrence. For this reason, provisions of EUR 5.1m (previous year: EUR 3.4m) were formed as of the balance sheet date, which could lead to outflows of liquidity should a given risk materialise. Provisions for legal risks in the amount of EUR 0.2m (previous year: EUR 0.4m) were recognised in the separate financial statements of TAG Immobilien AG. Beyond this, the occurrence of these risks could have a negative impact on NTA, and the expectations presented with regard to these KPIs might not be met should the actual utilisation exceed the provisions formed.

Tax risks

Some of TAG's tax structures are complex. Various different taxable entities (tax groups and taxation at individual company level), and legal forms exist within the Group. In particular, restrictions on 'interest barriers', the provisions of the 'prerogative of extended trade tax reduction', and the use of loss carryforwards regularly become very relevant.

Due to legal uncertainties in connection with determining the equity ratio for interest barrier purposes, it cannot be ruled out, for example, that the tax authority denies at least a partial deduction of operating expenses from interest expenses. The use of the trade tax reduction for income from long-term real estate leasing, which is also relevant for many Group companies, is subject to restrictive conditions, some of which are also subject to legal uncertainties and which, in the event of divergent treatment by the tax authority, would lead to a trade tax liability for the relevant income. Furthermore, companies were acquired in the past that in some cases had tax loss or interest carryforwards. The tax authorities could have different opinions regarding the extent of the loss of such carryforwards due to the change of shareholder. Moreover, the tax-neutral allocation of capital gains to reserves (e.g. in accordance with Section 6b of the German Income Tax Act), and the option for transfer-tax-free acquisitions of shares in real estate property companies, were significant for the Group's tax burden in past years.

Tax law in Poland has undergone some change recently. Many regulations are fraught with legal uncertainties resulting from unclear wording and a lack of pronouncements by the tax authorities regarding their application. Within the Vantage Group, this may give rise in particular to tax risks from the determination of appropriate transfer prices and the determination of the amount of deductible input tax, as well as wage tax risks.

Provisions of EUR 4.1m (previous year: EUR 5.8m) have been formed as of the balance sheet date for the above-mentioned, which are classified as low to medium, and which could lead to corresponding outflows of liquidity if a given risk materialises and, if the provisions formed prove to be insufficient, could jeopardise the attainability of the FFO I and FFO II or NTA forecast.

Other miscellaneous risks
Other risk areas include IT risks, data quality risks, (data protection risks, and personnel risks.

IT risks describe the risk that the IT system is not available due to downtimes or is not sufficiently available during peak times and that cyberattacks are not detected in time, with unforeseeable consequences for the elimination or damage of the system.

Data quality risks concern the risk that the data entered in the various IT systems are falsified, deleted, or misinterpreted due to application errors or non-observance of booking and/or work instructions. As a result, operations can be decisively disrupted or unfortunate conclusions and decisions derived.

Data protection risks consist of data from databases falling into the wrong hands and being misused to TAG's disadvantage. The risk relates both to confidentiality internally and to access protection against external third parties.

Personnel risks are all risks that can lead to additional direct or indirect personnel expenses. Further risks can arise from the risk of not filling positions or not filling them on time, as well as staff absences in departments and the associated disruptions to operations.

In the view of the Management Board, the above-mentioned other risks are currently considered to be rather low.

Additional risks from the perspective of TAG Immobilien AG as the Group holding company
The shares in affiliated companies reported in the separate financial statements are largely dependent on the results of the respective subsidiary. The valuation risk in connection with shares in affiliated companies therefore also extends, in particular, to the property portfolios held by the subsidiaries. Please refer to the comments in the section 'Portfolio valuation risks' for information on the relevant valuation risks in the real estate portfolio. In addition, valuation risks also exist with regard to receivables from affiliated companies. Furthermore, risks could arise from letters of comfort or other assumptions of liability (guarantees and loss compensation obligations from control and profit transfer agreements) in favour of affiliated companies.

Overall, the above-mentioned risks are classified as low due to the continued strong earnings situation of the subsidiaries, which results from the continuing high demand for apartments, coupled with insufficient new construction activities, and the expected further increase in rents, as well as the still-attractive interest rate environment.

In addition, TAG has been stockpiling Polish złoty since FY 2020 to finance the activities of its Polish subsidiaries. Please refer to the section 'Currency risks' for further details.

Opportunities for future development

TAG's portfolio in Germany is spread across various locations where growth potential still exists and can be realised. Thanks to the Group's decentralised structure with its headquarters in Hamburg and key offices in the currently ten LIM regions, the Management Board is of the opinion that it can identify market trends at an early stage and address them more quickly than competitors are able to. A good variety of apartment sizes and micro-locations within the regions, along with modern, efficient tenant relationship management, enable a consistent generation of attractive returns and rising cash flows from the portfolio. Moreover, TAG group's core competency is active asset and property management, which in the past has been instrumental in reducing vacancies, thereby boosting rental income and lowering vacancy-related costs. In the years ahead, vacancy reduction and the realisation of rent-raising potential within the portfolio will continue to form the basis for further organic value increases.

After carrying out the rights issue in July 2022 with gross proceeds of approximately EUR 202m and the proposed waiver of a dividend payment for the 2022 financial year, which will result in liquidity savings of approximately EUR 143m, the Management Board assesses that TAG has a solid funding structure. Despite the unusually difficult capital and investment markets, the Group is stably financed. TAG's business model – in particular its active asset management, which is reflected in continuous vacancy reduction – is well established on the capital market and with the banks. All these facts form the basis for a successful implementation of the Group's strategy and will continue to ensure that TAG is able to raise the funding it needs, in the capital market as well as from banks.

Concrete opportunities for future development exist in particular if the current high demand for residential property in small and medium-sized towns and in the vicinity of large metropolitan areas continues in the years ahead. Given the latest positive demographic developments, including in many Eastern German cities, and the low number of new construction projects, the prospects for this are good. We believe that this will continue to contribute to rising rents and falling vacancy rates in the future as well. The chances of continued good operating performance in this respect are rated as medium to high. This means that with regard to the forecast already presented, there is a chance that the planned figures for growth in rents, vacancy reduction, and this also FFO I for fiscal 2023 will be exceeded.

The growing Polish residential real estate market is the target of a regional extension of TAG's business model, which focuses on strong cash returns there as well. Due to the strong economic growth in recent years, increased purchasing power and ongoing urbanization, Poland has become a sought-after market for investors. The current housing shortage in Poland's major cities has caused both apartment prices and rents to rise. Since 2015, rents in major cities in particular have increased at a rate significantly higher than the corresponding growth rates in other major European markets.

TAG had already entered the Polish residential real estate market at the end of 2019/ beginning of 2020 with the acquisition of Vantage, and significantly expanded its platform in this fast-growing market and substantially accelerated its growth potential with the acquisition of the leading Polish project developer ROBYG in 2022, As a result, TAG is now ideally placed to become the leading player in the Polish residential real estate market in both the rental and the sales segments.

A positive FFO I contribution of around EUR 4m is already expected in 2023 from the start-up of letting activities in Poland. In addition, high revenues from the transfer of at least 3,500 flats are expected in Poland in 2023, for a significant contribution to FFO II of around EUR 70m. The opportunity to generate attractive returns from the existing sales business as well as substantial income from the rental business in the medium term and thus significant contributions to FFO I and FFO II from the business activities in Poland is considered high.

Overall assessment by the Management Board

The capital and investment market environment underwent a significant negative change in 2022 as a result of high inflation and rapidly rising interest rates. Nevertheless, TAG considers itself to be in a good financial position, partly as a result of the far-reaching measures implemented in the past financial year (capital increase with subscription rights, proposal to suspend dividends, increased sales of flats). The Management Board believes that TAG's business model, which aims to generate high cash flow returns in both Germany and Poland, will remain sustainable and attractive even in an environment of higher interest rates.

At this time, the Management Board is not aware of any risks that could threaten the existence of the Company. The Company is convinced that it will continue to be able to make use of the opportunities and challenges arising in the future without exposing itself to undue risk.

INTERNAL MONITORING AND RISK MANAGEMENT IN CONNECTION WITH ACCOUNTING

The structure of TAG's accounting-related internal monitoring system comprises all processes that are geared to the effectiveness and efficiency of business operations in order to ensure the correctness of accounting, in compliance with the statutory and other rules and regulations applicable to the Company.

All of the Group's key processes are defined and documented in a uniform process manual. These processes include preventive, monitoring and detection security and control measures. These would include measures such as IT-supported and manual approval processes, functional separation, access restrictions, and authorisation concepts in the IT landscape. Updates and further developments of the documented processes are carried out in an ongoing manner.

Another essential element of TAG's internal monitoring system derives from the largely centralised organisation of its accounting system. The Group Accounting department provides uniform regulations for account assignment, the interpretation of accounting regulations, and the process steps. The preparation of quarterly and annual financial statements as well as the assessment of circumstances are also centrally controlled and quality assured.

All of the Group's financial statements are prepared by its own employees. Even though parts of the accounting are decentralised, e.g. rental accounting, which is handled in the Group's own Shared Service Centres, the final responsibility remains with Financial Accounting in the Group's accounting department. As in the previous year, all financial statements except for the accounting of the Polish companies are prepared using a uniform ERP system (SAP Promos) across the Group. The transfer of the data reports of the foreign companies into the consolidated financial statements takes place in a structured process.

External service providers are involved in preparing the quarterly and annual financial statements. For instance, independent appraisers investigate reports on the fair value of the real estate. The fair value of derivative financial instruments, are also calculated with the assistance of external experts, as are pension provisions. The results of the expert opinions are analysed in-house and their quality assured before they are included in the financial statements.

Key real estate sector indicators, funding and liquidity developments, as well as the financials of the individual companies, the subgroup and the Group as a whole, are checked by Controlling and reconciled with the budgets and prior periods. The most important findings from these figures are submitted to the Management Board in a monthly report and are also forwarded to the Supervisory Board.

Based on an audit plan, process-independent audits are continually carried out by the Internal Audit department, which reports directly to the Management Board. Internal Audit uses a systematic, purposeful approach to assess the effectiveness of the risk management system, and the management and monitoring system, including controls. In particular, its tasks include investigating, assessing and monitoring the adequacy and effectiveness of the internal monitoring system, including the accounting system.

DISCLOSURES IN ACCORDANCE WITH SECTION 289A AND SECTION 315A OF THE GERMAN COMMERCIAL CODE

TAG Immobilien AG is a capital market-oriented company as defined in Section 264d of the German Commercial Code. Therefore, information on equity, the equity structure, and voting rights are required in accordance with Section 289a and Section 315a (1) of the German Commercial Code. The information provided in the following is based on the conditions that existed as of 31 December 2022.

Composition of share capital

The Company's share capital stands at EUR 175,489,025.00 as of the reporting date (previous year: EUR 146,498,765.00). The share capital is divided into 175,489,025 shares (previous year: 146,498,765 shares). The computed pro rata amount of share capital attributable to each share is EUR 1.00. All shares carry the same rights. Each share entitles the owner to one vote; the dividend entitlement is determined by the number of shares held.

Limitations on voting rights and transfer of shares

Restrictions on voting rights may arise from the provisions of the Companies Act. For example, under certain circumstances, shareholders are prohibited from voting as per Section 136 of the German Stock Corporation Act (AktG). In accordance with Section 71b of the AktG, the Company is not entitled to exercise any voting rights resulting from the currently 47,434 treasury shares (previous year: 119,264) that are earmarked for issue as employee shares and for long-term variable remuneration of the Management Board. The Company's Articles of Association do not provide for restrictions on voting rights. The Company's shareholders are not limited by the law or by the Articles of Association when it comes to the acquisition or sale of shares. The Management Board is not aware of any contractual restrictions on voting rights or the transfer of shares

Direct or indirect voting shares exceeding 10%

The Company is not aware of any holding of more than 10% of its voting rights at the reporting date, based on reports submitted to it pursuant to the German Securities Trading Act (WpHG).

Shares with special rights conferring powers of control

There are no shares with special rights conferring powers of control.

Voting right controls on shares held by employees
Employees who own capital shares in TAG exercise their control rights like other shareholders in accordance with the statutory provisions and the Articles of Association. There is no indirect control of voting rights.

Appointment and dismissal of members of the Management Board, Amendments to the Articles of Association
The appointment and dismissal of members of the Management Board is carried out in accordance with Sections 84 and 85 of the German Stock Corporation Act and the Company's Articles of Association. Management Board members are appointed by the Supervisory Board for a maximum term of five years. A reappointment or extension of the term for a maximum of five years is permitted.

According to the Articles of Association, the Supervisory Board may appoint a Chairman and a Deputy Chairman. The Supervisory Board has not exercised this power to date. The Management Board consists of one or more persons. The Supervisory Board can revoke the appointment of Management Board members and the Chairman of the Management Board if there is good cause.

Amendments to the Articles of Association are based on Sections 179 and 133 of the German Stock Corporation Act and the provisions of the Articles of Association. Any amendment to the Articles of Association requires a resolution by the Annual General Meeting. However, the Company's Supervisory Board is authorised in accordance with Section 11 of the Articles of Association to resolve amendments that only affect the Articles of Association. Section 20 of the Articles of Association provides that in accordance with Section 179 (2) sentence 2 of the German Stock Corporation Act – in the absence of mandatory legal provisions to the contrary – a shareholders' resolution to change the Articles of Association can in principle passed by a simple majority of the votes cast and the share capital represented in the vote.

The law stipulates, in several instances, a larger majority of 75% of the capital shares represented in the vote – e.g. for certain capital measures and the exclusion of subscription rights.

Authorisation of the Management Board to issue new shares (authorised and contingent capital) and repurchase shares
In a resolution passed at the Annual General Meeting on 13 May 2022, the 'Authorised Capital 2022' was adjusted, and the Management Board, subject to the Supervisory Board's approval, is authorised to increase the Company's share capital by a total amount of no more than EUR 29,000,000.00 by issuing up to 29,000,000 new, no-par value bearer shares on a cash and/or non-cash basis, once or on repeated occasions, on or before 12 May 2025. The Management Board utilised this authorisation in 2022. The Company's share capital was increased by EUR 28,990,260.00 through the issuance of 28,990,260 new no-par value bearer shares in the course of a cash capital increase on 27 July 2022. The remaining Authorised Capital 2022 amounts to EUR 9,740.00 as at the reporting date.

By resolution of the Annual General Meeting on 13 May 2012, the Conditional Capital 2021/I approved by the Annual General Meeting on 11 May 2021 was redefined. The Management Board was authorised to conditionally increase the Company's share capital by up to EUR 29m by issuing up to 29 million new, no-par value bearer shares ('Conditional Capital 2022'). The conditional capital increase serves to grant shares to holders of convertible bonds and/or options that are issued by the Company or by a direct or indirect holding of the Company pursuant to the authorisations by the Annual General Meetings of 23 May 2018, 11 May 2021, or 13 May 2022. In each case, the new shares shall be issued at a conversion or option price to be determined in accordance with the aforementioned authorising resolutions. The conditional capital increase shall only be carried out to the extent that use is made of conversion or option rights, or corresponding financial debt are to be fulfilled, and unless other forms of fulfilment are used to service them. The new shares shall participate in the profits from the beginning of the financial year in which they are created; in deviation from this, the new shares shall participate in the profits from the beginning of the financial year preceding the financial year in which they are created, provided the General Meeting has not yet passed a resolution on the appropriation of the balance sheet profit of the financial year preceding the financial year in which they are created. The Management Board is authorised to determine the further details of the implementation of the conditional capital increase. This authorisation was not exercised in the 2022 financial year.

With the approval of the Supervisory Board, shareholders' subscription rights may be excluded in certain cases set out in the Articles of Association. The pro rata amount of capital stock represented by the new shares for which subscription rights are excluded may not exceed 10% of the capital stock both at the time the authorisation becomes effective and at the time it is exercised.

Beyond this, the ordinary general meeting on 11 May 2021 had issued a new authorisation to acquire treasury shares representing up to 10% of the available share capital on the effective date or upon exercise of this authorisation, whichever is lower, up until 10 May 2023. The Company may not utilise this authorisation for the purpose of trading in treasury shares. This authorisation may not be used by the Company for the purpose of trading in treasury shares. In addition to the usual, legally mandated use options, it also includes the authorisation to assign and transfer the shares to members of the Management Board as part of their variable remuneration. The Company has not exercised this new authorisation yet. At 31 December 2022, the total number of treasury shares held based on the earlier authorisation of 17 June 2016 was 47,434 (previous year: 119,264) TAG shares. Reference is made here to the disclosures to be made in this regard, pursuant to Section 160 (1) No. 2 of the German Stock Corporation Act (AktG), which can be found in the Notes to the annual financial statements of TAG Immobilien AG prepared in accordance with the German Commercial Code (HGB).

Material agreements of the Company that are subject to a change of control following a takeover bid

TAG has lines of credit totalling EUR 69.4m (previous year: EUR 65.0m), which require the bank's approval in the event of a change of shareholder, or in the case of a change of control at the level of TAG Immobilien AG, may otherwise lead to the loans being terminated. In addition, there are numerous change-of-control provisions in the subsidiaries' loan agreements and in their general terms and conditions. Although these primarily apply only at the level of the subsidiaries and in the event of a change in their shareholders, the possibility of the lender invoking change-of-control rights in the event of a change in the indirect shareholder cannot be ruled out.

The two corporate bonds totalling EUR 250.0m issued, and the promissory notes totalling EUR 378.5m (previous year: EUR 294.0m), have special change-of-control provisions, which obligate the Company to buy back the bonds or promissory notes at terms stated in detail in the terms of the bond or the promissory note. In the case of Convertible Bond 2020/2026 issued for EUR 470.0m, there are special conversion options, or adjustments to the conversion price for bondholders, in the event of a change of control.

The agreements made in the years 2016 and 2018 in connection with a transfer totalling 10.1% of the shares in a subsidiary to co-investors also stipulate provisions for a change of control in TAG's shareholder structure. In this case, the co-investors are entitled to rights of disposal and may terminate their investment in the subsidiary prematurely, with TAG liable for compensating for any losses in value.

Beyond this, there are regulations for the bridge financing of EUR 250.0m for the purchase of the shares in ROBYG S.A., that provide for renegotiations or the right to withdraw from the contract by the financing banks in the event of a change of control.

In addition, the members of the Management Board have a special right of termination in the event of any change in TAG's current shareholder structure. If this special right of termination is utilised, they are entitled to claim a settlement based on the remaining period of service contract as of the date of termination. Further details can be found in the remuneration report below.

Company remuneration agreement with the members of the Management Board or employees in the event of a takeover bid

Apart from the special termination right of the Management Board members already mentioned in the previous paragraph, there are no compensation agreements that have been concluded with the members of the Management Board or employees in the event of a takeover bid.

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SECTION 289F AND SECTION 315D HGB (GERMAN COMMERCIAL CODE)[4]

The Corporate Governance Statement in accordance with the provisions of Sections 289f and 315d HGB, which is not part of this Summary Management Report, is posted on the TAG website at www.tag-ag.com under 'Investor Relations/ Corporate Governance/Declaration of Corporate Governance'.

REPORT ON THE COMPANY'S REMUNERATION SYSTEM (REMUNERATION REPORT UNDER STOCK CORPORATION LAW IN ACCORDANCE WITH SECTION 162 OF THE GERMAN STOCK CORPORATION ACT (AKTG))[5]

Definition of 'granted and owed' within the meaning of section 162 (1) AktG

For the following remuneration report, benefits granted are defined as having been received in the financial year. The remuneration earned by the members of the Management Board in the respective financial year is also presented on a voluntary basis.

Remuneration scheme for the Supervisory Board

For each full financial year of their membership on the Supervisory Board, members of the Supervisory Board receive fixed compensation in the amount of TEUR 20. The Company takes out directors' and officers' liability insurance (D&O insurance) for the members of the Supervisory Board and pays the premiums. The Chairman's Deputy receives 1.5 times this fixed fee (TEUR 30), while the Chairman of the Supervisory Board receives a fixed fee in the amount of TEUR 175 for each financial year.

In addition, members of the Audit Committee receive separate compensation. The Chair receives TEUR 75, and each member, except the Chair of the Supervisory Board, receives TEUR 5. Unless the fees are waived as in the past, the members of the HR Committee receive an attendance fee of EUR 500.00 per meeting.

[4] Unaudited information [5] Unaudited information

No variable remuneration based on the Company's success or other criteria is granted.

The remuneration paid to the Supervisory Board in the year 2022 under review came to TEUR 365 (previous year TEUR 365), plus expenses and VAT. The remuneration of the Supervisory Board is distributed as follows:

Supervisory Board Member	2022 in TEUR	2021 in TEUR
Remuneration for Supervisory Board activities		
Rolf Elgeti	175	175
Lothar Lanz	30	30
Dr. Philipp K. Wagner	20	20
Prof. Dr. Kristin Wellner	20	20
Harald Kintzel	20	20
Katja Gehrmann (from 21 August 2020 until 21 December 2021)	0	20
Fatma Demirbaga-Zobel (from 22 December 2021)	20	0
Total remuneration for Supervisory Board activities	**285**	**285**
Remuneration for committee work		
Lothar Lanz	75	75
Prof. Dr. Kristin Wellner	5	5
Total remuneration for committee work	**80**	**80**
Total remuneration	**365**	**365**

Contribution of remuneration to the promotion of the business strategy and long-term development
In accordance with the suggestions in Germany's Corporate Governance Code, the remuneration of the Supervisory Board members is exclusively comprised of fixed remuneration components but not variable remuneration components. The fixed remuneration strengthens the independence of the Supervisory Board members and thus makes an indirect contribution to the Company's long-term development.

Remuneration scheme for the Management Board

Basics of the remuneration system
The members of the TAG Management Board receive a basic remuneration that is not contingent on performance, as well as a variable remuneration, which is paid out partly in cash and partly in the form of TAG shares. Variable remuneration is determined solely at TAG Immobilien AG level and charged to TAG Immobilien AG.

The non-performance-based remuneration takes the form of a fixed annual salary paid out in twelve equal monthly instalments. One member of the Management Board uses a company car, which is taxed accordingly as a non-cash benefit. The members of the Management Board also receive further benefits as other remuneration, some of which are classified as non-cash benefits and are taxed accordingly. In particular, these include subsidies for private health and pension insurance, accident and liability insurance, private use of communications devices, and compensation for expenses incurred during business travel.

The contracts with the members of the Management Board do not provide for any pension entitlements. Some Management Board members still have pension entitlements from a time before they began to work for the TAG Group. While these are non-forfeitable, they do not entail any new claims since then.

Members of the Management Board are not entitled to claim any further bonuses or additional remuneration if they simultaneously serve on the Management Board or Supervisory Board of other companies in the Group. All ancillary activities are subject to approval.

Upon the ordinary termination of office of any member of the Management Board, such member is entitled to payment of any part of the variable remuneration not yet paid out to them, or to any share-based compensation not yet allocated to them. In the event of any change of control, e.g. through the acquisition of the majority of voting rights in TAG by third parties, the members of the Management Board are entitled to terminate their service contract subject to advance notice of three or six months (special right of termination). If this special right of termination is exercised, the Company undertakes to pay a gross settlement amount on the date of departure that is equal to the annual gross salary, provided that the service contract still has a remaining period of at least 24 months as of the date of termination. If the remaining term is shorter at the time of termination of the Management Board contract, the Management Board contracts contain provisions that provide either as a gross compensation the amount that is the gross salary for the remainder of the remaining term, or a gross settlement that is reduced pro rata temporis over the last 24 months based on a full gross annual salary.

In the event of a premature termination of Management Board contracts for other reasons, the contracts contain the provision that the compensation payable to them is to be capped at a value equalling two gross annual salaries and shall not exceed the amount due for the remaining period of the contract.

Details of the variable remuneration

Pursuant to section 87, paragraph 1 of the German Stock Corporation Act (AktG), the total remuneration of a member of the Management Board must be commensurate with the duties and performance of the Management Board member as well as the situation of the Company, and may not exceed the usual remuneration without special reasons. The remuneration structure shall be aligned with sustainable corporate development and the Company's long-term development. Variable components of the remuneration shall be assessed across several years; a possibility of limitation shall be agreed for extraordinary developments.

The variable remuneration valid since it was approved by the Annual General Meeting on 11 May 2021 distinguishes between a

- 'Short Term Incentive Plan' (STIP), which is based on the development of financial KPIs and the achievement of non-financial targets and is intended as an immediately payable cash payment, and a
- 'Long Term Incentive Plan (LTIP), which is measured by the Total Shareholder Return (TSR, as the sum of the share price increase plus dividends paid in the respective financial year) over a four-year period (three-year period for remuneration received up to and including in 2022) and is remunerated in TAG shares.

The STIP is determined based on the criteria listed below:

- Development of the EPRA NTA per share in the financial year (after elimination of the dividend paid in the financial year; each increase in the NTA per share by EUR 0.01 is multiplied by EUR 200.00)
- Increase in FFO I per share in the financial year (each increase in FFO I per share by EUR 0.01 is multiplied by EUR 17,750.00)
- Achievement of non-financial targets, the achievement of which is defined as between 'negligible' and 'high' based on the risk assessment by an external ESG rating agency. Remuneration for the achievement of non-financial targets ranges from TEUR 25 ('negligible') to no remuneration ('high').
- Achievement of individual targets agreed between the Chairman of the Supervisory Board and the member of the Management Board, which are to be based on the respective activities of TAG and its business strategy, including sustainable corporate development. Depending on the degree of target achievement, the variable remuneration can be increased by up to 10%, remain unchanged, or be reduced by up to 10% based on the above criteria.

The cash remuneration under the STIP is paid out in full after the Supervisory Board has decided on the variable remuneration for the respective financial year, and is limited to TEUR 200 p.a. (cap). The target amount for the STIP is TEUR 150 p.a.

In contrast, the variable remuneration (LTIP), which is to be assessed over several years, is granted in TAG shares, the number of which is measured by the TSR in a four-year period. The TSR performance is assessed based on the one hand on the TAG share's development over four-year period that begins anew each year, and on the other hand relatively in relation to the performance of a selected group of competitors (peer group) in this period.

In each case, the basis of assessment for the share price performance is the volume-weighted average price (VWAP) of TAG shares over a period of two months prior to the reporting date of the financial year at the beginning and at the end of the performance period. The target TSR was set at 40% for the four-year performance period, and leads to the following remuneration:

- If the actual TSR corresponds to the target TSR, the LTIP share compensation amounts to TEUR 250 p.a.
- If the actual TSR is above or below the target TSR, the amount is calculated or adjusted accordingly on a straight-line basis (for example, an actual TSR of 20% in a four-year performance period results in an LTIP share compensation of 20/40 x TEUR 250 = TEUR 125).
- If the actual TSR is negative, the LTIP share compensation is TEUR 0.

The actual TSR is compared with the result of the peer group and, if the actual TSR is at least 2% better or 2% worse, is taken into account by means of premiums or discounts: If the actual TSR is better than the performance of the peer group, a premium of 25% is applied; in the case of a worse performance, a 25% markdown is applied. The peer group is composed of listed real estate companies that hold significant residential properties in Germany. Currently, the peer group comprises the following companies: Vonovia SE, Deutsche Wohnen SE, LEG Immobilien SE, Grand City Properties S.A., and Adler Group S.A. The companies mentioned are equally weighted.

The variable share compensation in the form of the LTIP is capped at TEUR 500 p.a. for the four-year performance periods (remuneration received up to and including 2022: TEUR 400). The TAG shares to which the Management Board is entitled under the LTIP are transferred after the Supervisory Board has passed a resolution on variable remuneration at the end of the respective four-year period. The basis of assessment for the number of TAG shares to be transferred is the VWAP of the TAG share over a period of two months prior to the end of the respective financial year. The members of the Management Board have the option of requesting a partial conversion of the share compensation into a cash payment up to a maximum of the wage tax burden (incl. solidarity surcharge and church tax) arising from the share allocation. The payment obligation of the Management Board members to TAG arising from the payment of the aforementioned tax is then offset against the cash payment claim.

Remuneration paid to the Management Board in the financial year under review

Remuneration accruing to the Management Board in the year under review came to TEUR 912 (previous year: TEUR 2,538). This relates almost exclusively to fixed remuneration and benefits.

The amounts paid to the members of the Management Board in the year under review, some of which include remuneration earned in earlier years as well, amount to TEUR 1,978 (previous year: TEUR 4,974) and include the value of shares allocated as part of the payment of long-term remuneration components in the amount of TEUR 716 (previous year: TEUR 3,306).

The remuneration is distributed as follows among the individual members of the Management Board:

in TEUR	Claudia Hoyer COO				Martin Thiel CFO			
	2021 (Actual)	2022 (Actual)	2022 (Min.)	2022 (Max.)	2021 (Actual)	2022 (Actual)	2022 (Min.)	2022 (Max.)
Granted								
Fixed remuneration	420	420	420	420	420	420	420	420
Ancillary benefits	15	15	15	15	7	7	7	7
Total	**435**	**435**	**435**	**435**	**427**	**427**	**427**	**427**
One-year variable remuneration (STIP)	200	25	0	200	200	25	0	200
Multi-year variable remuneration (LTIP)	215	0	0	500	215	0	0	500
Total	**415**	**25**	**0**	**700**	**415**	**25**	**0**	**700**
Utility expenses	0	0	0	0	0	0	0	0
Total remuneration	**850**	**460**	**435**	**1,135**	**842**	**452**	**427**	**1,127**
Share of fixed remuneration	**51%**	**95%**	**100%**	**38%**	**51%**	**94%**	**100%**	**38%**
Share of variable remuneration	**49%**	**5%**	**0%**	**62%**	**49%**	**6%**	**0%**	**62%**
Inflow								
Fixed remuneration	420	420	420	420	420	420	420	420
Ancillary benefits	15	15	15	15	7	7	7	7
Total	**435**	**435**	**435**	**435**	**427**	**427**	**427**	**427**
One-year variable remuneration (STIP)	125	200	0	200	125	200	0	200
Multi-year variable remuneration (LTIP)	1,102	358	0	400	1,102	358	0	400
Total	**1,227**	**558**	**0**	**600**	**1,227**	**558**	**0**	**600**
Utility expenses	0	0	0	0	0	0	0	0
Total remuneration	**1,662**	**993**	**435**	**1,035**	**1,654**	**985**	**427**	**1,027**
Number of shares	**24,000**	**6,673**	**0**	**0**	**24,000**	**6,673**	**0**	**0**

The fair value of the share-based remuneration of the Management Board earned in 2022 recognised in the income statement amounts to TEUR 236 per Management Board member. However, due to the negative TSR in the performance period 2019-2022, this amount will not be paid out.

Dr. Harboe Vaagt, who retired from the Management Board on 31 December 2021, received TEUR 358 or 6,530 shares from long-term remuneration components earned in previous years in the past financial year (total remuneration received in the previous year: EUR 1,658 m).

Remarks on the application of the performance criteria

STIP

To achieve the target remuneration, the STIP requires an average annual increase in EPRA NTA per share and FFO I per share of approx. 5% as well as a 'low' risk assessment in the external ESG rating.

For FY 2021 (to be paid in FY 2022), the relevant EPRA NTA per share was approximately EUR 22.30 (actually achieved: EUR 25.54) and the relevant FFO I per share was approximately EUR 1.24 (actually achieved: EUR 1.24). For FY 2022 (to be paid in FY 2023), the target remuneration was based on an EPRA NTA per share of approximately EUR 25.88 (actually achieved: EUR 20.74) and an FFO I per share of approximately EUR 1.30 (actually achieved: EUR 1.19).

The TEUR 200 cap was applied to the STIP remuneration for FY 2021 (to be paid in FY 2022). Without the cap, the STIP remuneration would have amounted to TEUR 220. No cap was applied for FY 2022 (to be paid in FY 2023).

LTIP

To achieve the target remuneration, the LTIP requires a 10% annual increase in TSR, corresponding to a 40% increase in TSR for a four-year performance period and 30% for a three-year performance period, as was last relevant for the remuneration paid in FY 2022 (2019-2021 performance period).

The actual TSR achieved for the remuneration awarded in FY 2022 was 34.3%, or 42.9% when including a 25% bonus achieved for outperforming the peer group. For any remuneration to be paid in FY 2023 (performance period 2019-2022), TSR was negative, hence no remuneration is paid.

No LTIP cap was applied for remuneration granted in 2021 (to be paid in 2022) or for remuneration to be granted in 2022 (to be paid in 2023).

As a result, the relevant remuneration system was complied with in the 2022 financial year. No variable remuneration components were recalled.

Comparative presentation pursuant to section (162 para. 1 sentence 2 no. 2 AktG)

For the comparative presentation, all operational and central divisions of TAG Immobilien AG were included in the calculation of average employee remuneration. All active employees were taken into account as the basis for the average FTEs (Full Time Equivalents) (without trainees). Craftsmen and caretakers are employed exclusively in the service companies.

For calculating the remuneration of Management Board members, the amounts received in the financial year were stated. The NAV per share and the EBT per share were last calculated for fiscal 2020. In fiscal 2020, the NAV per share was replaced with the KPI NTA per share:

	2022	2021	2020	2019	2018
Earnings performance					
Net income TAG AG in TEUR	-525	104,597	34,910	66,375	27,277
relative change p.a.	-100.50%	199.62%	-47.40%	143.34%	-64.25%
FFO I per share: relative change p.a.	-3.87%	5.08%	7.27%	10.00%	14.94%
NAV per share: relative change p.a.	0.00%	0.00%	8.61%	18.07%	25.51%
NTA per share: relative change p.a.	-19.57%	17.49%	8.56%	16.54%	0.00%
EBT per share: relative change p.a.	0.00%	0.00%	24.32%	13.27%	36.11%
Average employee remuneration					
relative change p.a.	6.41%	2.38%	1.59%	1.20%	1.43%
Management Board remuneration					
Claudia Hoyer relative change p.a.	-40.25%	119.26%	9.38%	-3.88%	14.99%
Martin Thiel relative change p.a.	-40.45%	120.53%	9.49%	-1.15%	23.75%
Harboe Vaagt relative change p.a.	-76.78%	119.31%	9.25%	-3.62%	14.51%

Contribution of remuneration to the promotion of the business strategy and long-term development
The variable remuneration components are intended to provide incentives for the sustainable and long-term development of TAG and the creation of sustainable corporate values along the value chain, to further harmonise the interests of the shareholders with those of the Management Board, and to contribute to the long-term commitment of the Management Board members. The long-term portions of the variable Management Board remuneration should exceed the short-term portions and reflect the Company's development in a short-term period related to the respective financial year and a long-term four-year period. In order to do justice to the growing importance of sustainability as part of the corporate strategy, the achievement of non-financial goals is taken into account when determining the variable remuneration.

Maximum remuneration
The current gross annual fixed salary for all Management Board members is TEUR 420 p.a. Additional benefits, such as the provision of a company car, amount to a maximum of TEUR 20 p.a. per Management Board member.

In the STIP, the target remuneration per Management Board member is TEUR 150 and the maximum remuneration (cap) is TEUR 200. In the LTIP, the target remuneration per Management Board member is TEUR 250, and the maximum remuneration (cap) is TEUR 500.

The maximum annual remuneration per Management Board member is as follows, reflecting the amounts paid out in a single financial year:

in EUR m	2023	2022	2021
Gross fixed salary p.a.	420	420	420
Benefits	20	20	20
STIP	200	200	200
LTIP	500	400	400
Total	**1,140**	**1,040**	**1,040**

In order to allow the Supervisory Board to grant a salary increase to one or more Management Board members, whether through an increase in gross annual salary, fringe benefits or variable remuneration components, the maximum annual remuneration per Management Board member may be increased to up to TEUR 1,200 from 2023 onwards.

Hamburg, 13 March 2023

Claudia Hoyer
(COO)

Martin Thiel
(CFO)

CONSOLIDATED BALANCE SHEET

Assets TEUR	Notes	12/31/2022	12/31/2021
Non-current assets			
Investment properties	(1)	6,569,912	6,540,418
Intangible assets	(2)	266,174	23,126
Property, plant and equipment	(3)	45,231	42,790
Rights of use assets	(4)	12,702	8,715
Other financial assets	(5)	14,737	10,312
Derivative financial instruments	(14)	5,172	0
Deferred taxes	(6)	22,208	34,423
		6,936,136	**6,659,786**
Current assets			
Property held as inventory	(7)	714,188	113,758
Other inventories	(7)	95	77
Trade receivables	(8)	26,082	19,718
Income tax receivables	(6)	11,785	25,932
Derivative financial instruments	(14)	5,215	0
Other current assets	(9)	93,193	32,976
Prepayments on business combinations	(10)	0	67,925
Cash and cash equivalents	(11)	240,493	96,455
		1,091,501	**356,841**
Non-current assets held for sale	(12)	**187,417**	**72,004**
		8,214,604	**7,088,632**

Equity and liabilities TEUR	Notes	12/31/2022	12/31/2021
Equity	(13)		
Subscribed capital		175,442	146,380
Share premium		682,797	519,901
Other reserves		-24,133	-13,967
Retained earnings		2,364,372	2,387,434
Attributable to the equity holders of the parent company		3,198,476	3,039,748
Attributable to non-controlling interests		109,263	89,797
		3,307,739	**3,129,544**
Non-current liabilities			
Liabilities to banks	(14)	2,109,347	1,927,868
Liabilities from corporate bonds and other loans	(14)	463,226	542,742
Liabilities from convertible bonds	(14)	459,606	456,771
Derivative financial instruments	(14)	4,335	16,648
Retirement benefit provisions	(15)	4,281	5,423
Other non-current liabilities	(14)	43,372	25,550
Deferred taxes	(6)	716,185	682,025
		3,800,353	**3,657,027**
Current liabilities			
Liabilities to banks	(14)	412,691	138,642
Liabilities from corporate bonds and other loans	(14)	335,391	3,536
Liabilities from convertible bonds	(14)	1,022	1,022
Income tax liabilities	(6)	8,516	9,584
Other provisions	(16)	46,763	47,905
Trade payables	(17)	79,348	40,761
Other current liabilities	(18)	222,782	59,537
		1,106,512	**300,986**
Liabilities associated with non-current assets held for sale	(12)	**0**	**1,075**
		8,214,604	**7,088,632**

CONSOLIDATED INCOME STATEMENT

in TEUR	Notes	2022	2021
			*adjusted
Rental income		453,866	436,896
Impairment losses		-4,933	-3,893
Rental expense		-171,038	-161,752
Net rental income	(19)	**277,895**	**271,251**
Revenues from the sale of real estate		418,830	117,701
Expenses on the sale of real estate		-383,441	-105,179
Sales result	(20)	**35,389**	**12,522**
Revenue from services		82,206	57,469
Impairment losses		-920	-416
Expenses from services		-52,696	-30,734
Services result	(21)	**28,590**	**26,320**
Other operating income	(22)	20,187	7,615
Fair value changes in investment properties and valuation of properties held as inventory	(23)	-64,241	540,059
Personnel expense	(24)	-77,711	-63,026
Depreciation/amortisation	(2,3)	-10,625	-8,840
Other operating expense	(25)	-32,651	-24,538
EBIT		**176,833**	**761,363**
Net income from investments	(26)	16,678	6,179
Interest income	(26)	4,733	406
Interest expense	(26)	-54,037	-49,885
EBT		**144,207**	**718,064**
Income taxes	(6)	-26,928	-132,466
Consolidated net profit		**117,279**	**585,597**
attributable to non-controlling interests	(13)	4,188	15,142
attributable to equity holders of the parent company		113,091	570,455
Earnings per share (in EUR)	(27)		
Basic earnings per share		0.71	3.43
Diluted earnings per share		0.63	3.17

* Please refer to the section 'PRESENTATION CHANGES IN THE CONSOLIDATED INCOME STATEMENT' in the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	Anhang	2022	2021
Net income as shown in the income statement		**117,279**	**585,597**
Other comprehensive income			
Items that will later be classified as expense:			
Currency differences of foreign subsidiaries	(13)	-10,128	-5,399
Change in hedge reserve		-1,439	0
Deferred taxes	(6)	999	654
Other comprehensive income after taxes		-10,568	-4,745
Total comprehensive income		**106,711**	**580,852**
Attributable to equity holders of the parent company		102,924	565,860
Attributable to non-controlling interests		3,787	14,992

CONSOLIDATED CASH FLOW STATEMENT

in TEUR	Notes	2022	2021
			*adjusted
Consolidated net profit		117,279	585,597
Net interest income / expense through profit and loss	(26)	49,304	49,479
Current income taxes through profit and loss	(6)	15,975	4,227
Depreciation	(2, 3, 4)	10,625	8,840
Other financial Income	(26)	-16,678	-6,179
Fair value changes in investment properties and valuation of properties held as inventory	(23)	64,241	-540,059
Gains / losses from the disposal of investment properties	(1, 20)	-1,619	210
Gains from the disposal of tangible and intangible assets		-1,805	13
Impairments accounts receivables	(19, 21)	5,853	4,309
Changes to deferred taxes	(6)	10,953	128,239
Changes in provisions	(15, 16)	-8,375	19,805
Interest received		1,879	244
Interest paid		-52,704	-43,292
Income tax payments and refunds		-3,870	-34,876
Changes in receivables and other assets		41,376	-22,457
Changes in payables and other liabilities		-98,873	9,927
Cash flow from operating activities		**133,561**	**164,027**
Payments received from the disposal of investment properties (less selling costs)	(1, 20)	92,197	47,198
Payments made for the purchase of subsidiaries	(1)	-401,430	-67,925
Payments made for foreign currency hedges		-12,235	0
Cash and cash equivalents acquired of company acquisitions	(1)	-234,867	-240,775
Payments received from other financial assets	(5)	864	833
Payments received from the disposal of intangible assets and property, plant and equipment	(2, 3)	2,880	120
Payments made for investments in intangible assets and property, plant and equipment	(2, 3)	-8,640	-11,674
Cash flow from investing activities		**-561,231**	**-272,223**

in TEUR	Notes	2022	2021
Proceeds from the issuance of new shares	(13)	201,824	0
Costs relatded to the issuance of new shares	(13)	-10,979	0
Purchase of treasury shares	(13)	0	0
Proceeds from the issuance of treasury shares	(13)	333	315
Payments made for the purchase of minority interests	(14)	-2	-1
Payments made for the repayment of corporate bonds and other loans	(14)	-88,314	-100,000
Proceeds from the issuance of corporate bonds and other loans	(14)	207,596	149,800
Payments made for the repayment of convertible bonds	(14)	0	-119,653
Proceeds from the issuance of convertible bonds	(14)	0	0
Dividends paid	(13)	-136,153	-128,814
Proceeds from minority investors	(14)	0	113
Distribution to minority investors	(14)	-4,016	-5,117
Proceeds from new bank loans	(14)	1,138,807	240,633
Repayment of bank loans	(14)	-732,023	-153,019
Repayment of lease liabilities	(14)	-3,560	-3,556
Cash flow from financing activities		**573,513**	**-119,299**
Net change in cash and cash equivalents		145,843	-227,495
Cash and cash equivalents at the beginning of the period		94,100	320,019
Foreign currency exchange effects		-1,253	1,576
Cash and cash equivalents at the end of the period		**238,690**	**94,100**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Attributable to the parent's shareholders								
			Other reserves						
in TEUR	Subscribed capital	Share premium	Retained earnings	Effects from Currency conversion	Hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
Amount on 01/01/2022	**146,380**	**519,901**	**1,035**	**-15,002**	**0**	**2,387,433**	**3,039,747**	**89,797**	**3,129,544**
Consolidated net profit	0	0	0	0	0	113,091	113,091	4,188	117,279
Other comprehensive income	0	0	0	-9,001	-1,166	0	-10,167	-401	-10,568
Comprehensive income	**0**	**0**	**0**	**-9,001**	**-1,166**	**113,091**	**102,924**	**3,787**	**106,711**
Colonia settlement offer	0	-291	0	0	0	0	-291	19,177	18,886
Issuance of new shares	28,990	163,502	0	0	0	0	192,492	0	192,492
Issuance of treasury shares	51	282	0	0	0	0	333	0	333
Share-based compensation	21	-79	0	0	0	0	-58	0	-58
Dividends paid	0	0	0	0	0	-136,153	-136,153	0	-136,153
Payments to Minority shareholders	0	0	0	0	0	0	0	-4,016	-4,016
Change in non-controlling interest	0	-518	0	0	0	0	-518	518	0
Amount on 12/31/2022	**175,442**	**682,797**	**1,035**	**-24,003**	**-1,166**	**2,364,372**	**3,198,476**	**109,263**	**3,307,739**
Amount on 01/01/2021	**146,295**	**519,899**	**1,035**	**-10,407**	**0**	**1,945,792**	**2,602,615**	**78,913**	**2,681,528**
Consolidated net profit	0	0	0	0	0	570,455	570,455	15,142	585,597
Other comprehensive income	0	0	0	-4,595	0	0	-4,595	-150	-4,745
Consolidated net profit	**0**	**0**	**0**	**-4,595**	**0**	**570,455**	**565,860**	**14,992**	**580,852**
Colonia settlement offer	0	-498	0	0	0	0	-498	0	-498
Issuance of treasury shares	13	302	0	0	0	0	315	0	315
Share-based compensation	72	197	0	0	0	0	269	0	269
Dividends paid	0	0	0	0	0	-128,814	-128,814	0	-128,814
Change in non-controlling interest	0	o	0	0	0	0	0	-4,108	-4,108
Stand 31/12/2021	**146,380**	**519,901**	**1,035**	**-15,002**	**0**	**2,387,433**	**3,039,747**	**89,797**	**3,129,544**

NOTES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements of TAG Immobilien AG, Hamburg, as of 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) in the form required to be applied in the European Union. In addition, the provisions contained in Section 315e (1) of the German Commercial Code were observed.

TAG Immobilien AG is a real estate company that concentrates on the residential real estate market. It essentially acts as a holding company for the integrated group and, together with its employees, performs all essential central functions. The real estate held by TAG Immobilien AG and its subsidiaries (hereinafter also referred to as 'TAG' or the 'Group') is located in various regions of Northern and Eastern Germany, North Rhine-Westphalia and, from 2020, additionally also in Poland. As of 31 December 2022, TAG had 86,914 (previous year: 87,576) residential units under management. In Poland, TAG has roughly 1,150 completed residential units in the residential unit rental segment as of the reporting date. Another 2,200 rental residential units or so are under construction. In addition, there is a land reserve for the future construction of roughly 10,100 further apartments. In real estate sales business, approximately 6,400 residential units are under construction as of the reporting date (including approximately 360 completed and not yet sold residential units); the land reserve comprises a further 12,600 future residential units in this business segment.

The Company is registered with the Local Court of Hamburg under HRB 106718 and has registered offices at Steckelhörn 5, 20457 Hamburg, Germany.

The financial year of the parent company and the consolidated subsidiaries is the calendar year. Uniform recognition and measurement methods have been applied to the financial statements prepared by the consolidated companies in accordance with IFRS. The consolidated financial statements are prepared in euros, which is the Group parent's functional currency. In the absence of any indication to the contrary, amounts are cited in thousands of euros (TEUR). As a result, rounding differences may occur.

The consolidated income statement is prepared using the total cost method. EBIT is defined as earnings before interest, taxes and other net borrowing costs. EBT is defined as earnings before income taxes.

TAG's consolidated financial statements and the Group management report were prepared by the Management Board and released for publication on 13 March 2022 subject to approval by the Supervisory Board.

CONSOLIDATION

As of 31 December 2022, a total of 187 (previous year: 101) companies are fully consolidated and included in the consolidated financial statements. In the year under review, 91 entities were acquired with the purchase of ROBYG S.A. and its project entities in existence as of the reporting date and duly consolidated. Furthermore, 5 entities were merged within the Group.

The list of shareholdings is attached to the Notes to the consolidated financial statements and forms an integral part of these. Companies that apply the exemptions provided for in Section 264 (3) or Section 246b of the German Commercial Code are duly designated in the list of shareholdings.

The consolidated financial statements include the parent company's financial statements and those of the subsidiaries which it controls. The parent company is particularly deemed to exercise control if

- it controls the subsidiary,
- is exposed, or has rights, to variable returns from its involvement, and
- has the ability to affect those returns through its power over the subsidiary.

In addition to holding a majority of the voting rights, the parent company is deemed to exert control if it has the practical possibility of exerting material influence on the subsidiary. These enterprises are included in the consolidated financial statements from the date on which the TAG Group obtains control. They are de-consolidated from the date on which the possibility of exerting control ceases.

The purchase method of accounting as defined in IFRS 3 is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The excess of the cost of acquisition plus non-controlling interests over the net assets of the subsidiary acquired is recognised directly in the income statement. The cost of business combinations is recorded in profit and loss.

If shares are acquired or sold in companies which are previously or subsequently consolidated in full (business combination or sale without any change of status), the differences between the purchase price and the carrying amount of the assets acquired or sold are recognised directly in equity.

The purchase of real estate asset companies which do not engage in any business as defined in IFRS 3 are treated as a direct real estate purchase (asset deal). In this case, the cost of the business combination is allocated to the individually identifiable assets and liabilities on the basis of their fair value. Accordingly, the acquisition of real estate asset companies does not give rise to any differences.

Income and expenses as well as receivables and liabilities between fully consolidated companies are eliminated. Intercompany transactions not realised by a sale to or the provision of services for third parties are likewise eliminated.

Interests in consolidated equity capital and consolidated net profit not attributable to TAG are recorded within 'Non-controlling interests' in the consolidated balance sheet and the consolidated income statement. The effects of purchase accounting recognised directly in the income statement are also included in the calculation of the share in consolidated net profit attributable to non-controlling interests.

If a guaranteed dividend is agreed upon for a non-terminable minimum contractual period, the present value of the future payments is recognised as a liability and the non-controlling interests reduced accordingly.

If the holders of the non-controlling interests are offered a put right under a settlement offer, these claims are recognised as financial liabilities and the non-controlling interests derecognised. If the options are not exercised during the prescribed period, the liabilities are reclassified as non-controlling interests within equity.

Associates and joint ventures are accounted for using the equity method. An associate is an entity in which the owner has significant control. Joint ventures are joint arrangements under which the parties exercising joint control over the arrangement have rights to the net assets of the arrangement. Joint control arises if decisions on the main activities require the unanimous consent of the parties sharing control over the entity in question.

FOREIGN-CURRENCY TRANSLATION

TAG applies the functional currency concept for the purposes of currency translation in its consolidated financial statements. The functional currency of the parent company and the reporting currency in the consolidated financial statements is the euro.

The Polish subsidiaries included in the consolidated financial statements conduct their business independently using the Polish złoty as their functional currency; their financial statements are therefore translated into the reporting currency using the modified closing rate method. Any translation differences arising are reported as a separate item within other comprehensive income and recognised directly in equity in a separate reserve.

Foreign currency transactions of the Group companies are translated into the functional currency using the temporal method at the exchange rate prevailing on the date of the transaction. Monetary balance sheet items in a foreign currency are translated at the closing rate on each reporting date. Translation differences are recognised through profit and loss. Non-monetary items that are measured at historical cost are measured on the reporting date at the exchange rate applicable at the time of initial recognition. Non-monetary items that are measured at fair value are translated on the reporting date at the exchange rate applicable on the date on which the fair value was determined. Translation differences in non-monetary items are recognised through profit and loss, provided that a gain or loss on the corresponding item is also recognised through profit and loss. Otherwise they are reported within other comprehensive income.

The exchange rates of the Polish subsidiaries included in the consolidated financial statements for the 2022 financial year are as follows:

Currency rate (basis: 1 EUR)	Closing rate		Average rate	
	12/31/2022	12/31/2021	01/01 - 12/31/2022	01/01 - 12/31/2021
Polish Złoty	4.6808	4.5969	4.6861	4.5652

ACQUISITION OF ROBYG S.A.

On 22 December 2021, TAG signed a contract for the acquisition of all the shares in ROBYG S.A. ('ROBYG'). ROBYG is Poland's largest residential property developer with a focus on the country's major cities. The contractually secured pipeline consisted of residential construction projects in Warsaw, Wrocław, Tricity and Poznań with a total of approximately 24,800 units as of 31 March 2022. The acquisition of the shares became legally effective on 31 March 2022 (date of acquisition) upon the transfer of control.

The final purchase price was PLN 2,448m (EUR 526m). A part payment of PLN 315m (EUR 68m) had already been made in 2021, with the remaining purchase price remitted on 31 March 2022. In addition, transaction costs, particularly legal and consulting fees as well as Polish transaction taxes, of EUR 5.2m in the first quarter of 2022 and EUR 5.8m in 2021 arose and were recognised within other operating expenses.

The allocation of the total purchase price to the assets and liabilities acquired breaks down as follows

Purchase price allocation in EUR m	03/31/2022
Real estate assets	710.4
Deferred tax assets	14.3
Other assets	75.2
Cash and cash equivalents	57.9
Total assets	**857.8**
Financial liabilities	172.0
Prepayments received	249.7
Deferred tax liabilities	50.6
Other liabilities	92.1
Total liabilities	**564.4**
Net assets at fair value	**293.4**
Purchase price	526.0
Goodwill	**232.6**

A hedge was transacted to shield the purchase price payment from currency risks. The resulting loss of EUR 12.2m was netted against goodwill, so that the total carrying amount of the goodwill resulting from the acquisition amounts to EUR 244.8m as of 31 March 2022. Synergistic benefits have arisen from the acquisition of ROBYG, one of Poland's leading residential developers, through the expansion of TAG's platform in the rapidly growing Polish residential rental market. In addition to strengthening its portfolio in the existing regions of Wrocław, Poznań and, in particular, Tricity, this acquisition also enables TAG to enter the Warsaw market on a broad basis. Apart from a swifter and more comprehensive entry into the rental housing market, the existing sales activities in Poland are also to be continued.

The carrying amount of the goodwill after currency-translation effects stands at EUR 243.3m as of 31 December 2022 (31 March 2022 EUR 244.8m).

ROBYG generated revenues of EUR 27.5m and consolidated net profit, excluding purchase price allocation effects, of EUR 2.8m in the first quarter of 2022. As the company was not consolidated until 31 March 2022, these figures are not included in TAG's consolidated net profit.

ROBYG generated revenues of EUR 299.4m and contributed EUR 18.4m to TAG's consolidated profit in the nine months in which it was consolidated in FY 2022; adjusted for purchase price allocation effects, the contribution to consolidated profit would have been EUR 61.1m. Including the revenues generated by ROBYG in the first quarter of the 2022 financial year, the revenues generated from the sale of real estate amount to EUR 326.9m. The contribution to consolidated net income excluding effects from the purchase price allocation amounts to EUR 63.9m including the first quarter of 2022. Of the trade receivables acquired of a gross amount of EUR 5.7m, an amount of EUR 1.0m was non-collectible as of the date of acquisition.

The purchase price, possible repayments of existing financial liabilities held by ROBYG and additional working capital for ROBYG's investments were initially funded until July 2022 by means of bridge finance of up to EUR 750m provided by four banks. The interim utilisation of EUR 650m was reduced to EUR 250m by the reporting date. The term of this bridge financing ends in January 2024 at the latest. The initial interest rate of 0.4% rose to 3.7% at the end of the year.

PRESENTATION CHANGES IN THE CONSOLIDATED INCOME STATEMENT

TAG Immobilien AG made a change to the presentation of its net finance income compared with the previous year. Net measurement gains and losses on derivatives and interest on pension provisions are now recognised within other net finance income. Previously, they had been included in interest expense or interest income. This presentation appears to be more appropriate in derivative financial instruments. The presentation for the previous year has been duly restated and interest of TEUR 89 reclassified as other net finance income.

NEW STANDARDS AND INTERPRETATIONS

First-time adoption of new standards in 2022

The following new accounting standards and interpretations were applied for the first time for the IFRS consolidated financial statements prepared for the previous year:

Standard	Index
Amendments to IFRS 3	Business Combinations: Reference to the Conceptual Framework
Amendments to IAS 16	Property, plant and equipment: Income from preparing the asset for its intended use
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018–2020	Amendments and clarifications to IFRS 1, IFRS 9, IFRS 16 and IAS 41

Minor amendments were made to IFRS 3 to update the references to the revised IFRS Framework and to supplement IFRS 3 by requiring that a transferee apply the provisions of IAS 37 or IFRIC 21 instead of the framework when identifying obligations that fall within the scope of IAS 37 or IFRIC 21. Without this amendment, an entity would have recognised some liabilities in business combinations that should not have been recognised in accordance with IAS 37 or IFRIC 21 and would therefore have been recognised in profit or loss immediately after acquisition. Furthermore, IFRS 3 now also includes an explicit prohibition of the recognition of acquired contingent assets.

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Under the amendment, entities are required to separately disclose revenues and costs related to items produced that do not arise from its ordinary course of business and to present them in the items of the statement of comprehensive income in which those revenues are recognised.

The amendment to IAS 37 clarifies that the cost of fulfilling a contract includes all costs directly attributable to that contract. These include the additional costs incurred for the fulfilment of the contract ('incremental costs', such as direct labour and material costs), and the allocation of other costs that are directly attributable to the fulfilment of the contract. In addition, it clarifies that any prior impairment includes the assets used for the fulfilment of the contract (previously: associated with the contract).

The following annual improvements to the IFRS were published in May 2020:

IFRS 9 – Clarification which fees are to be included in the 10% test for the derecognition of financial liabilities.

IFRS 16 – Amendments to Explanatory Example No. 13 to IFRS 16, which included statements regarding the lessor's payments to lessees for the reimbursement of expenses for tenant installations that often resulted in misunderstandings.

IFRS 1 – The requirement that subsidiaries that become a first-time adopter of IFRSs at a later date than their parent company have the option to measure assets and liabilities using the carrying amounts previously recognised in the parent company's consolidated financial statements (excluding consolidation adjustments and adjustments due to business-combination effects) (exception: investment companies) is supplemented with the addition of the cumulative currency translation differences of the subsidiary. The amendment also applies to associates and joint ventures that make use of the corresponding IFRS 1 rule.

IAS 41 – Removal of the requirement to exclude taxation cash flows when measuring the fair value of biological assets in accordance with IAS 41. This aligns the requirements of IAS 41 with those of IFRS 13 and harmonises them with a 2008 amendment to IAS 41 under which the use of an input tax discount rate to determine fair value is no longer mandatory.

The first-time application of these announcements and amendments to existing standards had no material impact on the consolidated financial statements.

New standards not yet applied

The following IASB standards, which were new or revised as of the balance sheet date are not applicable until after the balance sheet date - pending endorsement by the European Union - and were not early adopted on a voluntary basis:

Standard	Index	Initial application
EU Endorsement adapted		
IFRS 17	Insurance contracts including amendments to IFRS 17 insurance contracts	01/01/2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclusure of accounting policies	01/01/2023
Amendments to IAS 8	Definition of accounting estimates	01/01/2023
Amendments to IAS 12	Deferred taxes related to assets and liabilities arising from a single transaction	01/01/2023
Amendments to IFRS 17	Initial application of IFRS 17 and IFRS 9 – comparative information	01/01/2023
EU Endorsement pending		
Amendments to IAS 1	Amendments regarding the classification of liabilities	01/01/2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	01/01/2024
Amendments to IFRS 10 and IAS 28	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	open

The Company does not plan to early adopt any of these new standards. No material impact arises from other standards to be applied from 1 January 2023. The effects of other amendments to the standards applicable from a later date are currently being reviewed by the Company.

RECOGNITION AND MEASUREMENT PRINCIPLES

Principles

These financial statements are based on the going-concern principle. Amounts are for the most part measured at amortised cost. This does not apply to investment properties, equity investments, non-current assets held for sale and derivatives, all of which are recognised at their fair value.

Investment properties

Depending on their intended use, TAG initially recognises real estate assets as investment properties, inventory properties or self-used properties. Real estate assets held under operating leases in which the Group is the lessee are classified and accounted for as investment properties.

Investment properties include the Group's real estate assets which are held to generate rental income and/or for capital appreciation and are not used by the Group itself for operating purposes or sold in the ordinary course of business. In addition to portfolio real estate assets, this also includes undeveloped land and development projects. Real estate that is sold in the ordinary course of business is allocated to inventories and real estate used by the Group itself to property, plant and equipment.

Details of the investment properties that are classified as held for sale in later years following initial recognition can be found in the section entitled 'Non-current assets held for sale and related liabilities'.

Investment properties are initially recognised at cost including transaction costs. Borrowing costs in connection with the acquisition or construction of investment properties are capitalised provided that the applicable conditions for this are satisfied. They are subsequently measured at their fair value, which reflects market conditions as of the reporting date. Any gains or losses from changes in fair value are recognised in the income statement. This also includes any ensuing extension, conversion or modernisation costs that contribute to an increase in the fair value of the property.

Operating leases for land and buildings in the form of hereditary building rights in which the Group is the lessee are classified as financial investments and accounted for as finance leases. They are recognised within investment properties and include the corresponding lease liabilities.

Valuation reports as of June 30 and December 31 of each year are prepared for the investment properties held.

Intangible assets and goodwill

Individual intangible assets are initially recognised at cost. Intangible assets acquired as part of the acquisition of a company are recognised at their fair value as of the date of acquisition. Thereafter, they are recognised at cost less cumulative amortisation and cumulative impairment losses.

Intangible assets with a definite useful life are written down on a straight-line basis over their expected useful life (generally three to eight years) and tested for impairment in the event of any indication of any impairment in their value. The amortisation period and method are reviewed at the end of each year at least and any resultant changes treated as a change to the estimate. There are no intangible assets with indefinite lives.

Impairments of intangible assets are recorded in the income statement within amortisation and depreciation expense.

Goodwill is the excess of the cost of an acquired company's shares over the net assets acquired. Net assets are defined as the identifiable assets acquired and measured at their fair value in accordance with IFRS 3 net of the liabilities and contingent liabilities acquired.

Goodwill acquired under a business combination is assigned to the cash-generating units (CGUs) or groups of CGUs that are expected to derive benefits from the synergistic results of the business combination. For this purpose, the CGU is the lowest level at which goodwill is monitored for management purposes.

Goodwill is not amortised systematically. However, it is tested for impairment at least once a year and on an ad-hoc basis in the event of any evidence suggesting that the value of the goodwill may have diminished. Impairments recognised in previous periods are not reversed.

Goodwill is tested for impairment at the level of the CGU or group of CGUs to which it is allocated. For this purpose, the recoverable amount is compared with the carrying amount of the CGU or group of CGUs. The recoverable amount is the higher of value in use and fair value less costs to sell. Value in use is calculated by discounting estimated future cash flows to their present value. Discount rates before tax that reflect the current market situation as well as the special risks to which the business unit is exposed are applied.

At TAG, the lowest level within the Company at which goodwill is monitored for internal management purposes is rental business in Poland (Poland rental CGU) and sales (Poland sales CGU). Impairment tests were carried out accordingly at the levels of the Poland rental CGU and the Poland sales CGU. If the carrying amount of the assets attributable to the applicable CGU is higher than the recoverable amount, the goodwill is impaired by an amount equalling the difference. Any additional impairment requirements beyond this are distributed across the other assets attributable to the CGU proportionately to their carrying amount provided that this is no less than the fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment are shown at cost less cumulative systematic depreciation and cumulative impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets in question, which is generally three to 13 years in the case of business and operating equipment and 30 to 50 years in the case of the real estate used by the Group. The depreciation methods and useful lives are reviewed at the end of each year and adjusted if necessary.

The carrying amounts of property, plant and equipment are reviewed for any impairment upon any evidence arising indicating that the carrying values exceed the recoverable values. Impairment losses on real estate are identified using external valuation reports, which are prepared on the basis of the discounted cash flow method. Impairments of property, plant and equipment are recorded in the income statement within amortisation and depreciation expense.

Leases

Contractual arrangements that transfer control over an identified asset (the leased item) for a specified period of time in return for a consideration are classified as leases.

TAG acts as a lessor in its rental business. The Group has classified these transactions as operating leases. Material opportunities and risks relating to the properties are not transferred and are retained by the Group. This also applies to the subleases classified as operating leases in connection with the rental of real estate held as leasehold rights. Rental income is recognised on a straight-line basis over the term of a lease.

As a lessee, TAG primarily holds leases for business premises, vehicles as well as operating and office equipment, under which economic ownership remains with the lessor. For these leases, the right-of-use assets are recognised in the balance sheet. At the same time, a corresponding lease liability equalling the present value of all relevant lease payments is recognised. The right-of-use asset is subsequently depreciated over the period of use. In addition, any further impairments are also recognised as far as this is necessary. The liability is subsequently measured using the effective interest method.

The accounting conveniences are utilised for short-term leases of less than twelve months with the result that payments are recognised directly through profit and loss. In the case of leases for office space and for vehicles which contain both non-lease and lease components, the option not to separate these components is used. Options to extend or terminate the lease are taken into account in the determination of the duration of the lease where it is reasonably certain that the option in question will or will not be exercised, as the case may be.

Further disclosures on leases can be found in the following notes:

- Note 1. Investment properties
- Note 4. Right-of-use assets
- Note 14. Financial liabilities
- Note 25. Other operating expenses

Financial assets

a. Classification
Financial assets within the meaning of IFRS 9 are classified in the light of the business model under which the asset in question is held and the characteristics of their cash flows:

- at amortised cost (AmC),
- at fair value through profit and loss (FVTPL)
- at fair value through other comprehensive income (FVTOCI)

The Group determines the classification of its financial assets upon initial recognition. Reclassification is only possible in the event of a change to the business model.

Debt instruments held by TAG are measured at amortised cost if the Company intends to hold them and to realise the fixed cash flows, which may only contain payments of principal and interest. In TAG's case, this applies to trade receivables, other current assets and cash and cash equivalents.

Upon initial recognition, the Group may irrevocably decide to recognise at fair value through profit and loss those financial assets that otherwise satisfy the conditions for recognition at amortised cost if this helps to eliminate or significantly reduce any accounting mismatches. TAG does not make use of this option.

Equity instruments not held for trading purposes are recognised at fair value through profit and loss. Alternatively, there is an irrevocable option, the merits of which must be assessed on a case-by-case basis, to recognise these instruments at fair value through other comprehensive income upon initial recognition. In this case, the cumulative changes in fair value remain within equity permanently and are not recycled to profit and loss. Similarly, TAG does not make use of this option. As far as TAG is concerned, this relates to non-controlling interests in non-listed real estate asset companies reported as other financial assets as well as investment funds for which there is no specific intention to sell. Any changes in the value of these instruments including dividends received from them are also reported in the share of profit of associates.

Derivative financial instruments are measured at fair value through profit and loss. The fair value is calculated using established valuation models on the basis of observable market inputs. The changes in the fair value of these derivatives are also recognised in the income statement.

b. Initial recognition
Trade receivables are recognised from the date on which they arise. All other financial assets and liabilities are initially recognised on the trading day where the Company becomes party to the contract under the terms governing the instrument in question.

Financial assets are normally initially recognised at their fair value. If they are recognised at amortised cost or at fair value through other comprehensive income, transaction costs are additionally included. However, trade receivables without any material financing component are initially recognised at their transaction price.

c. Derecognition

A financial asset is derecognised if the contractual rights to draw on the cash flows from it have expired or if these including all material opportunities and risks are transferred.

d. Impairments

The Group recognises impairments for expected credit losses on financial assets measured at amortised cost.

These impairments normally equal the amount of the expected credit losses over the term of the instrument in question. However, impairments equalling the expected 12-month credit loss are recognised if there has been no significant increase in the credit loss since initial recognition. Impairments of trade receivables always equal the expected credit loss over their respective term.

Expected credit losses over the term of the instrument are expected credit losses resulting from all possible loss events during the expected term of the instrument. 12-month credit losses are the portion of expected credit losses that result from loss events occurring within twelve months (or, if shorter, the term of the instrument) after the reporting date.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group considers appropriate and reliable information that is relevant and available without undue expense of time and money. This includes both quantitative and qualitative information and analyses based on the Group’s past experience and sound estimates, including forward-looking information.

Properties held as inventories and other inventories

Properties held as inventories include real estate assets that are intended for sale under normal business activities or that are under construction or development as of the acquisition date. If the intention to sell is abandoned, the land is reclassified as investment properties.

Properties held as inventories and other inventories are reported at the lower of cost or net realisable value. Cost includes the costs directly attributable to the development process of the real estate. Borrowing costs in connection with the acquisition or construction of land are capitalised provided that the applicable conditions for this are satisfied. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Income tax refund claims and liabilities as well as deferred income taxes

Income tax refund claims and income tax liabilities are recognised at the amount expected to be paid to (recovered from) the taxation authorities.

Deferred income taxes are calculated using the balance-sheet oriented liability method for all temporary differences arising as of the balance sheet date between the carrying value of an asset or liability and its tax base. Excluded from this is goodwill arising from acquisition accounting.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that realisation of the related income tax benefit through future taxable profits is probable. Deferred income tax assets are set off against deferred income tax liabilities of the same taxable entity if they relate to income taxes levied by the same taxation authority and the enterprise has a legally enforceable right to set off current tax assets against current tax liabilities.

Current and deferred income tax assets and liabilities are measured using tax rates and laws that, based on information available at the reporting date, are expected to apply in the period in which the asset is realised or the liability settled.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank with an original maturity period of less than three months.

Non-current assets held for sale and related liabilities

Investment properties are classified as held for sale if TAG makes a decision to sell the real estate asset in question and this asset is immediately available for sale and, as of the date of this decision, can be expected to be sold within one year. They continue to be measured at their fair value.

Other non-current assets or groups of available-for-sale assets are designated as available for sale if the carrying amount is predominantly recovered via a sales transaction rather than through continuing use, the asset is available for immediate sale and a sale can consider to be highly probable. They are recognised at the lower of their previous carrying amount and fair value net of the cost of disposal.

If a different assessment is made at a later date with regard to the ability to sell these assets, they will be duly reclassified as non-current assets.

Non-current assets held for sale and related liabilities are reported separately within the balance sheet.

Differentiation of equity capital

Debt and equity instruments are classified as financial liabilities or equity depending on the economic effect of the underlying contract. An equity instrument is any contract that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities. Equity instruments are recorded at the issue process less directly attributable equity transaction costs.

Equity transaction costs are costs which would not have arisen had it not been for the issue of the equity instrument. Equity transaction costs (e.g. all costs related to equity issues) net of the resultant income tax benefits are deducted from equity and netted with other paid-in capital.

The convertible bonds issued by TAG do not contain any equity component due to the cash settlement option held by TAG. Instead, the conversion right existing alongside the underlying instrument is separated as an embedded derivative and recognised as a financial liability at fair value through profit and loss.

Hedges (cash flow hedge accounting)

All derivative financial instruments are initially recognised at their fair value on the trading day. The effective portion of the change in the fair value of derivatives suitable for use as cash flow hedges for floating-rate loans and designated as such is recorded in equity within a hedge accounting reserve taking account of the effects of deferred income taxes. The hedge relates to the floating rates on the loans raised. The gains or losses attributable to the ineffective portion are recognised in profit and loss. Effectiveness is measured using the hypothetical derivative method.

(Expected) hedge relationships are removed from the balance sheet when the Group dissolves the hedge relationship or the hedging instrument expires or is sold, terminated or exercised or is no longer suitable for hedging. The gain or loss recognised in equity in full at this date is retained in equity and not released to the income statement until the hedged (expected) transaction is also recognised in the income statement. If the expected transaction is no longer likely to materialise, the entire gains or losses recognised in equity are immediately released to the income statement.

Financial liabilities

Financial liabilities within the meaning of IFRS 9 are measured at amortised cost (AmC) or at fair value through profit and loss (FVTPL). Financial liabilities held for trading and derivatives as well as other interests for which the corresponding option is exercised are recognised at fair value through profit and loss. TAG only assigns derivative financial instruments to this category. All other financial assets are initially recognised at amortised cost and measured using the effective interest method.

Financial liabilities are initially recognised on the trading date at their fair value. If they are recognised at amortised cost, transaction costs are additionally included. Financial liabilities are derecognised when the contractual obligations underlying them are settled or suspended, cancelled or expire. They are also derecognised and replaced with a new liability if there is any significant change in the contractual cash flows as a result of a modification of the liability.

In the case of compound financial instruments, an embedded derivative must be separated from its host contract if its economic characteristics and risks are not closely linked to those of the host contract, if a comparable separate instrument would match the definition of a derivative and if the compound instrument is not measured at fair value through profit and loss. If an embedded derivative is separated, the components are recognised and measured separately in accordance with the applicable forecast.

Retirement benefit provisions

In the past, the Group had extensive defined benefit plans for former members of the Management Board and employees at individual subsidiaries as well as their family members. These now only available to a small number of employees. The defined benefit obligations are calculated annually by a recognised actuary using the projected unit credit method.

The amount to be carried as a liability is the sum total of the present value of the defined benefit obligation. A non-nettable reimbursement claim is reported within other assets. Any additions or reversals are recognised through equity if the reimbursement claim changes accordingly. Any additional effects are included within net interest income/expense.

Other provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation is possible despite uncertainty as to the amount or timing. Other provisions are recognised at the amount which can reasonably be assumed to be payable to settle the present obligation on the reporting date or, in the event of the transfer of the obligation to a third party, on the date of transfer. Provisions due for settlement in more than one year are discounted where a material interest effect is involved.

Contingent liabilities

Contingent liabilities include possible obligations based on past events, which will only be substantiated by future events or for which an outflow of resources is not probable or the amount cannot be estimated with sufficient reliability. Contingent liabilities are not recognised in the balance sheet.

Revenue recognition

The Group recognises income from leases on a straight-line basis in accordance with IFRS 16 over the term of the lease as well as income received from rechargeable utility and incidental costs which in accordance with IFRS 15 and on the basis of the principal method are recognised over the period in which the service is performed, i.e. mostly the date on which the expense in question is recognised. Land tax and building insurance do not constitute separately identifiable performance obligations offering the tenant a distinct benefit. For this purpose, the agreed remuneration is allocated to the other identified contract components.

The overall remuneration is broken down into individual components on the basis of the relevant standalone selling prices, which primarily equal the nominal values of the rent and the utility and incidental costs.

The tenants pay TAG advances towards the utility costs regardless of the actual period of performance. The rechargeable utility costs and advance payments received for a given period, which mostly equals the calendar year, are duly settled in the following year.

Further income from the provision of services is reported in the period in which the service in question is provided.

Revenue from the sale of real estate is recognised when the risks and opportunities arising from ownership of the real estate have passed to the buyer (transfer of ownership rights, benefits and obligations arising from the real estate). In the case of the sale of individual residential units under the Group’s business activities in Poland, ownership is transferred when the completed residential units are handed over to the customers.

Interest income is recognised on a time-proportionate basis on the basis of the outstanding amount owing and the effective interest rate over the remaining time to maturity. Dividend income is recognised when the right to receive payment is established.

Share-based compensation

(i) Management Board
The remuneration system for the Management Board adopted in 2021 is composed of the following variable instruments:

- the short-term incentive plan (STIP), which is based on changes in the financial performance indicators and the achievement of non-financial targets and provides for immediate cash payment, and

- the long-term incentive plan (LTIP), which is based on total shareholder return (TSR, i.e. the sum total of increases in the share price plus dividends paid in the applicable year) over a three-year or four-year performance period and is remunerated in the form of TAG shares.

The STIP contains financial and non-financial targets on the basis of which target remuneration of TEUR 150 and maximum remuneration of TEUR 200 can be achieved.

In the case of LTIP, the target remuneration is TEUR 250, while the maximum remuneration was TEUR 400 in 2021 and TEUR 500 from 2022. The remuneration is paid in the form of TAG treasury shares previously acquired by the Company on the market. The transferred shares are subject to a four-year lock-up period.

The variable remuneration (LTIP), which is assessed over several years, is measured by reference to the TSR in a three-year period (first-time performance period ending in 2021) or a four-year period (subsequent performance periods). The TSR performance is assessed, on the one hand, on the basis of the performance of the TAG share in the applicable performance period and, on the other hand, relative to the performance of a selected group of competitors (peer group) during this period.

The basis for calculating the share price performance is the volume-weighted average price (VWAP) of TAG shares over a period of two months prior to the end of year at the beginning and at the end of the performance period.

The LTIP component of the variable remuneration is measured at its fair value on 1 January of each year. The values have been determined by an independent expert on the basis of a Monte Carlo simulation. The resultant personnel expenses are recorded directly as an addition to the share premium and distributed on a straight-line basis over the vesting period, which equals the year in question.

In 2021 24,000 shares had been awarded to each of the members of the Management Board under the premature settlement of the previous remuneration system expiring at the end of 2021. In this connection, additional personnel expense of TEUR 1,132 was recognised in equity. A total of 21,330 shares were awarded in 2022 to the three members of the Management Board, including the member of the Management Board who had retired at the end of 2021, for entitlement vesting in 2021.

The personnel expenses recognised in the income statement for the claims under LTIP vesting in 2022 came to TEUR 472 for two members of the Management Board (previous year: TEUR 645 for three members of the Management Board).

More detailed information on the remuneration of the Management Board can be found in the section entitled ‘Remuneration system for the Management Board’ in the combined management report.

(ii) Staff participation programme

Since 2018, all employees in the TAG Group have the opportunity of acquiring TAG shares at a preferential price once a year. These shares are previously acquired by the Company from the market as treasury stock. The discount granted to employees amounted to 20% in the year under review and was therefore unchanged over the previous year. In the year under review, the price was calculated on the basis of the volume-weighted average price (VWAP) of TAG shares in Xetra trading over a period of one month prior to the commencement of the programme. Certain caps apply to the shares which the employees may acquire on preferential terms. After acquisition, the shares may not be sold or encumbered for a period of three years unless the employment contract with the employee concerned expires at an earlier date.

The benefit granted to employees from the purchase of the discounted shares is also recognised at its fair value. The resultant personnel expenses of TEUR 67 (previous year: TEUR 63) are recorded in full as an addition to the share premium. A total of 50,500 TAG shares were awarded to employees in the year under review (previous year: 12,620).

MATERIAL JUDGEMENTS AND ESTIMATES

Discretionary decisions

In applying the recognition and measurement methods, the Management Board has utilised the following accounting estimates which have a material effect on the amounts shown in the consolidated financial statements:

- The Management Board must determine as of each reporting date whether the Group's real estate is held on a long-term basis for rental, for investment or for the Group's own use or whether it is available for sale. TAG uses the fair value model in accordance with IAS 40 to measure its investment properties; alternatively, it could have selected the cost model. Real estate classified as property, plant and equipment is measured at (amortised) cost, while real estate held as inventories is measured at historical cost or, if lower, the net realisable amount. The impact of the current underlying macroeconomic conditions, such as the increase in interest rates and inflation effects, as well as ESG criteria, were taken into account in the input parameters for the assessment.

- For the purposes of determining rental income, it is necessary to draw a distinction on the basis of whether the services recognised as utility or incidental costs arise from the originated provision of services as a principal or are sourced as an agent from a third party. Indicators for this assessment, which must be viewed in their entirety and are not cumulative, include the primary responsibility for performance of the service, the potential inventory risk of not being able to recharge the costs and the power to set the price of the service. Services are assumed to have been originated by the Group as the principal if higher revenue and matching rental expenses are recognised.

- When real estate asset companies are acquired, it is necessary to determine whether this acquisition is classified as a business combination within the meaning of IFRS 3 or whether individual assets and liabilities have been acquired. The purchase method of accounting as defined in IFRS 3 is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The excess of the cost of acquisition plus non-controlling interests over the net assets of the subsidiary acquired is recognised directly in the income statement. The cost of business combinations is recorded in profit and loss. The acquisition and sale of real estate asset companies which do not engage in any business within the meaning of IFRS 3 are treated as a direct real estate purchase or sale (asset deal). In this case, the cost of the business combination is allocated to the individually identifiable assets and liabilities on the basis of their fair value. Accordingly, the acquisition of real estate asset companies does not give rise to any differences.

- The recognition of goodwill calls for discretionary decisions concerning the identification of groups of cash-generating units and the allocation of goodwill to these groups of cash-generating units. In addition, assumptions must be made with regard to the future cash flows of the cash-generating unit and the capitalisation rates applied for the purpose of testing goodwill for any impairment.

Estimates

The Group makes estimates and assumptions concerning the future. The resultant accounting estimates may deviate from the ensuing actual results. Estimates and assumptions entailing a significant risk in the form of a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below. The estimates made by the Group are currently subject to significantly greater uncertainties due to the impact of the Russia/Ukraine war than would be the case under normal market conditions. All significant estimates are reviewed by the Management Board on an ongoing basis and adjusted prospectively if necessary.

- The fair value of investment properties is determined solely on the basis of the results of the independent valuers who are retained for this purpose. Measurements are calculated using the discounted cash flow method, i.e. discounted for expected future surplus income. The resultant gross capital value is converted into a net figure by deducting the transaction costs. The factors material for the valuation, such as future rent income, the applicable discount rates, future renovation work and transaction costs, are estimated by TAG in conjunction with the valuers. The fair values of these properties as of the reporting date stood at EUR 6,569.9m (previous year: EUR 6,540.4m).

- The estimate of the net realisable amount of real estate held as inventories entails uncertainty particularly with respect to the realisable selling prices. As of the reporting date, the carrying amount of these properties stood at EUR 714.2m (previous year: EUR 113.8m).

- Impairment testing of goodwill requires an estimate of the recoverable value of the group of cash-generating units. The calculation is based on the discounted cash flow method and requires assumptions and estimates to be made regarding the expected future revenue surpluses and the discount rates to be applied. Possible changes in these assumptions may result in impairment expense. The carrying amount of the goodwill equalled EUR 261.3m as of the reporting date (previous year: EUR 18.3m).

- The receivables are measured on the basis of assumptions concerning the effects of rising energy prices on expected future payment defaults.

- The applicable corporate tax plan is of crucial importance for assessing the recoverable value of the deferred income tax assets. These plans are prepared on the basis of various estimates, e.g. with regard to future income and expenses. Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that realisation of the related income tax benefit through future taxable profits is probable. As of the reporting date, the deferred income tax assets had a carrying amount of EUR 22.2m (previous year: EUR 34.4m).

- With respect to other provisions, various assumptions have been made, e.g. with respect to the probability and amount of utilisation of provisions for repairs, damages and litigation risks as well as tax risks. For this purpose, account is taken of all information available as of the balance sheet date. Other provisions are valued at EUR 46.8m as of the reporting date (previous year: EUR 47.9m).

NOTES ON THE BALANCE SHEET

1. INVESTMENT PROPERTIES

The table below sets out the movements in the portfolio of investment properties:

Investment properties in TEUR	2022	2021
Amount on 1 January	**6,540,418**	**5,819,190**
Purchase through business combinations	124,827	0
Additions from real estate acquisitions	12,836	4,551
Portfolio investments	86,036	67,783
Investments in project developments	137,157	177,910
Transfers from property, plant and equipment	310	0
Transfers to property, plant and equipment	-41	0
Transferred from inventory	345	3,345
Transferred to inventory	-58,722	0
Transferred to assets held for sale	-219.157	-68,949
Transferred from assets held for sale	12,087	858
Sales	-9,062	-1,876
Change in market value	-51,648	539,556
Currency conversion	-5,474	-1,950
Amount on 31 December	**6,569,912**	**6,540,418**

The carrying amount includes the fair value of the real estate assets. Of this, an amount of roughly EUR 371.8m (previous year: roughly EUR 315.5m) relates to leasehold rights that are classified as financial investments and recognised as finance leases. In addition, the value of the lease liabilities of EUR 14.5m (previous year: EUR 10.5m) is added to the leasehold rights.

The total investments in the real estate portfolio, taking into account acquisition costs for newly acquired properties as well as construction and modernisation costs, are made up as follows:

Modernisation costs in TEUR	2022	2021
Investment in investment properties	236,029	250,245
Investment in property held as inventory	256,687	65,739
Investment in assets held for sale	516	312
Total modernisation costs	**493,232**	**316,296**

Within the investment properties, directly attributable borrowing costs of EUR 2.7m (previous year: EUR 1.7m) were recognised for development projects.

Investment properties valued at EUR 5.7 billion (previous year: EUR 5.9 billion) are used to secure bank liabilities, primarily in the form of real estate liens and the assignment of rental receivables.

The income statement includes the following main amounts for investment properties:

Investment properties in TEUR	2022	2021
Rental income (current net rent)*	328,067	327,588
Rental expenses	-58,955	-59,242
Total	**269,112**	**268,346**

* including TEUR 10,355 in 2022 from the lease of investment properties held as hereditary building rights.

In rental business, rental contracts are generally subject to a statutory notice period of three months. There are no claims to minimum lease payments beyond this. Long-term leases with commercial tenants are of only subordinate importance.

The fair value of all the Group's real estate assets is measured by an independent expert effective 30 June and 31 December of each year. The independent experts are suitably qualified and experienced in the valuation of real estate. The valuation reports are based on:

- information provided by the Company on such matters as current rentals, maintenance and administration costs or current vacancy rates,

- assumptions made by the independent expert on the basis of market data and assessed in the light of his professional skills, e.g. future market rentals, typical maintenance and administration costs, structural vacancy rates and discount or capitalisation rates.

The information with which the independent expert is furnished and the underlying assumptions as well as the results of the valuation are analysed by Central Real Estate Controlling and the Chief Financial Officer.

The fair value of the investment properties is calculated using the discounted cash flow method (DCF method) in line with the International Valuation Standards. For this purpose, the expected future income surpluses for each period are discounted using a market-oriented discount rate for the property in question as of the measurement date. Whereas the cash inflows are normally composed of net rentals, the cash outflows chiefly include the property management costs borne by the owners.

The underlying detailed planning period is generally ten years. A potential discounted terminal value for the property in question is forecast for the end of this period, reflecting the most likely price which can be achieved at the end of this period. For this purpose, the discounted cash surpluses for the tenth year are capitalised at the exit rate to produce the perpetual annuity.

The sum total of the discounted cash surpluses and the discounted potential selling value equals the gross present value of the property in question. The net present value is calculated by deducting the costs arising in an orderly transaction.

If portfolio real estate assets are purchased within a period of three months prior to the respective reporting date and the corresponding ownership rights have already been transferred as of that reporting date, the acquisition costs are used as the best possible estimate of the fair value.

The investment properties are normally measured on the basis of their fair value (Level 3).

The following table sets out the fair value of the investment properties in Germany by region and the material assumptions underlying this valuation method:

Segment	Berlin		Chemnitz		Dresden		Rhine-Ruhr		Erfurt	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Market value (in EUR m)	**959.9**	**951.4**	**407.9**	**410.1**	**628.8**	**627.9**	**356.9**	**387.1**	**767.8**	**780.6**
Net rent p.a. (in EUR m)	44.4	43.2	27.2	26.9	29.6	28.8	17.3	18.6	39.0	39.4
Vacancy (in %)	3.6	4.2	9.0	9.3	1.3	2.3	2.4	2.2	1.9	2.5
Valuation parameters (average)										
Net rent to market rent (in %)	89	89	95	94	94	93	93	93	94	94
Increase in market rent p.a. (in %)	1.3	1.2	0.7	0.6	1.3	1.3	1.4	1.4	1.3	1.1
Maintenance costs (in EUR/sqm)	9.6	9.5	9.4	9.3	9.6	9.6	9.5	9.6	10.0	10.0
Administration costs (in EUR per unit)	242	240	248	248	258	258	274	274	241	241
Structural vacancy (in %)	3.4	3.4	4.6	4.7	2.5	2.6	1.8	1.7	1.8	1.9
Discount rate (in %)	4.5	4.3	4.9	4.8	4.6	4.6	4.6	4.6	4.6	4.4
Capitalisation rate (in %)	3.2	3.1	4.2	4.2	3.3	3.3	3.2	3.2	3.3	3.3

Segment	Gera		Hamburg		Leipzig		Rostock		Salzgitter	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Market value (in EUR m)	**449.6**	**468.9**	**631.5**	**653.2**	**782.4**	**814.3**	**557.0**	**563.1**	**514.6**	**592.9**
Net rent p.a. (in EUR m)	32.7	32.5	28.2	29.1	45.4	45.4	29.8	29.7	33.0	35.1
Vacancy (in %)	5.3	7.6	4.1	4.5	9.3	9.9	5.4	6.0	5.5	6.7
Valuation parameters (average)										
Net rent to market rent (in %)	95	93	92	93	92	92	93	93	97	97
Increase in market rent p.a. (in %)	0.8	0.6	1.3	1.2	0.9	0.9	0.9	0.8	0.8	0.8
Maintenance costs (in EUR/sqm)	9.5	9.5	9.0	8.9	9.5	9.5	9.4	9.4	9.6	9.6
Administrative costs (in EUR per unit)	248	250	260	258	247	246	254	254	260	260
Structural vacancy (in %)	4.8	4.8	1.7	1.6	4.1	4.2	3.3	3.3	2.2	2.2
Discount rate (in %)	5.2	5.0	4.6	4.6	4.6	4.6	4.3	4.3	4.8	4.8
Capitalisation rate (in %)	4.4	4.4	3.2	3.2	3.7	3.7	3.4	3.5	4.0	3.9

In addition, there are activities not directly allocated in the form of serviced apartments with a market value of EUR 22.0m (previous year: EUR 22.8m) not directly allocated to the regions.

The measurement parameters shown are derived from the reports as of 31 December of each year. The measurements effective 31 December are based on the tenant lists and vacancies as of 30 September. Allowance is made for any fluctuation as of the applicable reporting date where there is evidence of any material differences.

The assumptions underlying the measurement of the fair value of the real estate are made by the independent valuer on the basis of his professional experience and are subject to uncertainty. In the previous year, the range of possible parameters had been extended due to the Covid-19 pandemic. As the overall impact was low, these additional calculations have now been dispensed with. Due to uncertainties with regard to the future development of interest rates, an extended range was still applied in this respect. The effects of possible fluctuations in the valuation parameters are shown in the following table in the form of a sensitivity analysis:

Sensitivity analysis in EUR m	2022	2021
Market value investment properties	6,078	6,272
Change in market value due to change in parameters		
Market rent (+2.0 / -2.0%)	106 / -120	106 / -117
Increase in market rent (+0.2 / -0.2%)	432 / -382	444 / -392
Maintenance costs (-10 / +10%)	145 / -143	143 / -143
Administration costs (-10 /+10%)	61 / -62	61 / -61
Structual vacancy (-1,0 / +1,0%)	107 / -102	109 / -105
Discount and capitalisation rate (-1.0 / +1.0 / +2.0%) (previous year: -0.5 / +0.5 / +1.0%)	2,687 / -1,404 / -2,277	1,128 / -823 / -1,451

Possible interdependencies between the individual parameters are of secondary importance or cannot be determined due to their complexity.

The TAG portfolio in Poland assigned to the investment properties has a total value of EUR 491.7m (previous year: EUR 268.2m). In addition to the properties completed and leased with a value of EUR 118.8m (previous year: EUR 35.8m), this includes development projects under construction with a value of EUR 133.4m (previous year: EUR 90.0m) as well as land with a value of EUR 239.5m. (Vorjahr: EUR 142.4m.).

The value of the investment properties is also measured using the DCF method. The value of development projects under construction is measured using the residual value method. In a preliminary step, the fair value of the completed real estate asset is determined on the basis of the DCF method. In a second step, the costs still required for completion and a typified gain on the development project are deducted from this value. The main valuation parameters and their sensitivities are shown in the following table:

Valuation parameters Poland	2022	2021
Market value rental properties and projects under construction	252	126
Net operational income p.a. (in EUR m)*	19	14
Structural vacancy	2.5%	4.5%
Capitalisation rate	5.9%	5.3%
Change in market value due to change in parameters		
Net operational income (+2.0 / -2.0%)	6 /-6	5/-5
Structual vacancy (-1,0 / +1,0%)	4 /-4	3/-3
Discount and capitalisation rate (-1.0 / +1.0 / +2.0%) (previous year: -0.5 / +0.5 / +1.0%)	63 /-45 /-78	24 /-20 /-37

* Market rental income less vacancy, management and maintenance costs

Land for future development projects is classified as such for a maximum period of twelve months after acquisition, with the acquisition costs assumed to equal the fair value of the land; this applies to investment properties with a value of EUR 0.0m (previous year: EUR 74.0m). This is followed by a valuation using the residual value method (land with a value of EUR 87.8m, previous year: EUR 38.0m) as well as on the basis of comparative values (land with a value of 124.5m, previous year: EUR 0.0m). In addition, advance payments paid of EUR 27.2m (previous year: EUR 30.3m) are included under forward funding contracts, in which ownership is not transferred until after completion of a project.

2. INTANGIBLE ASSETS

The table below analyses the movements in intangible assets:

Intangible assets in TEUR

Acquisition and production costs	**Other intangible assets**	**Goodwill**	**Total**
Amount on 1 January 2021	15,011	18,404	33,415
Additions	2,440	0	2,440
Disposals	-9	0	-9
Effects from currency conversion	-5	-151	-156
Amount on 31 December 2021	**17,437**	**18,253**	**35,690**
Additions	2,513	244,819	247,332
thereof business combinations according to IFRS 3	231	244,819	245,050
Disposals	-48	0	-48
Effects from currency conversion	-13	-1,807	-1,820
Amount on 31 December 2022	**19,889**	**261,265**	**281,154**
Accumulated depreciation			
Amount on 1 January 2021	10,737	0	10,737
Additions	1,835	0	1,835
Disposals	-4	0	-4
Effects from currency conversion	-3	0	-3
Amount on 31 December 2021	**12,564**	**0**	**12,564**
Additions	2,470	0	0
Disposals	-48	0	-48
Effects from currency conversion	-6	0	-6
Amount on 31 December 2022	**14,980**	**0**	**12,510**
Book value on 31 December 2021	**4,873**	**18,253**	**23,126**
Book value on 31 December 2022	**4,909**	**261,265**	**266,174**

Goodwill was valued at EUR 261.3m as of 31 December 2022 (previous year: EUR 18.3m). The increase over the previous year is due to the addition of EUR 244.8m from the acquisition of ROBYG S.A. and from negative currency-translation effects of EUR 1.8m resulting from changes in the exchange rate of the Polish złoty.

For the purposes of impairment testing in accordance with IAS 36.19, the future cash flows from the business activities of the respective cash-generating units (Poland rental CGU and Poland sales CGU) were discounted using a DCF valuation method and the fair values less costs to sell determined in this way compared to the carrying amount of the respective cash-generating unit including goodwill. The basis for determining future cash flows for the Poland sales CGU was the detailed planning approved by the Management Board with a five-year horizon. In the case of the Poland rental CGU, the period covered by the detailed planning phase was extended by three years to include the period from 2023 to 2030. The reason for the extension beyond the usual detailed planning period of five years is that, at the current stage of planning, the Polish portfolio held by the Poland rental CGU will not reach a steady state for another five years as individual projects will be completed at only a later date. The measurement of the fair value of the CGUs was classified as Level 3 fair value based on the inputs used for the measurement method applied.

The following parameters were used to discount the future cash flows of the two CGUs:

DCF parameters as of 12/31/2022	2022	2021
Risk-free interest rate Poland in %	6.3	2.6
Market risk premium Poland in %	4.9	5.7
Unlevered Beta	0.8	0.5
Cost of capital	**10.0**	**5.6**
Sustainable planned growth rate in %	2.0	2.0

The decline in the market risk premium in Poland over the previous year reflects the impact of market developments in Poland on the returns expected by Polish market participants among other things. The impairment test performed in the fourth quarter did not produce any evidence of impaired goodwill.

The goodwill and fair values compared to the carrying amounts of the respective CGUs are as follows:

EUR m	CGU Poland Rent	CGU Poland Sales
Goodwill on 31 December 2022	17.9	243.4
Fair value less cost to sell	467.3	889.8
Book value	462.3	698.5
Sensitivity of growth rate from impairment	0.1%	3.1%
Goodwill on 31 December 2021	18.3	-
Fair value less cost to sell	400.2	-
Book value	297.8	-
Sensitivity of growth rate from impairment	0.3%	-

The material assumptions for estimating future cash flows are the development projects existing at the time of the analysis as well as those planned for the future and the investments and achievable revenues attributable to them. The basis for determining these values is the future development project costs projected by the Management Board as well as the achievable proceeds from sales or rental income.

The assumptions for planning future cash flows for the Poland rental CGU are mainly based on the housing stock directly attributable to it and intended for rental. As of the reporting date, around 1,150 rental residential units had already been completed, while another roughly 2,200 rental residential units were under construction and will be completed in the course of 2023 and 2024. In addition, it was assumed that a further 4,150 residential units would be completed within the detailed planning period, i.e. within the following three years, so that the total number of rental residential units at the end of the detailed planning phase stands at 7,500. The construction of these additional approximately 4,150 residential units is based on the current land reserve, which comprises a total of around 10,100 residential units. For historical reasons, this CGU also includes sales of around 3,600 residential units during the detailed planning period.

The assumptions underlying the planned future cash flows for the Poland sales CGU are based on the handover of around 3,500 residential units in 2023 and a further 11,900 residential units in the detailed planning period covering the following four years, i.e. around 3,000 residential units per year. We assume sales of roughly 4,200 residential units per year in sustainable sales activities in the long term, i.e. after the end of the detailed planning phase.

The Management Board's expectations regarding the proceeds that can be achieved from sales business reflect the sales prices achieved or costs incurred in the course of business to date. Rental income planning is based on internal calculations as well as findings arising from the leases so far entered into in Poland which, in the opinion of the Management Board, take into account future achievable rents based on key factors such as the location and size of the rental real estate assets, cost increases and vacancy trends. Rental income is forecast on the basis of the assumption of continuous rental growth in the light of external information available to date on the development of the still young Polish rental market.

3. PROPERTY, PLANT AND EQUIPMENT

The table below analyses the movements in property, plant and equipment:

Property, plant and equipment in TEUR

Acquisition and production costs	Real Estate	Operating and office equipment	Total
Amount on 01/01/2021	**11,929**	**43,058**	**54,987**
Additions	5	9,229	9,234
Disposals	-1	-1,199	-1,200
Reclassifications	4	0	4
Effects from currency conversion	-4	-2	-6
Amount on 12/31/2021	**11,933**	**51,086**	**63,019**
Additions	2,358	6,589	8,947
thereof business combinations according to IFRS 3	2,246	224	2,470
Disposals	-855	-1,424	-2,279
Reclassifications	-295	0	-295
Effects from currency conversion	-23	-5	-28
Amount on 12/31/2022	**13,118**	**56,246**	**69,364**

Cumulative depreciation	Real Estate	Operating and office equipment	Total
Amount on 01/01/2021	**2,573**	**14,372**	**16,945**
Additions	245	4,122	4,367
Disposals	0	-1,080	-1,080
Effects from currency conversion	-3	-1	-4
Amount on 12/31/2021	**2,815**	**17,413**	**20,228**
Additions	474	4,506	4,980
Reversal	0	0	0
Disposals	-85	-981	-1,066
Effects from currency conversion	-7	-3	-10
Amount on 12/31/2022	**3,197**	**20,935**	**24,132**

Book value on 12/31/2021	**9,117**	**33,673**	**42,790**
Book value on 12/31/2022	**9,919**	**35,312**	**45,231**

The real estate reported under property, plant and equipment mainly relates to office real estate used by the Group itself. This real estate is also used as collateral for bank borrowings, primarily in the form of real estate liens and the assignment of rental receivables, and includes hidden reserves equalling the difference of EUR 12.1m (previous year: EUR 14.3m) between its carrying amount and the fair value

4. RIGHT-OF-USE ASSETS

The table below sets out the movements in the right-of-use assets:

Right-of-use assets in TEUR

Costs of acquisition	Real estate	Transportation	IT equipment	Total
Amount on 01/01/2021	9,242	3,671	704	13,617
Additions	954	1,733	75	2,762
Disposal	0	-76	-1	-77
Effects from currency conversion	-1	-2	0	-3
Amount on 12/31/2021	**10,196**	**5,326**	**778**	**16,300**
Additions	5,461	1,901	15	7,377
thereof business combinations according to IFRS 3	2,728	481	0	3,209
Disposal	0	-704	0	-704
Effects from currency conversion	-39	-8	0	-47
Amount on 12/31/2022	**15,618**	**6,515**	**793**	**22,926**
Cumulative depreciation	**Real estate**	**Transportation**	**IT equipment**	**Total**
Amount on 01/01/2021	2,385	2,006	461	4,852
Additions	1,395	1,211	197	2,803
Disposal	0	-68	-1	-69
Effects from currency conversion	-1	-1	0	-2
Amount on 12/31/2022	**3,779**	**3,148**	**657**	**7,584**
Additions	1,796	1,300	107	3,203
Disposal	0	-549	0	-549
Effects from currency conversion	-9	-5	0	-14
Amount on 12/31/2022	**5,566**	**3,894**	**764**	**10,224**
Book value as of 12/31/2021	**6,416**	**2,179**	**121**	**8,715**
Book value as of 12/31/2022	**10,052**	**2,621**	**29**	**12,702**

The Group leases office and storage space for its real estate business. In some cases, extension options may be exercised. However, these have not yet been included in the lease period applied. If these options were exercised, additional cash outflows of up to EUR 7.7m (previous year: EUR 7.9m) would have to be included in the measurement of the right-of-use assets and the corresponding lease liabilities. Leases that can be terminated at short notice are not included in the right-of-use assets. Operating and transaction costs have not been included as variable lease payments.

As a rule, motor vehicles are leased for a period of three to five years. This period also applies to individual IT items, for which a favourable purchase option is regularly agreed and may be exercised at the end of the lease

Total cash outflows from leases stood at EUR 4.4m (previous year: EUR 3.0m).

5. OTHER FINANCIAL ASSETS

Other financial assets primarily include non-controlling interests in non-listed real estate asset companies and closed-end real estate investment funds, which are measured at their fair value. In addition, this includes a purchase price claim recognised for the first time with the acquisition of ROBYG. The deposits relate to security deposits for leased office space.

The item breaks down as follows:

Other financial assets in TEUR	2022	2021
Investments	9,630	8,957
Purchase price receivables	4,362	0
Investments in associates – at equity	37	41
Security deposits	528	383
Other	179	932
Total	**14,737**	**10,312**

6. CURRENT AND DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets (+) and liabilities (-) break down as follows:

	2022		2021		
Deferred income taxes in TEUR	**Active**	**Passive**	**Active**	**Passive**	**Change**
Unused tax losses (incl. interest carried forward)	38,307	0	46,139	0	-7,832
Investment properties without current assets	3,385	-693,510	488	-686,457	-4,156
Property, plant and equipment	2,487	-2,962	28	-2,844	2,341
Other financial assets	82	-1,775	60	-2,394	641
Properties held as inventories	1,589	-35,284	1,623	-6,511	-28,807
Liabilities	16,058	-2,643	4,771	-2,068	10,712
Provisions	4,480	-2,640	2,806	-2,499	1,533
Liabilities from convertible bonds	0	-20,224	0	-4,336	-15,888
Derivative financial instruments	13	-1,340	3,592	0	-4,919
Total	**66,401**	**-760,378**	**59,507**	**-707,109**	**-46,375**
Offset	-44,193	44,193	-25,084	25,084	-
Deferred income taxes recorded on the face of the balance sheet	**22,208**	**-716,185**	**34,423**	**-682,025**	**-**
				Change 2022	**-46,375**
				thereof within equity:	-35,422
				thereof within income:	-10,953

Income taxes recorded in the income statement break down as follows:

Income taxes in TEUR	2022	2021
Current income tax expense	-15,975	-4,227
Deferred income taxes	-10,953	-128,239
Total	**-26,928**	**-132,466**

Deferred income taxes recognised through equity mainly comprise amounts recognised in connection with the initial consolidation of ROBYG.

Of the current taxes, an amount of TEUR -983 (previous year: TEUR -702) is attributable to Germany and TEUR -14,993 (previous year: TEUR -3,525) to Poland. Of the deferred income taxes, an amount of TEUR -13,352 (previous year: TEUR -126,708) is attributable to Germany and TEUR 2,399 (previous year: TEUR -1,531) to Poland.

Current income taxes include tax expenses for the year under review as well as a tax refund claim for earlier years in Germany of TEUR 3,672 (previous year: TEUR 2,835).

A total change in deferred income taxes of TEUR -38,543 (previous year: TEUR -128,070) results from a change in temporary differences. Expenses from changes in deferred income taxes on unused tax losses stand at TEUR -7,832 (previous year: income of TEUR 530).

The income tax refund claims shown in the consolidated balance sheet predominantly comprise corporate tax refunds for 2022. Income tax liabilities include income taxes for the year under review of TEUR 777 (previous year: TEUR 2,392). The other income tax liabilities relate to income taxes for earlier years.

Expected and actual net tax expense is reconciled as follows:

Actual net income tax expense in TEUR	2022	2021
Earnings before income taxes (EBT after other taxes)	144,207	718,064
Expected net tax expense (32.275%)	-46,543	-231,755
Reconciled with tax effects from:		
Income and expenses from earlier years	-5,414	2,535
Impairment of deferred income taxes and utilisation of previously unrecognised unused tax losses/interest carried forward	-7,878	-11,017
Tax-free returns and non-deductible expenses	2.513	-2.875
Effects of trade tax exemption	23,015	108,813
Net gains/losses from consolidation	9,802	2,979
Others	-2,423	-1,146
Actual net income tax expense	**-26,928**	**-132,466**

The effects of trade tax exemption are primarily related to the extended trade-tax deduction for real estate. Companies which generate their income solely from the management of their own real estate are able to deduct this income from their trade income with the result that in such cases they effectively only pay corporate tax plus the solidarity surcharge.

The differences due to other tax rates mainly relate to TAG's business activities in Poland, which are subject to a theoretical tax rate of 19.0%.

The theoretical tax rate is calculated as follows:

Theoretical tax rate in %	2022	2021
Corporate tax	15.000	15.000
Solidarity surcharge	0.825	0.825
Trade tax	16.450	16.450
Total	**32.275**	**32.275**

The notional Group tax rate for the year under review stands at 18.67% (previous year: 18.45%).

Excluded from deferred income tax assets are unused corporate tax losses of EUR 151m (previous year: EUR 116m) and unused trade tax losses of EUR 365m (previous year: EUR 340m) as utilisation is currently not considered to be likely.

The sum total of unrecognised temporary differences in connection with shares in subsidiaries and associates stands at EUR 196m (previous year: EUR 178m). The Group does not expect any strain from this as there are currently no plans to sell these shares. An intention to sell two subsidiaries arose in the year under review (previous year: no intention to sell any subsidiaries). Deferred income tax liabilities of TEUR 803 were recognised for this purpose (previous year: TEUR 0).

7. REAL ESTATE ASSETS HELD AS INVENTORIES AND OTHER INVENTORIES

The changes arising in the year under review are set out in the following table:

Properties held as inventories in TEUR	2022	2021
Amount on 1 January	**113,758**	**102,006**
Additions from business combinations	582,537	0
Other Investments	256,687	65,739
Transferred to investment properties	-345	-3,345
Transferred to property, plant and equipment	58,722	0
Impairments	-67	-89
Disposals	-292,138	-49,905
Effects from currency conversion	-4,966	-648
Amount on 31 December	**714,188**	**113,758**

Real estate assets held as inventories mainly include development projects as of the reporting date. An amount of EUR 236.4m (previous year: EUR 57.0m) of the other investments is attributable to development projects in Poland and EUR 20.3m (previous year: EUR 8.7m) to a commercial development project in Germany.

Investment properties recognised as inventories valued at EUR 0.0m (previous year: EUR 1.0m) are used to secure bank liabilities, primarily in the form of real estate liens and the assignment of rental receivables. This item also includes development projects which are not expected to be completed and sold until after twelve months.

The real estate assets held as inventories include hidden reserves arising from the difference of EUR 96.3m (previous year: EUR 67.4m) between the carrying amount and the fair value.

Directly attributable borrowing costs of TEUR 11,309 (previous year: TEUR 818) for development projects were recognised on the balance sheet.

Other inventories primarily comprise heating material.

8. TRADE RECEIVABLES

Trade receivables break down as follows:

Trade receivables in TEUR	2022	2021
Rent receivables	21,387	16,927
Receivables from the sale of properties	432	0
Receivables from re-charge of ancillary costs from apartments sold	1,653	0
Others	2,610	2,791
Total	**26,082**	**19,718**

Rental receivables include an amount of EUR 13.1m (previous year: EUR 9.4m) arising from the netting of gross receivables of EUR 170.6m (previous year: EUR 152.5m) under rechargeable but not yet invoiced utility and incidental costs with the corresponding advance payments received from the tenants. Utility and incidental costs for which statements of account have been issued account for receivables of TEUR 2,953 (previous year: TEUR 1,217).

Impairments for expected credit losses on trade receivables are analysed in the following table:

Individual impairments in TEUR	2022	2021
Amount on 1 January	**9,211**	**10,395**
Utilised	-2,689	-3,513
Reversed	-1,593	-2,166
Additions	7,223	4,495
First-time consolidation	-1	0
Amount on 31 December	**12,151**	**9,211**

In the year under review, impairments (individual adjustments and derecognised amounts) of trade receivables of TEUR 7,223 (previous year: TEUR 4,309) were recognised in the income statement due to insufficient credit worthiness on the part of tenants.

9. OTHER CURRENT ASSETS

Other current assets break down as follows:

Other current assets in TEUR	2022	2021
Funds received from project development business in Poland	32,254	1,126
Receivables and advances from project development business in Poland	24,501	13,879
Tax receivables	9,609	4,076
Loans to shareholders with non-controlling interests	4,449	4,449
Rechargeable retirement benefit obligations	3,112	4,028
Excess payments to suppliers	3,914	972
Receivables from the EWSG	3,701	0
Security service for general contractor	2,472	0
Others	9,181	4,446
Total	**93,193**	**32,976**

Loans to shareholders with non-controlling interests are secured in full by a pledge on shares in real estate asset companies.

The prepayments received under development project business are purpose-tied advance payments remitted by customers to escrow accounts for residential units under construction.

The receivables under the Act on Emergency Assistance for Final Consumers of Gas and Heat Supplies (EWSG) include claims by energy suppliers against the Federal Republic of Germany under that act, under which the government of the Federal Republic of Germany undertakes to cover the contractually agreed payments for the month of December for the benefit of consumers. These payments were still pending as of the reporting date.

The collateral for general contractors entails funds deposited to secure the fees for these.

10. PREPAYMENTS MADE FOR BUSINESS COMBINATIONS

In the previous year, prepayments made for business combinations referred to an advance payment deposited in an escrow account for the acquisition of all of the shares in ROBYG S.A. The acquisition took legal effect from 31 March 2022.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all bank accounts and overdraft facilities with banks due for settlement within three months of the reporting date as well as a small volume of cash in hand. They are reconciled with the cash flow components of cash and cash equivalents in the section entitled 'Notes on the cash flow statement'.

12. NON-CURRENT ASSETS HELD FOR SALE AND RELATED LIABILITIES

Non-current assets held for sale are composed solely of real estate assets previously classified as investment properties that are outside the Group's strategic core portfolio and are therefore to be sold.

The table below sets out the movements in this item:

Non-current assets held for sale in TEUR	2022	2021
Amount on 1 January	**72,004**	**53,898**
Reclassification from investment properties	219,157	68,949
Reclassification to investment properties	-12,087	-858
Investments	516	604
Changes in market value	-12,526	593
Sales	-79,639	-51,175
Effects from currency conversion	-8	-7
Amount on 31 December	**187,417**	**72,004**

Due to the subdued market activities, the feasibility of sales is exposed to greater uncertainties, so that in the year under review individual assets intended for sale were reclassified as investment properties. Sales contracts had already been signed as of the reporting date for a portion valued at EUR 187.4m (previous year: EUR 51.6m), with ownership, rights of use and liabilities expected to be transferred in the following year. The assets are allocated to Level 3 of the fair value hierarchy and their value measured on the basis of the independent expert's report. The procedure underlying the calculation as well as the main valuation inputs are described in the notes on investment properties.

The liabilities reported in the previous year in connection with the assets held for sale comprise lease liabilities under leasehold rights.

13. EQUITY

Share capital, authorisation of the Management Board to issue of new shares (authorised and contingent capital) as well as share buybacks

The Company's fully paid-up share capital stands at EUR 175,489,025.00 as of 31 December 2022 (previous year: EUR 146,498,765.00) and is divided into 175,489,025 (previous year: 146,498,765) no-par-value shares with equal voting rights. The increase of 28,990,260 shares or EUR 28,990,260.00 in the share capital with subscription rights was approved in a resolution by the Management Board on 8 July 2022 and entered in the commercial register on 27 July 2022. They are bearer shares.

In a resolution passed at the Annual General Meeting on 13 May 2022, 'Authorised Capital 2022' was revised and the Management Board authorised subject to the Supervisory Board's approval to increase the Company's share capital once or repeatedly on or before 12 May 2025 on a cash and/or non-cash basis by a maximum amount of up to EUR 29,000,000.00 by issuing up to 29,000,000 new no-par-value bearer shares in the Company's capital. The Management Board has made use of this authorisation. The Company's share capital was increased by EUR 28,990,260.00 on a cash basis through the issue of 28,990,260 new bearer shares on 27 July 2022. The remaining Authorised Capital 2022 stood at EUR 9,740.00 as of the reporting date.

In a resolution passed at the Annual General Meeting held on 13 May 2022, the Contingent Capital 2021/I approved at the Annual General Meeting of 11 May 2021 was revised. In this connection, the Management Board was authorised to increase the Company's share capital by up to EUR 29m through the issue of up to 29m new no-par bearer shares on a contingent basis ('Contingent Capital 2022'). The contingent capital will be used to grant shares to the holders of convertible and/or option bonds which are issued by the Company or any of its directly or indirectly affiliated subsidiaries in accordance with the authorisation granted on 23 May 2018, 11 May 2021 or 13 May 2022. The new shares will be issued at the conversion or option price determined in accordance with the above-mentioned authorisation resolutions. The contingent capital is utilised only to the extent that the conversion and option rights are exercised or corresponding obligations are to be settled and only if no other method of settlement is applied. The new shares will be dividend-entitled from the beginning of the year in which they arise. In derogation of this, the new shares will be dividend-entitled from the beginning of the year preceding the year in which they are issued if the no resolution has been passed at the Annual General Meeting on the allocation of the unappropriated surplus for the year preceding the year in which the shares are issued. The Management Board is authorised to determine the further details of the contingent capital issue. No use was made of this authorisation in 2022.

In certain cases stipulated in the Articles of Association, the shareholders' pre-emptive subscription rights may be excluded subject to the Supervisory Board's approval. The proportionate value of the share capital attributable to the new shares for which pre-emptive subscription rights are excluded may not exceed a total of 10% of the Company's share capital on either the date on which the authorisation takes effect or the date on which it is exercised.

A resolution was passed at the Annual General Meeting on 11 May 2021, renewing until 10 May 2023 the authorisation to buy treasury stock in a total amount of up to 10% of the share capital existing upon the authorisation taking effect - or if less - upon the authorisation being exercised. The authorisation may not be utilised by the Company to trade in treasury stock. In addition to the customary statutory possibilities for use, the shares may also be allocated and transferred to members of the Management Board in connection with the determination of variable remuneration. The Company has not yet made use of this authorisation. As of 31 December 2022, the Company held a total of 47,434 treasury shares (previous year: 119,264) in accordance with the previous authorisation dated 17 June 2016. Please refer to the information provided in this regard in accordance with Section 160 (1) No. 2 of the German Stock Corporation Act in the Notes to the annual financial statements of TAG Immobilien AG prepared in accordance with the German Commercial Code (HGB)

On the basis of the previous authorisation of 17 June 2016, the Company acquired a total of 310,000 treasury shares in 2016, 2018 and 2020 for the staff participation programme and for the long-term incentive plan for the Management Board. In 2022, the Company awarded 50,500 of these shares (previous year: 12,620 shares) to employees under the staff participation programme. 21,330 shares were awarded for claims vesting under the long-term incentive plan for the Management Board. As of the reporting date, TAG held 47,434 (previous year: 119,264) treasury shares, equivalent to 0.03% (previous year: 0.08%) of its share capital. Reported subscribed capital less treasury stock thus stands at TEUR 175,442 (previous year: TEUR 146,380) as of the reporting date.

Reserves

The share premium primarily contains the premium on the equity issues executed in former years as well as withdrawals to equalise the net losses for the year recorded in accordance with German commercial law. In addition, effects from increases or decreases in shares without any change of status are allocated to this item.

Retained earnings comprise the legal reserve in accordance with the provisions contained in Section 150 of the German Stock Corporation Act as well as the cumulative effects arising from the initial application of IFRS 9.

The currency translation reserve includes the effects arising from business activities in Poland.

The hedge accounting reserve includes gains and losses from interest hedges (cash flow hedges) net of deferred income taxes and breaks down as follows:

Hedge accounting reserve in EUR m	2022	2021
Amount on 1 January	**0**	**0**
Unrealised gains and losses	457	0
Reclassified to profit and loss as hedged item affected profit and loss	-1,279	0
Reclassified to profit and loss with cessation of hedge relation	-617	0
Deferred income tax effect	273	0
Amount on 31 December	**-1,166**	**0**

The amounts reported within net borrowing costs chiefly concern amounts recycled from the hedge accounting reserve to profit and loss due to the execution of the expected transaction.

Dividend

The Management Board of TAG plans to propose to the shareholders at the Annual General Meeting that no dividend be distributed for 2022 (previous year: EUR 0.93 per share).

Non-controlling interests

This item refers to the shares held by minority shareholders in the equity and net profit or loss for the year of the consolidated subsidiaries Any compensation accruing to these shareholders in the form of annual guaranteed dividends over an interminable minimum period is recognised within other non-current liabilities.

The net profit attributable to the equity holders of the parent company equals the difference between the consolidated net profit before non-controlling interests and the non-controlling interests reported in the income statement

14. FINANCIAL LIABILITIES

Changes in financial liabilities are as follows:

Financial liabilities in TEUR	01/01/2022	Cash flow from financing activities	Additions from business acquisitions	Changes in fair value	Non-cash changes	Other: Interest expenses	Other: paid interest	12/31/2022
Liabilities to banks	2,066,510	406,784	41,582	0	3,028	42,176	-38,041	2,522,039
Liabilities from corporate bonds and other loans	546,278	119,282	130,412	0	-1,054	18,167	-14,468	798,617
Liabilities from convertible bonds	457,793	0	0	0	0	5,773	-2,938	460,628
Derivative financial instruments	16,648	0	0	-12,313	0	0	0	4,335
Lease liabilities	23,164	-3,560	12,462	0	9,734	315	0	42,115
Other financial liabilities	24,946	-2	0	0	-20,070	199	0	5,073
Total	**3,135,339**	**522,504**	**184,456**	**-12,313**	**-8,362**	**66,630**	**-55,447**	**3,832,807**

Financial liabilities in TEUR	01/01/2021	Cash flow from financing activities	Additions from business acquisitions	Changes in fair value	Non-cash changes	Other: Interest expenses	Other: paid interest	12/31/2021
Liabilities to banks	1,977,924	87,614	0	0	0	36,184	-35,212	2,066,510
Liabilities from corporate bonds and other loans	495,918	49,800	0	0	0	7,317	-6,757	546,278
Liabilities from convertible bonds	565,364	-110,435	0	0	0	5,912	-3,048	457,793
Derivative financial instruments	28,586	-9,218	0	-2,720	0	0	0	16,648
Lease liabilities	18,210	-3,556	0	0	7,916	594	0	23,164
Other financial liabilities	24,954	-1,760	0	0	1,533	219	0	24,946
Total	**3,110,956**	**12,445**	**0**	**-2,720**	**9,449**	**50,226**	**-45,017**	**3,135,338**

Liabilities to banks

Liabilities to banks are almost fully secured. For the most part, they are collateralised in Germany by real property liens and the assignment of rental income and in Poland by guarantees and pledges. The banks may only liquidate this collateral in the event of a material breach of the loan contract (e.g. failure to comply with financial covenants).

Liabilities under corporate bonds and other loans

TAG issued two corporate bonds in 2018. The first one, corporate bond 2018/2023 for EUR 125.0m has a term of five years and a coupon of 1.25% p.a. The second one, corporate bond 2018/2025 likewise for EUR 125.0m has a term of seven years and a coupon of 1.75%. Both corporate bonds are unsecured.

In addition, four tranches totalling PLN 657,093 were placed in Poland under a bond programme for a total of PLN 675,000:

Titel	Volume in m PLN	Outstanding Volume in m PLN	Outstanding Volume in EUR m	Maturity	Interest as of 12/31/2022
Serie PA	300.0	237.1	51.3	03/29/2023	9.8%
Serie PB	60.0	60.0	13.0	07/05/2023	10.0%
Serie PC	100.0	100.0	21.6	12/04/2024	10.1%
Serie PD	150.0	150.0	32.4	06/17/2026	9.5%
Serie PE	110.0	110.0	23.8	12/22/2025	12.0%

In Germany, TAG also issued a number of promissory note loans under private placements:

Instrument	issued in	Nominal volume in EUR m	Duration of tranches	Average interest rate as of 12/31/2022
Promissory notes	2019	102.0	5–7 years	1.4%
Promissory notes	2020	92.0	3–10 years	1.9%
Promissory notes	2021	100.0	2 years	0.1%
Promissory notes	2022	84.5	3–7 years	4.8%

Since 2018, short-dated commercial papers have been issued in an amount of up to EUR 50.0m as a special type of corporate bond with a term customarily of between one and six months. As of 31 December 2022, an amount of EUR 25.0m was outstanding in this connection (previous year: EUR 0.0m).

Convertible bonds

TAG issued convertible bond 2020/2026 with a nominal value of EUR 470.0m in August 2020. With a term of six years and a coupon of 0.625% p.a., it is unsecured. The conversion price stood at EUR 31.95 on the reporting date and will only be adjusted if future dividend payments exceed EUR 0.77 per share.

Lease liabilities and other financial liabilities

Other non-current liabilities primarily consist of lease liabilities of TEUR 24,808 (previous year: TEUR 19,913), liabilities from security deposits of TEUR 11,081 (previous year: TEUR 0) and liabilities of TEUR 3,477 under guaranteed dividends (previous year: TEUR 4,376) payable to non-controlling shareholders. Other current liabilities also include lease liabilities and guaranteed dividends due for settlement within one year.

The non-cash changes in lease liabilities mainly relate to contracts that do not have to be accounted for. Non-cash changes in other financial liabilities relate to the interest on the settlement claim under the right of tender.

The non-discounted lease liabilities stood at TEUR 43,865 (previous year: TEUR 37,033) as of the reporting date. The change over the previous year is mainly due to additions of hereditary building rights in Poland.

Derivative financial instruments

The fair value of the conversion rights under convertible bonds of TEUR 40 (previous year: TEUR 11,128) are reported within derivative financial instruments held as liabilities. This item also includes purchase price guarantees for non-controlling interests in subsidiaries with a fair value of TEUR 4,295 (previous year: TEUR 5,519).

The derivative financial instruments held as assets include the positive market values of interest rate swaps. Of this, TEUR 10,388 (previous year: TEUR 0) of which TEUR 5,923 is attributable to interest rate hedges, the effective portions of which are recognised in other comprehensive income. Ineffectiveness results from the relatively short remaining term of the hedging relationships.

An amount of TEUR 4,465 is attributable to free-standing derivatives, the gains and losses of which are recognised within net finance income.

15. RETIREMENT BENEFIT PROVISIONS

Retirement benefit provisions equal the net liabilities under defined benefit plans. This item breaks down as follows:

Retirement benefit provisions in TEUR	Liabilities*	Reimbursement claim
Recognised on the face of the balance sheet as of 01/01/2021	**5,783**	**4,331**
Expenses from the addition	41	0
Income from the reversal	0	0
Reversal within equity (reimbursement claim)	-60	-95
Pension payments	-341	-209
Amount on 12/31/2021	**5,423**	**4,028**
Recognised appropriation	49	0
Reimbursement recognised (within equity)	-846	-707
Pension payments	-345	-208
Amount on 12/31/2022	**4,281**	**3,112**

* The present value of the defined benefit obligation equals the obligation recognised on the face of the balance sheet.

The refund claim reported within other current assets concerns claims towards a subsidiary acquired in earlier years for which there is a right of recovery against the former shareholder.

Of the retirement benefit provisions, an amount of TEUR 351 (previous year: TEUR 350) is due for payment within one year. These amounts together with other retirement benefit obligations are reported within non-current liabilities for the sake of simplicity.

The change in the financial year mainly includes the compounding effect and actuarial gains or losses. Since the corresponding reimbursement right for a part of the obligation develops accordingly, the effects are essentially netted in the income statement. Additional effects are shown in interest expense or interest income.

The table below sets out the parameters used as a basis for calculating the retirement benefit provisions:

Retirement benefit provisions	**2022**	**2021**
Interest rate in %	3.51	0.93
Pension adjustment in %	2.50	2.00
Retirement age	In accordance with the German Social Code - Book VI	

The Klaus Heubeck 2018 G mortality tables were used as the basis for biometric calculations.

16. OTHER PROVISIONS

Other provisions break down as follows:

Other provisions in TEUR	**Amount 01/01/2021**	**Additions from business combination IFRS 3**	**Used**	**Reversed**	**Added**	**Currency conversion**	**Amount 12/31/2022**
Outstanding invoices	37,469	3,058	36,907	1,311	28,735	-27	31,017
Damages and litigation risk	3,607	1,371	26	267	381	-9	5,057
Bonuses and other personnel expenses	4,304	830	3,601	807	5,137	-2	5,861
Legal, consulting and auditing costs	665	91	655	10	540	-1	630
Other	1,860	741	546	1,489	3,633	-1	4,198
Total	**47,905**	**6,091**	**41,735**	**3,884**	**38,426**	**-40**	**46,763**

Provisions for outstanding invoices primarily relate to invoices not yet received as of the reporting date for ongoing maintenance and modernisation and mostly expected to be settled in the short term.

Provisions for compensation claims and litigation risks predominantly relate to possible claims arising from construction work completed in earlier years, settlement of which depends on the outcome of currently still pending litigation. No allowance was made for interest effects for materiality reasons.

17. TRADE PAYABLES

Trade payables include net liabilities of EUR 9.4m (previous year: EUR 13.9m) arising from the netting of prepayments of EUR 168.0m (previous year: EUR 157.3m) made by the tenants with corresponding receivables under rechargeable but not yet invoiced utility and incidental costs. They also include security reserves from subcontractors as well as liabilities under project development business in Poland.

18. OTHER CURRENT LIABILITIES

This item breaks down as follows:

Other current liabilities in TEUR	2022	2021
Prepayments received from sales	179,380	6,690
Lease liabilities	17,307	3,251
Liability from acquisition of land in Poland	10,039	0
Tenant credit from advance payments	9,821	9,102
Tax liabilities	2,637	19,028
Guaranteed dividend	1,596	1,174
Deferrals and accruals	449	468
Put options of non-controlling shareholders	0	19,394
Others	1,552	430
Total	**222,782**	**59,537**

The prepayments received from sales are mainly composed of prepayments made by real estate purchasers from our business activities in Poland, which are paid in accordance with construction progress. When the completed residential units are handed over to the real estate purchasers, the prepayments received are largely realized within the next twelve months.

In the previous year, the liabilities under put rights held by non-controlling shareholders concerned a settlement offer submitted in 2016 to the external shareholders of TAG Colonia-Immobilien AG, under which they were to transfer their shares to a 100% subsidiary of TAG in consideration of a cash payment of EUR 7.19 per share. This right expired at the end of the shareholder action.

NOTES ON INCOME STATEMENT

19. NET RENTAL INCOME

The income attributable to the Rental segment is made up of the rental income to be recognised in accordance with IFRS 16 and the income for operating and ancillary costs brought in by third parties to be recognised in accordance with IFRS 15.

Rental income breaks down as follows:

Rental income in TEUR	2022	2021
Net rent	339,926	333,053
Pro rata remuneration of property tax and building insurance	16,629	15,746
Rental income according to IFRS 16	**356,555**	**348,798**
External operational- and anciallary-costs re-charged to tenants	92,772	84,121
Pro rata remuneration of property tax and building insurance	4,538	3,977
Costs re-charged to tenants according to IFRS 15	**97,311**	**88,098**
Total	**453,866**	**436,896**

Together with net income from sales and the provision of services, the income recognised in accordance with IFRS 15 comprises income of TEUR 598,347 (previous year: TEUR 263,268) from contracts with customers.

Rental expenses break down as follows:

Rental expenses incl. impairment losses in TEUR	2022	2021
Maintenance expenses	37,508	38,921
Non-recoverable charges	10,299	9,766
Ancillary costs of vacant real estate	9,291	9,222
Non-rechargeable expenses	**57,098**	**57,909**
Rechargeable costs, taxes and insurance	113,940	103,844
Rental expenses	**171,038**	**161,752**
Impairment losses on rent receivables	4,933	3,893
Total	**175,971**	**165,645**

20. NET INCOME FROM SALES

Net income from sales breaks down as follows:

Income from sales in TEUR	2022	2021
Revenues from the sale of investment properties	91,490	54,036
Expenses on the sale of investment properties	-89,871	-54,246
Net income from the sale of investment properties	**1,619**	**-210**
Revenues from the sale of properties held as inventory (Germany)	348	1,265
Expenses from the sale of inventories (Germany)	-1,677	-987
Net income from the sale of inventories (Germany)	**-1,329**	**277**
Revenues from the sale of properties held as inventory (Poland)	326,992	62,400
Expenses on the sale of inventories (Poland)	-291,893	-49,946
Net income from the sale of inventories (Poland)	**35,099**	**12,455**
Total	**35,389**	**12,522**

21. NET INCOME FROM SERVICES

The income and expenses attributable to service business are spread across the various services provided by the Group as follows:

Income from property services in TEUR	2022	2021
Energy services	42,611	23,454
Facility management	16,931	15,095
Multimedia services	9,375	9,406
Craftsmen services	5,465	4,311
Other	4,652	3,099
Rechargeable land taxes and building insurance	3,173	2,104
Total	**82,206**	**57,469**
Impairment losses	-920	-416
Expenditure of property services	-52,696	-30,734
Net income from property services	**28,590**	**26,320**

Under IFRS 15, land taxes and building insurance do not constitute services provided by TAG and are reported separately solely for information purposes. With these contractual components, the agreed consideration is allocated to the other identified components of the contract proportionately.

Further service expenses are recognised within the relevant items of the income statement (e.g. personnel costs).

22. OTHER OPERATING INCOME

The table below analyses the main items of other operating income:

Other operating incomein TEUR	2022	2021
Capitalised personnel expenses	11,268	3,162
Release of provisions	3,003	1,414
Income from sale of fixed assets	1,942	94
Income from interim rentals of landbank properties	3,369	1,258
Derecognition of liabilities	415	1,380
Other out-of-period income	140	216
Government grants	49	90
Total	**20,187**	**7,615**

The personnel expenses recognised in the balance sheet include directly attributable costs from project development activities in Poland. An amount of TEUR 7,535 (previous year: TEUR 0) is attributable to properties held as inventories, while the remainder is for capitalised own activities with regard to portfolio real estate assets.

23. CHANGES IN THE FAIR VALUE OF INVESTMENT PROPERTIES AND PROPERTY HELD AS INVENTORIES

This item comprises gains and losses from the fair-value measurement of investment properties, the effects arising from the ongoing measurement of properties held as inventories and the net fair value gains and losses on the remeasurement of properties held for sale. The change compared to the previous year results mainly from a negative amount due to the so-called "yield compression", which was offset by a positive amount in the previous year. It breaks down as follows:

Changes in the fair value in TEUR	2022	2021
Investment properties	-51,648	539,556
Properties held as inventories	-67	-89
Non-current assets held for sale	-12,526	593
Total	**-64,241**	**540,059**

24. PERSONNEL EXPENSES

Personnel expenses break down as follows:

Personnel expenses in TEUR	2022	2021
Employees in operations	40,805	30,216
Administration and central functions	19,266	16,554
Caretakers	13,835	12,869
Craftsmen	3,806	3,386
Total	**77,711**	**63,026**

25. OTHER OPERATING EXPENSES

The table below analyses the main items of other operating expenses:

Other operational expenditures in TEUR	2022	2021
Legal, consulting and auditing costs (incl. IT consulting)	7,778	11,725
Transaction tax from ROBYG acqusition	5,150	0
Telephone costs, postage, office material	2,455	2,107
IT costs	2,280	1,546
Cost of premises	2,207	1,922
Advertising	1,768	530
Travel expenses (incl. motor vehicles)	1,727	1,070
Other ancillary staff costs	1,497	1,020
Additional costs of transactions	1,313	919
Project start-up costs Poland	1,165	0
Insurance	1,144	720
Contributions and donations	761	829
Investor Relations	169	195
Other	3,237	1,955
Total	**32,651**	**24,538**

In the year under review, a sum of TEUR 65 (previous year: TEUR 70) was recognised for short-term leases capitalised. Expense for variable lease payments, which is not included in the measurement of the lease liabilities, came to TEUR 401 (previous year: TEUR 427).

26. FINANCIAL RESULT

The financial result expense has the following structure:

Financial result in TEUR	2022	2021
Effect from currency changes through profit and loss	-578	1,844
Other financial result	17,256	4,335
Interest income	4,733	406
Interest expense	-54,037	-49,885
Finance income/expense	**-32,626**	**-43,300**
Non-cash interest from bonds	3,363	3,377
Premature termination compensation	1,234	81
Other non-cash items (e.g. derivatives)	-14,718	-2,268
Net finance income/expense (cash, without one-time invoice)	**-42,747**	**-42,110**

The other financial result mainly includes the changes in value of investments designated as FVTPL of TEUR 673 (previous year: TEUR 430), dividends and distributions received of TEUR 864 (previous year: TEUR 413) and, for the first time, the valuation effects from freestanding derivatives of TEUR 13,892, ineffective portions of derivatives from hedging relationships of TEUR 1,405 and income from the dissolution of hedging relationships of TEUR 348 (previous year: valuation result of derivatives not part of a hedging relationship of TEUR 2,720).

The currency differences recognised in profit or loss result from the translation of foreign currencies on the reporting date. Interest income and expense refers to the interest income calculated using the effective interest method from financial assets and liabilities measured at amortised cost. Other non-cash items predominantly comprise the measurement of derivatives of TEUR 15,645 (previous year: TEUR 2,720) and currency-translation differences of TEUR -578 (previous year: TEUR 1,844).

Interest expense breaks down as follows:

Interest expense in TEUR	**2022**	**2021**
Interest expense under the effective interest method Financial liabilities recognised at amortised cost	-53,233	-51,237
Other financial expenses	-804	1,352
Total	**-54,037**	**-49,885**

27. EARNINGS PER SHARE

Earnings per share break down as follows:

Earnings per share	**2022**	**2021**
Consolidated net profit (in TEUR)		
Consolidated net profit excluding non-controlling interest	113,091	570,455
Interest expense on convertible bonds	-3,601	2,693
Consolidated net profit excluding non-controlling interest (diluted)	109,490	573,148
Number of shares (in thousands)		
Weighted number of shares outstanding	158,900	166,373
Effect of conversion on convertible bonds and management remuneration	14,273	14,620
Weighted number of shares (diluted)	173,173	180,992
Earnings per share (in EUR)		
Basic	0.71	3.43
Diluted	0.63	3.17

Diluted earnings per share include the potential correction to consolidated earnings and the number of shares outstanding when convertible instruments or options are exercised. In TAG's case, the dilution effect primarily arises from 'potential shares' under convertible bonds.

NOTES ON THE CASH FLOW STATEMENT

Cash flows are divided into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities in the year under review. Cash flows from investing and financing activities are presented directly, while cash flows from operating activities are calculated using the indirect method

The cash flow components of cash and cash equivalents comprise only freely available cash and cash equivalents and are reconciled with the cash and cash equivalents reported in the balance sheet as follows:

Cash and cash equivalents in TEUR	2022	2021
Cash and cash equivalents as reported on the balance sheet	240,493	96,455
Cash at banks subject to drawing restrictions	-1,803	-2,355
Cash and cash equivalents	**238,690**	**94,100**

Bank balances subject to drawing restrictions concern incoming payments subject to temporary drawing restrictions from sales as well as pledged bank balances.

Cash and cash equivalents of EUR 57.9m (previous year: EUR 0.0m) were recognised in connection with the initial consolidation of ROBYG.

Further information on cash flows and non-cash changes in liabilities from financing activities including lease liabilities can be found in Note 14. 'Financial liabilities'.

NOTES ON SEGMENT REPORTING

TAG manages its residential portfolio on a regional basis and has divided its real estate holdings in the 'Rental' segment into the following regions: Berlin, Chemnitz, Dresden, Erfurt, Gera, Hamburg, Leipzig, Rhine-Ruhr, Rostock, Salzgitter and other. In addition, there are various rented commercial real estate assets as well as serviced apartments operated by TAG. The business activities of these segments are based on the rental of portfolio real estate assets to TAG customers. Accordingly, they are reported at an aggregated level within the rental segment.

The 'Services' segment includes the business activities attributable to the internal service companies. In addition to rental business, TAG has been expanding its activities in real estate-related services over the past few years. This explains the aggregated disclosure of information for the rental and services segments.

TAG's business activities in Poland currently particularly entail the development of real estate assets planned for future rental as well as the development and sale of residential units held as inventory real estate assets. As these sales, together with the transactions completed in Germany, have generated significant revenues since 2020, a 'Project Development and Sales Poland' segment has been additionally defined. As the business activities in this segment have continued to increase since 2022 and since the initial consolidation of ROBYG has been performed, the costs are split and segment earnings II calculated for the first time in the year under review. The figures for previous years have been duly restated. In addition to the proceeds from the disposal of real estate in the Group as a whole, segment revenues also include rental and service revenues in Poland.

Segment reporting is consistent with internal reporting, which fundamentally conforms to IFRS accounting requirements (with the exception of the reconciliation of segment earnings II with EBIT described below). Segment earnings I are derived from net rental income (net rents) and the services provided as well as the related expenses. With respect to the rental and services segment and also, for the first time in the year under review, the Polish business segment, segment earnings II include the attributable personnel expenses and other income and expenses and are calculated as follows:

Segment report		Rental	Services	Business activities in Poland	Total
Segment revenues	**2022**	**337,208**	**77,246**	**423,335**	**837,789**
	2021	332,535	55,060	118,524	506,119
Segment expenses	**2022**	**-86,316**	**-49,346**	**-384,787**	**-520,449**
	2021	-83,392	-28,854	-105,429	-217,675
Rental expenses	**2022**	**-12,328**	**0**	**0**	**-12,328**
	2021	-11,776	0	0	-11,776
Investment costs	**2022**	**-69,900**	**0**	**0**	**-69,900**
	2021	-68,766	0	0	-68,766
Impairment losses on receivables	**2022**	**-4,933**	**-920**	**0**	**-5,853**
	2021	-3,893	-416	0	-4,309
Service expenses	**2022**	**0**	**-48,426**	**0**	**-48,426**
	2021	0	-28,438	0	-28,438
Other revenues	**2022**	**845**	**0**	**0**	**845**
	2021	1,043	0	0	1,043
Segment result I	**2022**	**250,892**	**27,900**	**38,548**	**317,340**
	2021	249,143	26,206	13,095	288,444
Personnel expenses*	**2022**	**-11,293**	**-20,552**	**-22,089**	**-53,934**
	2021	-14,677	-18,969	-5,921	-39,567
Other income/other expenses*	**2022**	**-3,911**	**2,682**	**8,996**	**7,767**
	2021	-3,531	3,313	2,737	2,519
Segment result II*	**2022**	**235,688**	**10,030**	**25,455**	**271,173**
	2021	230,935	10,550	9,912	251,397
Segment assets**	**2022**	**6,328,827**	**30,566**	**1,152,608**	**7,512,001**
	2021	6,387,405	29,615	347,893	6,764,913

* 2021 adjusted
** Incl. non-current assets held for sale

Taking into account the segment assets of EUR 7,512.0m (previous year: EUR 6,764.9m) as well as intangible assets of EUR 266.2m (previous year: EUR 23.1m), cash and cash equivalents including other current assets of EUR 333.7m (previous year: EUR 129.4m) and other unallocated assets of EUR 102.7m (previous year: EUR 171.2m), the total assets of the Group as at the balance sheet date amount to EUR 8,214.6m (previous year: EUR 7,088.6m).

Revenues arising from business activities between the segments are primarily generated by internal services in Germany. TAG's service companies regularly provide services for the portfolio companies of the rental segment.

Reflecting internal reporting practices, rental segment revenue is reported solely on a net basis ('net rent') in Germany. Note 19. 'Net rental income' in the Notes on the consolidated income statement reconciles income from rental business with segment revenue/rental income.

In line with internal reporting practices, revenues in the services segment comprise the revenues generated by the internal service companies less land tax and building insurance in accordance with IFRS 15. Segment revenues are reconciled with service income in Note 21. 'Net income from services' in the Notes to the consolidated income statement.

In addition to the proceeds from the sale of real estate, the segment revenues from the business activities in Poland and sales include net actual rents of TEUR 2,718 generated in Poland as well as revenues from services of TEUR 1,787.

The following table reconciles segment earnings II with EBT as stated in the income statement:

Segment earnings in TEUR	2022	2021
Segment earnings II	**271,173**	**251,396**
Capitalised investment costs not deducted from segment earnings	32,791	29,951
Non-allocated ancillary costs of vacant real estate	-9,271	-9,183
Fair value changes in investment properties and valuation of properties held as inventory	-64,241	540,059
Non-allocated personnel expenses	-23,777	-23,459
Depreciation	-10,626	-8,840
Other non-allocated income and expenses	-19,217	-18,561
Net finance expense	-32,626	-43,300
EBT	**144,207**	**718,064**

DISCLOSURES ON FINANCIAL INSTRUMENTS

RISKS AS A RESULT OF FINANCIAL INSTRUMENTS

The Group's business activities expose it to various risks of a financial nature. These risks comprise market, liquidity and loan risks. On the basis of the guidelines issued by the Company's managing bodies, risk management is based in the central finance department. The counterparty default risks for derivative financial instruments and financial transactions are minimised by selecting investment-grade financial institutions.

CAPITAL RISK MANAGEMENT

The Group manages its capital with the aim of maximising income from its investments by optimising its equity and debt capital. In this connection, precautions are taken to ensure that all Group companies are able to operate in accordance with the going-concern assumption.

As a joint stock company, TAG is subject to the minimum capital requirements specified in the German Joint Stock Company Act. In addition, the Group is subject to the customary and industry-standard minimum capital requirements stipulated by the financial services industry, particularly with respect to the finance of specific items of real estate. Compliance with these requirements is monitored on an ongoing basis and was ensured at all times in the year under review as well as in the previous year.

Risk management reviews the Group's capital structure on a quarterly basis in the light of the cost of capital and the risk inherent in each capital class. In order to satisfy the external capital adequacy requirements, accounting ratios are tracked and forecast regularly. This includes capital service ratios for specific properties, loan-to-value parameters and financial covenants.

The equity ratio including non-controlling interests as of the end of the year is as follows:

Equity ratio in TEUR	2022	2021
Equity	3,307,739	3,129,544
Total assets	8,214,604	7,088,632
Equity ratio in %	**40.3**	**44.1**

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of assets and liabilities is determined by using inputs which are as market-oriented as possible. The measurement hierarchy divides the input factors into three levels depending on the availability of data:

Level 1: Prices quoted in active markets for identical assets or liabilities (applied directly).

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques for which any significant input is not based on observable market data

If input factors for different hierarchical levels are applied, the fair value is calculated on the basis of the lower hierarchical level. There were no transfers between the individual hierarchical levels in the period under review.

The fair values of the financial instruments recorded in the statement of financial position break down as follows:

Fair values of financial instruments in TEUR		2022	2021
Assets			
Other financial assets	Level 2	5,558	5,020
Other financial assets	Level 3	4,073	3,953
derivatives with no hedging relationship	Level 2	4,465	0
derivatives in hedge accounting	Level 2	5,923	0
Liabilities			
Derivatives with no hedging relationship	Level 2	-4,335	-16,648

The change in the carrying amount of the other financial assets with a fair value calculated at Level 3 is composed solely of changes in the fair value through profit and loss (previous year: TEUR 430 from changes in fair value through profit and loss and disposals of TEUR 68).

They primarily comprise non-listed minority interests in real estate companies and closed (real estate) funds. Equity investments are measured partially on the basis of observable market prices (Level 2) and partially on the basis of company-specific models such as customary net asset value models in the light of non-observable market data (Level 3). The inputs used in these methods include assumptions on future cash flows and future real estate prices and are based as closely as possible on market data. A change in the fair value of real estate assets held by associates would have a proportionate effect on the fair value of such associates. At the moment, there is no specific intention for these investments to be sold.

Derivative financial instruments are measured using established methods, the main inputs for which are derived from active markets. The purchase price guarantees, which are recognised as a derivative financial instrument with no hedging relationship, are measured using a standardised process based on a Monte Carlo (mark-to-model) simulation applying two correlated stochastic processes. The conversion rights under the convertible bonds, which are recognised separately as a derivative, are measured using a binomial model.

In addition, the following financial instruments whose carrying amounts are not sufficiently close to their fair value are measured at amortised cost in the consolidated balance sheet:

		2022		2021	
Financial instruments in TEUR	**Valuation**	**Book value**	**Fair value**	**Book value**	**Fair value**
Liabilities to banks	Level 2	2,522,039	2,379,129	2,066,510	2,078,610
Liabilities from corporate bonds and other loans	Level 2	798,617	760,700	546,278	549,339
Liabilities from convertible bonds	Level 2	460,628	446,500	457,793	475,405

The fair value of non-current liabilities is calculated using the discounted cash flow method. The discount rate is based on an appropriate market interest rate.

Trade receivables, other current assets and cash and cash equivalents, which are also recognised at historical cost, have short settlement periods. Accordingly, their carrying amount as of the balance sheet date comes close to their fair value. The same thing applies to current bank borrowings, trade payables and other current liabilities.

PURPOSES OF FINANCIAL RISK MANAGEMENT

The main risks monitored and managed by means of the Group's financial risk management comprise market risks arising from interest rates as well as equity prices, credit, finance and liquidity risks.

MARKET RISKS

The Group's activities expose it to financial risks arising from changes in interest rates. For the most part, long-term bank loans are subject to fixed interest rates. However, there is also a very small volume of floating-rate loans. The corporate and convertible bonds and the promissory note loans mostly have fixed interest rates. The finance in Poland is largely subject to variable interest rates. Total variable-rate loans and bonds are valued at EUR 531.1m (previous year: EUR 30.5m).

The Group uses derivative financial instruments to the extent necessary for managing the specified interest risks. These include interest swaps to minimise the interest rate risk and sensitivity in the event of rising interest rates. The Group does not engage or trade in financial instruments including derivative financial instruments for speculative purposes. Payer swaps are synthetic fixed-rate agreements in connection with a variable underlying transaction, under which variable interest rates calculated on the basis of agreed nominal amounts are swapped for fixed ones. In this way, the Group is able to reduce its exposure to changes in the money market and also facilitate the planning of debt servicing with respect to the hedged tranches.

As of 31 December 2022, there were interest derivatives in hedge relations (mainly payer swaps) of a nominal volume of EUR 85,4m (previous year: EUR 0m) and a fair value of EUR 5.9m. They serve to hedge the variable-interest Polish corporate bonds. The effective change in the market value of these transactions was amounted to EUR 0.5m in the financial year. In addition, there are interest rate derivatives with a nominal volume of EUR 125.0m (previous year: EUR 0) and a market value of EUR 4.5m (previous year: EUR 0), which are not included in hedging relationships. Interest rate swaps with a nominal value of EUR 64.1m (previous year: EUR 0m) and a fair value of EUR 3.1m (previous year: EUR 0m) have a term of less than one year. Interest rate swaps with a nominal value of EUR 146.3m (previous year: EUR 0) and a fair value of EUR 7.2m (previous year: EUR 0) have a term of between one and five years. The hedged cash flows will for the most part arise within this period to a largely equal extent and be recognised in net profit or loss for the period in question.

Without taking into account interest rate hedging transactions, an interest rate increase of 2.0% would burden the interest result with an amount of EUR 19.9m, a decrease in the interest rate level by 2.0% would relieve the interest result by an amount of EUR -24.9m (previous year: EUR 0.2m each in the case of an increase or decrease in the interest rate level by 0.5%). These effects would have a direct impact on the consolidated result and the consolidated equity, taking income taxes into account.

The derivative financial instruments also include the conversion right under the convertible bond 2020/2026 with a fair value of EUR 0m (previous year: EUR 11.1m). In addition, there are purchase price guarantees towards the non-controlling shareholders of a subsidiary valued at EUR 4.3m (previous year: EUR 5.5m). These derivatives are subject to the risk of changes in interest rates as well as share prices. An increase or decrease of 2% in interest rates would cause the obligations under these financial instruments to decrease by a total of EUR 1.1m (previous year: increase of 0.5%) or increase by EUR 1.6m (previous year: decrease of 0.5%), respectively. An increase/decrease of 5% in the price of TAG shares would result in a decrease of EUR 0.2m (previous year: increase of EUR 3.7m) or an increase of EUR 0.4m (previous year: decrease of EUR 3.2m), respectively, in the value of this obligation. The change would directly affect consolidated net profit and consolidated equity in the same amount in the light of the deferred tax effects.

CREDIT RISK MANAGEMENT

Introduction

The credit risk is the risk of a loss for the Group if a counterparty fails to honour its contractual obligations. The carrying amount of the financial assets recognised in the consolidated financial statements less any impairments constitute the Group's maximum credit risk. This does not include any collateral.

The Group enters into business relations solely with credit-worthy counterparties and, if appropriate, requests collateral to reduce the risk of a loss in the event of the counterparty's failure to satisfy its obligations. In this connection, available financial information as well as the Group's own trading records were used to assess counterparties. Risk exposure is monitored on an ongoing basis.

There are trade receivables due from a large number of customers spread over different regions. Regular credit assessments are performed to determine the financial condition of the receivables. Material other receivables are predominantly held against customers with good credit ratings.

Estimate of expected credit losses

At each reporting date, TAG examines financial assets recognised at amortised cost for any evidence of impairment. A financial asset is impaired if one or multiple events with a negative impact on the expected future cash flows from the financial asset occur.

The gross carrying amount of a financial asset is impaired if the Group does not reasonably believe that it will be possible to recover all or part of the financial asset. Impairments of trade receivables always equal the expected credit loss over their respective term. The Group uses an impairment matrix to measure expected losses on receivables from rental business. These include a very large number of small balances.

TAG evaluates the receivables according to their maturity profile. Deposits are also taken into account. Loss ratios are calculated on the basis of historical data from the last three years in the light of any changes in external factors and are reviewed regularly. An average loss rate continues to be calculated for terminated leases.

In the light of the uncertainties in connection with the energy price crisis, in the previous year the Company carried out a regular analysis of the effects of generally impaired creditworthiness on the future risk of rental defaults. There was no evidence of any significant increase in the expected credit risk.

The following table provides information on the estimated credit risk with respect to rentals owed.

Credit risk 31 December 2022 in EUR m	Loss rate	Gross book value	Impairment
Existing rental contracts			
Rent receivables not yet due	0.6%	15.4	0.0
≤ 90 days	52%	2.3	0.7
≤ 180 days	71%	2.5	1.5
≤ 270 days	86%	1.5	1.1
> 270 days	100%	0.1	0.1
Terminated rental contracts	75%	10.2	7.5
Total		**32.1**	**10.9**

Credit risk 31 December 2021 in EUR m	Loss rate	Gross book value	Impairment
Existing rental contracts			
Rent receivables not yet due	1.2%	14.2	0.2
≤ 90 days	43%	1.6	0.3
≤ 180 days	53%	1.2	0.4
≤ 270 days	79%	1.4	0.8
> 270 days	100%	0.6	0.4
Terminated rental contracts	75%	9.9	7.1
Total		**28.9**	**9.2**

In Poland, trade receivables of EUR 4.0m and overdue by more than 180 days are taken into account with a loss rate of 97% or losses of EUR 1.1m. In total, additional allowances of EUR 1.4m are made for trade receivables that do not originate from the German rental business.

The Group derecognises a financial asset when it is finally determined to be unrecoverable. In making this assessment, the Group takes into account credit information or information from judicial rent collection proceedings, for example.

Impairments of trade receivables

Impairments of trade receivables were as follows:

Impairments in EUR m	
Balance on 1 January 2021	**10.4**
Amounts adjusted	-3.5
Net changes over expected term	2.3
Balance on 31 December 2021	**9.2**
Amounts adjusted	-2.7
Net changes over expected term	5.6
Balance on 31 December 2022	**12.2**

Receivables had a gross carrying amount of EUR 3.2m in the year under review (previous year: EUR 0.8m). Significant changes in the gross carrying amount of trade receivables regularly result from changes in the normal course of business. The increase in the year under review is mainly due to the business activities in Poland.

As of 31 December 2022, trade receivables with a nominal value of EUR 7.8m (previous year: EUR 7.6m) were subject to judicial enforcement proceedings.

Other current assets/cash and cash equivalents

The estimate of expected credit losses applicable to other current assets/cash and cash equivalents is based on valuation inputs and external ratings. The expected credit losses are still classified as low.

As of the reporting date, the Group had cash and cash equivalents of EUR 240.5m (previous year: EUR 96.5m). Cash and cash equivalents are deposited with banks and financial institutions all of which have an investment grade rating. The impairment of cash and cash equivalents is calculated on the basis of expected losses within twelve months and thus reflects the short settlement periods. The Group assumes that its cash and cash equivalents are currently exposed to a very low risk in view of the external ratings of the banks and financial institutions. Accordingly, it has not recognised any impairments for materiality reasons.

The Group had granted short-term loans of EUR 4.4m as of 31 December 2022 (previous year: EUR 4.4m), which were secured by pledges on shares in real estate asset companies. Possible credit losses on these loans are calculated on the basis of expected loss within twelve months. TAG assumes that the default risk to which these assets are exposed will increase significantly if the underlying LTV in the real estate property companies serving as collateral exceeds 85% or if there is a payment default.

LIQUIDITY RISK

The Management Board is responsible for liquidity risk management and has established an appropriate model for managing short, medium and long-term finance and liquidity requirements. The Group controls liquidity risks by maintaining reasonable reserves and bank facilities and by means of ongoing monitoring of forecast and actual cash flows and the reconciliation of the maturities of financial assets and liabilities.

Other financial assets primarily concern investments of an indefinite duration. All other financial assets are due for settlement in less than one year.

The following table shows the contractual, non-discounted interest and principal payments towards financial liabilities.

Maturities of financial assets and liabilities in TEUR	Book value	Contractual payments less than 1 year	Contractual payments 1 to 5 years	Contractual payments more than 5 years
31 December 2022				
Primary financial insruments				
Liabilities to banks	2,522,039	165,315	1,259,479	860,784
Liabilities from corporate bonds and other loans	798,617	378,658	461,087	42,175
Liabilities from convertible bonds	460,628	2,938	478,813	0
Lease liabilities	42,115	7,798	12,756	23,311
Other financial liabilities	5,073	1,596	3,980	0
Derivative financial liabilities	4,335	0	1,980	2,355
Total	**3,832,807**	**556,305**	**2,218,095**	**928,625**
31 December 2021				
Primary financial instruments				
Liabilities to banks	2,066,510	170,501	963,840	1,110,487
Liabilities from corporate bonds and other loans	546,278	6,910	514,470	50,656
Liabilities from convertible bonds	457,793	2,938	480,768	0
Lease liabilities	28,164	3,164	11,366	22,503
Other financial liabilities	24,944	20,575	4,170	900
Derivative financial liabilities	16,648	0	13,597	3,051
Total	**3,140,337**	**204,088**	**1,988,211**	**1,187,597**

The options under convertible bond 2020/2026 may be exercised any time until the bond expires in August 2026. In this connection, TAG has a cash settlement option.

The Group is able to utilise overdraft facilities. The total amount not utilised as of the reporting date in Germany stands at EUR 149.5m (previous year: EUR 145.0m). The Group expects to be able to settle its liabilities from operating cash flow, the inflow of financial assets due for settlement and existing credit facilities at all times.

FINANCE RISK

TAG is dependent on raising debt capital on reasonable terms to fund its ongoing business and acquisitions. In the event of a crisis in the international financial markets, TAG could find it substantially more difficult to raise the necessary funding and would thus experience liquidity problems. If this results in any problems in servicing ongoing loans, lenders could institute foreclosure proceedings, with such distress sales leading to considerable financial disadvantages for TAG. TAG is still making use of current market conditions to restructure key loan agreements on a long-term basis in order to mitigate this risk.

In addition, loans of a total of EUR 2,526m (previous year: EUR 1,693m) have been raised within the Group for which financial covenants specifying certain capital service ratios and equity/debt ratios have been agreed. If any of these covenants are breached, premature loan repayments may be necessary.

Similarly, the corporate and convertible bonds as well as the borrower's note loan are subject to certain terms and conditions which, if breached, constitute a liquidity risk. These bonds and loans can be terminated in the event of any breach of these covenants (see also 'Disclosures in accordance with Section 289a and Section 315a (1) of the German Commercial Code' in the combined management report).

As of the reporting date, all main financial covenants stipulated in loan contracts were complied with.

COLLATERAL

The Group holds collateral in the form of financial assets (on-demand accounts and savings accounts) from tenants valued at around EUR 52.8m (previous year: EUR 50.8m). The relevant contracts provide for collateral equalling up to three monthly rental instalments to be provided.

REPORTING ON OTHER INFORMATION

OTHER FINANCIAL OBLIGATIONS

Liabilities under operating leases are accounted for in accordance with IFRS 16. In addition, there are financial obligations of TEUR 2,428 (previous year: TEUR 2,237) particularly under service or licence contracts. Of these, an amount of TEUR 508 (previous year: TEUR 115) is due for settlement in one to five years. The remaining amount is due for settlement within one year.

In the previous year, there were still other financial obligations of up to EUR 492.1m from the purchase agreement concluded on 22 December 2021 for the acquisition of all shares in ROBYG.

FEES PAYABLE TO STATUTORY AUDITORS

Deloitte GmbH Wirtschaftsprüfungsgesellschaft has audited the annual and consolidated financial statements of TAG Immobilien AG as well as the annual financial statements of various subsidiaries where mandatory audits were required. In addition, a limited-assurance review of the condensed interim consolidated financial statements and of the condensed interim group management reports as of 30 June 2022 was performed. Other assurance services include the performance of a pro forma audit of financial information and the drafting of a comfort letter in connection with capital market transactions. Other services entail advisory services in connection with the EU taxonomy.

The fees of a total of TEUR 1,306 (plus value added tax at the statutory rate) payable within the entire Group for the services of the statutory auditors break down as follows:

- TEUR 745 for auditing services
- TEUR 554 for other assurance services and
- TEUR 7 for other services.

TEUR 10 of this includes subsequent charges from the previous year for the audit of a subsidiary.

In the previous year, mandatory audits as well as a limited-assurance review of the condensed consolidated interim financial report and the Group management report as of 30 June 2021 as well as a voluntary audit of the financial statements as of the reporting date had been performed by KPMG Wirtschaftsprüfungsgesellschaft for a fee of TEUR 923. This includes charges for auditing services for a subsidiary in the amount of TEUR 59 for the previous year. In addition, miscellaneous consulting services valued at TEUR 70 were provided by KPMG AG Wirtschaftsprüfungsgesellschaft. Additional charges of TEUR 2 arose for tax consultancy services from 2020, net of value added tax at the statutory rate in all cases.

HEADCOUNT

TAG had the following average number of employees in the last two years:

Employees	2022	2021
Operational employees	922	613
Caretakers	494	493
Administration and central area	325	186
Craftsmen	92	82
Total	**1,833**	**1,374**

RELATED PARTIES

As in the previous year, there were no transactions with related parties with the exception of the remuneration paid to the Company's governance bodies as listed below.

SUPERVISORY BOARD

The members of the Supervisory Board and the offices held by them in other supervisory boards or comparable domestic and international corporate governance bodies in the year under review are listed below:

- Rolf Elgeti, businessman, Potsdam (Chairman)
    - Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main (Chairman)
    - NEXR Technologies SE, Berlin (Chairman)
    - Laurus Property Partners GmbH, Munich
    - Creditshelf Aktiengesellschaft, Frankfurt am Main (Chairman)
    - Highlight Event and Entertainment AG, Pratteln, Switzerland
    - Obotrita Hotel SE, Potsdam (Chairman)
- Lothar Lanz, businessman, Munich (Deputy Chairman)
    - Home24 SE, Berlin (Chairman)
    - Bauwert AG, Bad Kötzting (Deputy Chairman)
    - Dermapharm Holding SE, Grünwald
    - SMG Swiss Marketplace Group AG, Zurich, Switzerland (Chairman of the Board of Directors)
    - HV Capital Manager GmbH, Munich, since May 2022
- Dr. Philipp K. Wagner, attorney, Berlin
    - Hevella Capital GmbH & Co. KGaA, Potsdam
- Prof. Dr. Kristin Wellner, university professor, Leipzig
- Harald Kintzel, attorney, Berlin, employee representative
- Katja Gehrmann, accounts receivable manager, Hamburg, employee representative, until 21 December 2021
- Fatma Demirbaga-Zobel, property manager, Hamburg, employee representative, from 22 December 2021

The remuneration paid to the Supervisory Board in the year under review came to TEUR 365 (previous year: TEUR 365) plus expenses and value added tax and contains only short-term benefits.

MANAGEMENT BOARD

The members of the Management Board and the offices which they hold on other supervisory boards or comparable domestic and non-domestic supervisory bodies in 2022 are set out below:

- Claudia Hoyer, Chief Operating Officer, Potsdam
    - Vantage Development S.A., Wrocław, Poland (Group mandate)
    - ROBYG S.A., Warsaw, Poland (Group mandate), since March 2022
- Martin Thiel, Chief Financial Officer, Hamburg
    - Vantage Development S.A., Wrocław, Poland (Deputy Chairman, Group mandate)
    - ROBYG S.A., Warsaw, Poland (Deputy Chairman, Group mandate), since March 2022

Remuneration accruing to the Management Board that was paid out in the year under review breaks down as follows:

Remuneration of the management board in TEUR	2022	2021
short-term employee benefits	1,262	1,668
post-employment benefits	358	-
share-based payment	716	3.306
Total	**2,336**	**4,974**

The post-termination benefits relate to the long-term remuneration accruing in earlier years and paid out in 2022 for Dr. Harboe Vaagt, who retired with effect from 31 December 2021.

DECLARATION ON THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT

The joint declaration of the Management Board and the Supervisory Board concerning the recommendations of the Government Commission on the German Corporate Governance Code required pursuant to Section 161 (1) of the German Stock Corporation Act has been prepared and made available to shareholders on the TAG website.

Hamburg, 13 March 2023

Claudia Hoyer **Martin Thiel**

(COO) **(CFO)**

MATERIAL EVENTS AFTER THE REPORTING DATE

No reportable events occurred after the reporting date.

Hamburg, 13 March 2023

Claudia Hoyer **Martin Thiel**

(COO) **(CFO)**

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 (2) OF THE GERMAN COMMERCIAL CODE

Name of company	Registered office	Share in capital %
Parent company	**Hamburg**	
TAG Immobilien AG	Hamburg	100.0
Fully consolidated companies		
Portfolio Deutschland		
Bau-Verein zu Hamburg Immobilien GmbH	Hamburg	100.0
Bau-Verein zu Hamburg Wohnungsgesellschaft mbH	Hamburg	100.0
BV Hamburger Wohnimmobilien GmbH	Hamburg	100.0
VFHG Verwaltungs GmbH	Hamburg	100.0
Bau-Verein zu Hamburg Eigenheim-Immobilien GmbH	Hamburg	100.0
Bau-Verein zu Hamburg 'Junges Wohnen' GmbH	Hamburg	100.0
URANIA Grundstücksgesellschaft mbH	Hamburg	100.0
BVV Bau-Verein zu Hamburg Fonds Verwaltungsgesellschaft mbH	Hamburg	100.0
Bau-Verein zu Hamburg Hausverwaltungsgesellschaft mbH	Hamburg	100.0
TAG Handwerkerservice GmbH	Hamburg	100.0
TAG Steckelhörn Immobilien GmbH	Hamburg	100.0
TAG Brandenburg-Immobilien GmbH	Hamburg	100.0
TAG Gotha Wohnimmobilien GmbH & Co. KG	Hamburg	100.0
TAG Wohnen & Service GmbH	Hamburg	100.0
TAG Immobilien Verwaltung GmbH	Hamburg	100.0
TAG Potsdam-Immobilien GmbH	Hamburg	100.0
TAG Portfolio Mecklenburg-Vorpommern GmbH & Co. KG	Hamburg	100.0
TAG Wohnungsgesellschaft Mecklenburg-Vorpommern mbH	Hamburg	100.0
TAG Wohnungsgesellschaft Sachsen mbH	Hamburg	100.0
TAG Portfolio Sachsen GmbH & Co. KG	Hamburg	100.0
TAG Immobilien Service GmbH*	Hamburg	100.0
TAG Beteiligungs- und Immobilienverwaltungs GmbH	Hamburg	100.0
Energie Wohnen Service GmbH*	Hamburg	100.0
TAG Finance Holding GmbH	Hamburg	100.0
TAG Beteiligungsverwaltungs GmbH	Hamburg	100.0
TAG Nordimmobilien GmbH	Hamburg	100.0
TAG Sachsenimmobilien GmbH	Hamburg	100.0
TAG NRW-Wohnimmobilien & Beteiligungs GmbH	Hamburg	100.0
TAG 1. NRW-Immobilien GmbH	Hamburg	100.0
TAG 2. NRW-Immobilien GmbH	Hamburg	100.0
TAG Leipzig-Immobilien GmbH	Hamburg	100.0
TAG Marzahn-Immobilien GmbH	Hamburg	100.0
TAG SH-Immobilien GmbH	Hamburg	100.0

TAG Magdeburg-Immobilien GmbH	Hamburg	100.0
TAG Grebensteiner-Immobilien GmbH	Hamburg	100.0
TAG Klosterplatz-Immobilien GmbH	Hamburg	100.0
TAG Wolfsburg-Immobilien GmbH	Hamburg	100.0
TAG Chemnitz-Immobilien GmbH	Hamburg	100.0
TAG Spreewaldviertel-Immobilien GmbH	Hamburg	100.0
TAG Wohnen GmbH*	Hamburg	100.0
TAG Stadthaus am Anger GmbH	Hamburg	100.0
TAG TSA Wohnimmobilien GmbH*	Hamburg	100.0
Multimedia Immobilien GmbH	Hamburg	100.0
TAG Zuhause Wohnen GmbH	Hamburg	100.0
TAG Schwerin-Immobilien GmbH	Hamburg	100.0
TAG Greifswald-Immobilien GmbH	Hamburg	100.0
TAG Vogtland-Immobilien GmbH	Hamburg	100.0
Zweite Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG	Hamburg	98.7
TAG Halle-Immobilien GmbH	Hamburg	94.9
TAG Grimma-Immobilien GmbH	Hamburg	94.9
TAG Sachsen-Anhalt Immobilien GmbH	Hamburg	94.9
TAG Cottbus-Immobilien GmbH	Hamburg	94.8
TAG Wohnungsgesellschaft Berlin-Brandenburg mbH	Hamburg	94.8
TAG Bartol Immobilien GmbH	Hamburg	94.8
TAG Certram Immobilien GmbH	Hamburg	94.8
TAG Sivaka Immobilien GmbH	Hamburg	94.8
TAG Zidal Immobilien GmbH	Hamburg	94.8
TAG Chemnitz Straubehof Immobilien GmbH	Hamburg	94.8
TAG Chemnitz Muldental Immobilien GmbH	Hamburg	94.8
TAG Chemnitz Zeisigwald Immobilien GmbH	Hamburg	94.8
TAG Havel-Wohnimmobilien GmbH	Hamburg	94.8
TAG Gotha-Immobilien GmbH	Hamburg	94.8
TAG Müritz-Immobilien GmbH	Hamburg	94.8
TAG Wohnungsgesellschaft Thüringen mbH	Hamburg	94.0
TAG Portfolio Thüringen GmbH & Co. KG**	Hamburg	100.0
TAG Wohnungsgesellschaft Gera mbH	Hamburg	100.0
TAG Wohnungsgesellschaft Gera-Debschwitz mbH	Hamburg	100.0
TAG Merseburg-Immobilien GmbH	Hamburg	94.0
TAG Grasmus Immobilien GmbH	Hamburg	84.8
Emersion Grundstücksverwaltungsgesellschaft mbH*	Hamburg	84.8
Domus Grundstücksverwaltungsgesellschaft mbH	Hamburg	84.8
TAG Colonia-Immobilien AG	Hamburg	84.2
Colonia Wohnen GmbH	Hamburg	84.2
Colonia Immobilien Verwaltung GmbH	Hamburg	84.2
Colonia Portfolio Ost GmbH	Hamburg	84.2
Colonia Portfolio Berlin GmbH	Hamburg	84.2
Colonia Portfolio Bremen GmbH & Co. KG	Hamburg	84.2
Colonia Portfolio Hamburg GmbH & Co. KG	Hamburg	84.2
Colonia Wohnen Siebte GmbH	Hamburg	84.2
Colonia Portfolio Nauen GmbH & Co. KG**	Hamburg	84.2
TAG Wohnimmobilien Halle GmbH & Co. KG	Hamburg	84.2
FC REF I GmbH	Grünwald	80.0

Portfolio Poland		
TAG Residential Real Estate Sp.z.o.o.	Wrocław, Poland	100.0
TAG Residential Real Estate 2 Sp.z.o.o.	Wrocław, Poland	100.0
Vantage Development S.A.	Wrocław, Poland	100.0
VD sp. z o.o.	Wrocław, Poland	100.0
VD Serwis sp. z o.o.	Wrocław, Poland	100.0
VD Rent Poznań 1 sp. z o.o.	Wrocław, Poland	100.0
VD Rent Łódź 1 sp. z o.o.	Wrocław, Poland	100.0
VD Rent Wrocław 1 sp. z o.o.	Wrocław, Poland	100.0
VD Sp. z o. o., Mieszkania XX sp. k.	Wrocław, Poland	100.0
VD Rent Wrocław 2 Sp. z o.o.	Wrocław, Poland	100.0
Biznes Port sp. z o.o.	Wrocław, Poland	65.0
Popowice sp. z o.o.	Wrocław, Poland	65.0
Port Popowice sp. z o.o. sp. k.	Wrocław, Poland	65.0
ROBYG S.A.	Warsaw, Poland	100.0
ROBYG Development 1 spółka z ograniczoną odpowiedzialnością Sp.k.	Warsaw, Poland	100.0
Overkam 7 Qube Sp. z o.o.	Warsaw, Poland	100.0
ROBYG City Apartments Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Jabłoniowa Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Słoneczna Morena spółka z ograniczoną odpowiedzialnością Sp. k.	Warsaw, Poland	100.0
Kuropatwy Park Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Park Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Księgowość Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Marina Tower Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Development 1 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Marketing i Sprzedaż Sp. z o.o.	Warsaw, Poland	100.0
Jagodno Estates Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Morenova Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Construction Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Ogród Jelonki Sp. z o.o.	Warsaw, Poland	100.0
Wilanów Office Center Sp. z o.o.	Warsaw, Poland	100.0
Star Property Sp. z o.o. in liquidation	Warsaw, Poland	100.0
ROBYG Development 2 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Jabłoniowa 2 Sp. z o.o.	Warsaw, Poland	100.0
IGD SILESIA Sp. z o.o. in liquidation	Warsaw, Poland	100.0
ROBYG Osiedle Kameralne Sp. z o.o.	Warsaw, Poland	100.0
P-Administracja Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Kameralna Sp. z o.o.	Warsaw, Poland	100.0

ROBYG Young City 1 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Osiedle Zdrowa 1 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Business Park Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Residence Sp. z o.o. (formerly: ROBYG Construction Poland Sp. z o.o.)	Warsaw, Poland	100.0
ROBYG Osiedle Królewskie Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Property Sp. z o.o.	Warsaw, Poland	100.0
Królewski Park Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Wola Investment Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Praga Arte Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Żoliborz Investment Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Green Mokotów sp. z o.o.	Warsaw, Poland	100.0
ROBYG Mokotów Investment Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Słoneczna Morena Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Finance spółka z ograniczoną odpowiedzialnością S.K.A.	Warsaw, Poland	100.0
Barium Sp. z o.o.	Warsaw, Poland	100.0
Barium 1 sp. z o.o.	Warsaw, Poland	100.0
ROBYG Finance Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Stacja Nowy Ursus Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Young City 2 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Praga Investment I Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Apartamenty Villa Nobile Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Young City 3 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Wola Investment 2 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Project Management Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Osiedle Życzliwe Sp. z o.o.	Warsaw, Poland	100.0
Inwestycja 2016 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG 24 spółka z ograniczoną odpowiedzialnoscią Sp. K.	Warsaw, Poland	100.0
ROBYG Wola Investment 3 Sp. z o.o.	Warsaw, Poland	100.0
GK ROBYG Sp. z o.o.	Warsaw, Poland	100.0
PZT Transbud S.A.	Warsaw, Poland	100.0
PZT 'Transbud Service' Sp. z o.o. in liquidation	Warsaw, Poland	100.0
PZT 'Transbud Trading - 3' Sp. z o.o. in liquidation	Sławno, Polen	100.0
ROBYG 27 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG 18 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Grobla Park Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Ursynów Sp. z o.o.	Warsaw, Poland	100.0
Overkam 7 Qube SPV12 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Zajezdnia Wrzeszcz Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Osiedle Zdrowa Sp. z o.o.	Warsaw, Poland	100.0
ROBYG 19 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Working Balance Sp. z o.o.	Warsaw, Poland	100.0
ROBYG 21 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG 22 Sp. z o.o.	Warsaw, Poland	100.0

10/165 ROBYG Praga Investment I spółka z ograniczoną odpowiedzialnością Sp. k.	Warsaw, Poland	100.0
15/167 ROBYG Praga Investment I spółka z ograniczoną odpowiedzialnością Sp. k.	Warsaw, Poland	100.0
8/126 ROBYG Praga Investment I spółka z ograniczoną odpowiedzialnością Sp. k.	Warsaw, Poland	100.0
9/151 ROBYG Praga Investment I spółka z ograniczoną odpowiedzialnością Sp. k.	Warsaw, Poland	100.0
ROBYG Nowy Wrocław 1 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Nowy Wrocław 2 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Wega Development Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Zajezdnia Wrzeszcz 2 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG 23 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG 24 Sp. z o.o.	Warsaw, Poland	100.0
GYBOR Sp. z o.o.	Warsaw, Poland	100.0
TM Investment Holding Sp. z o.o.	Warsaw, Poland	100.0
ROBYG 25 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG 26 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG 28 Sp. z o.o.	Warsaw, Poland	51.0
ROBYG 29 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG 30 Sp. z o.o.	Warsaw, Poland	100.0
ROBYG Piątkowo Sp. z o.o. (vormals: „Auto-Centrum' Przedsiębiorstwo Motoryzacyjne S.A.)	Warsaw, Poland	100.0
RBD Wilanów Sp. z o.o.	Warsaw, Poland	100.0
PRZYBRZEŻNA Sp. z o.o.	Warsaw, Poland	100.0
KAJAR Investment sp. z o.o.	Warsaw, Poland	100.0
MKO Investment Holding sp. z o.o.	Warsaw, Poland	100.0
Apartamenty przy metrze sp. z o.o. in organization	Warsaw, Poland	100.0
ROBYG WPB sp. z o.o.	Warsaw, Poland	99.8

Name of company	Registered office	Share in capital %	Equity TEUR	Consolidated net profit TEUR
Companies reported at equity				
Altstadt Assekuranzvermittlung und Schadensmanagement GmbH***	Hamburg, Germany	49.0	225.0	545.0
Texas Gewerbeimmobilien S.à.r.l. i.L. ****	Luxemburg, Luxemburg	20.0	-3,358.0	-61.0
IPD Invest Sp. z o.o. *****	Wrocław, Poland	50.0	52.0	-33.0

* Utilisation of the exemption provisions set out in section 264 (3) of the German Commercial Code (HGB)
** Exemption according to Section 264b HGB
*** Equity and net income/loss are based on the stand-alone German GAAP (HGB) financial statements as of 31 December 2021
**** Equity and net income/loss are based on the stand-alone Lux GAAP financial statements as of 31 December 2021
***** Equity and net income/loss are based on the stand-alone Polish GAAP financial statements as of 31 December 2021

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MAN-AGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of TAG Immobilien AG, Hamburg/Germany, and its subsid-iaries (the Group) which comprise the consolidated balance sheet as at 31 December 2022, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report for the parent and the group of TAG Immobilien AG, Ham-burg/Germany, for the financial year from 1 January to 31 December 2022. In accordance with German legal requirements, we have not audited the content of the combined corporate governance statement referenced in the section "Corporate Governance Statement in accordance with Section 289f HGB and Section 315d HGB" of the combined management report, of the combined separate non-financial report referenced in the section "Sustain-ability Report and ESG Rating" of the combined management report, of the remuneration report pursuant to Sec-tion 162 German Stock Corporation Act (AktG) included in the section "Report on the Main Features of the Compa-ny's Compensation System (Remuneration Report under the German Stock Corporation Act pursuant to Sec-tion 162 AktG)" of the combined management report, the sections "Sustainable corporate development" and "Sustainability Report and ESG Rating" marked as unaudited of the combined management report, or of the exec-utive directors' statement on the appropriateness and effectiveness of the entire internal control system and of the risk management system marked as unaudited and included in the section "Risk management" of the com-bined management report, or of further individual disclosures in the combined management report marked as unaudited.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, li-abilities and financial position of the Group as at 31 December 2022 and of its financial performance for the fi-nancial year from 1 January to 31 December 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated finan-cial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the con-tents of the aforementioned combined corporate governance statement and reports (combined non-financial report and remuneration report). Furthermore, our audit opinion on the combined management report does not cover the contents of the aforementioned sections ("Sustainable corporate development", "Sustainability Report and ESG Rating") included in the combined management report, or of the executive directors' state-ment on the appropriateness and effectiveness of the entire internal control system and of the risk manage-ment system, or further individual disclosures in the combined management report marked as unaudited.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in ac-cordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits prom-ulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial state-ments and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Valuation of investment properties
2. Presentation of the acquisition of ROBYG Group in the consolidated financial statements

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements)
b) auditor’s response

1. Valuation of investment properties

a) Investment properties of mEUR 6,569.9 are disclosed in the consolidated financial statements of TAG Immobilien AG as at 31 December 2022. The investment properties comprise portfolio real estate assets, project development properties for the own portfolio and undeveloped land. This item accounts for a total of 80.0% of the balance sheet total and has thus a material impact on the Group’s assets and liabilities. The executive directors of TAG Immobilien AG measure the investment properties at fair value. In the financial year 2022, a loss from the measurement at fair value of the investment properties totalling m EUR 64.2 was recognised in the consolidated statement of profit and loss. The valuation date was 31 December 2022. The fair value was determined by the accredited external experts CBRE GmbH, Frankfurt am Main/Germany, CBRE Sp. z o.o., Warsaw/Poland, and Newmark Polska Sp. z o.o., Warsaw/Poland. In doing so, the fair values of the portfolio real estate assets are determined using the discounted cash flow method, the fair values of project developments are determined using the residual value method and the fair values of undeveloped land are determined on the basis of comparative values or using the residual value method. Next to the actual data provided by the Company, which include, for example, the lettable area, vacancy, scheduled investments in maintenance or modernisation and the actual rent, further measurement-related assumptions are taken into account in determining the fair values of the properties. These assumptions are subject to significant estimation uncertainties and judgement.

   Even minor changes in the assumptions relevant for the measurement can lead to material changes in the fair values resulting from the calculation. The main valuation assumptions for the valuation of the investment properties are current and future market rents as well as capitalisation and discount rates. Against this back-drop, and due to the complexity of the valuation models, this subject was of particular importance within the context of our audit.

The disclosures of the executive directors on the measurement of investment properties are included in the chapters "Recognition and valuation principles" as well as "1. Investment properties" and the disclosures on the related estimation uncertainty in the chapter "Material judgements and estimates" of the notes to the consolidated financial statements.

b) As part of our audit, we gained an understanding of the process for the valuation of real estate assets with regard to the investment properties located in Germany, examined the internal control system that was in place to assess the fair values determined by the German external expert and performed a test of the design and implementation, and operating effectiveness of the implemented control relevant to the audit. We criti-cally assessed the competence, capabilities and objectivity of the external expert. To this end, together with our internal real estate valuation specialists, we assessed the conformity of the valuation method applied in accordance with IAS 40 in conjunction with IFRS 13, gained an understanding of the calculation and method of the valuation model and squared the parameters used for determining the fair values with the underlying contractual data for properties which were selected randomly and in a risk-oriented manner or – to the ex-tent that they were based on assumptions and estimates – assessed their appropriateness with regard to the methods, assumptions and data used by TAG Immobilien AG's executive directors, also based on available market data. In addition, we made on-site visits and carried out inquiries of the external expert for a sample of properties.

As regards the audit of the valuation of the investment properties located in Poland, we instructed the component auditors by means of audit instructions. We examined their work by assessing the reliability of the component auditors, being closely involved in the work and monitoring the work. In a next step, we used the work assessing the completeness and appropriateness of the audit evidence obtained by the respective com-ponent auditor.

In addition, we audited the completeness and accuracy of the disclosures made in the notes to the consolidated financial statements required by IAS 40 and IFRS 13.

2. Presentation of the acquisition of ROBYG Group in the consolidated financial statements

a) With purchase agreement dated 22 December 2021 and with effect as of 31 March 2022, TAG Beteiligungs- und Immobilienverwaltungs GmbH, a wholly-owned subsidiary of TAG Immobilien AG, acquired 100% of the shares in ROBYG S.A., with registered office in Warsaw/Poland, for a purchase price of mEUR 526. TAG Im-mobilien AG recognises the business combination in the consolidated financial statements in accordance with IFRS 3. The assets, liabilities and contingent liabilities, which are stated at fair value, related to the acquisition of ROBYG S.A. are based on values from the purchase price allocation carried out by TAG on the basis of the documents provided by ROBYG S.A. In line with these documents, the purchase price was chiefly allocated to the real estate assets (mEUR 710.4). Taking into account the sundry net assets measured at fair values, goodwill amounted to mEUR 243.3 as at 31 December 2022 (31 March 2022: mEUR 244.8).

Given the complexity of the transaction and the related risk of material misstatements of the assets, liabilities, financial position and financial performance as well as the assumptions and estimates subject to discretionary judgement required to be made by the executive directors in order to carry out the purchase price allocation, this matter was of particular significance in our audit.

The executive directors' disclosures on the acquisition of ROBYG S.A. are included in the section "Acquisition of ROBYG S.A." of the notes to the consolidated financial statements.

b) As part of our audit, amongst others based on a review of the agreements under company law and the criteria defined in IFRS 10, we gained an understanding of the executive directors' assessment that TAG has been controlling ROBYG as of 31 March 2022 and has to include ROBYG in the consolidated financial statements by way of consolidation. As part of the audit of the purchase price allocation, next to the measurement of the consideration transferred by TAG, we assessed the methodological approach of the executive directors with regard to the identification of acquired assets as well as the conceptual assessment of the valuation models taking into account the provisions conferred by IFRS 3. In consultation with our internal valuation specialists, we gained an understanding of and examined the valuation methods applied taking into account the requirements set out in IFRS 13. In this regard, we analysed the assumptions and estimates requiring discretionary judgement made by the executive directors in order to determine the fair values of the assumed and identi-fied assets as well as of the assumed liabilities and contingent liabilities at the acquisition date, and, taking into account the data used, assessed whether they correspond to general and industry-specific market expectations. This also notably comprised an analysis of the selling prices and costs for the completion of real estate projects recognised by the executive directors. We gained an understanding of the calculation of the models underlying the valuation, reviewed the future expected cash flows used for plausibility and squared the fair values with the assumptions and expectations of reasonable, external market participants at the date of acquisition. Furthermore, we audited whether ROBYG Group's accounting policies corresponding to TAG's ac-counting principles were consistently applied and whether the tax effects of the business combination were properly recognised on the consolidated balance sheet. We gained an understanding of and assessed the presentation of the initial consolidation in the consolidation system.

   In addition, we audited the disclosures of the executive directors on the acquisition of ROBYG Group in the notes to the consolidated financial statements regarding the relevant requirements set out in IFRS 3.

Other Information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises:

- the report of the supervisory board,
- the EPRA reporting,
- the consolidated corporate governance statement pursuant to Section 315d HGB, which is combined with the corporate governance statement pursuant to Section 289f HGB and referenced in the section "Corporate Governance Statement in accordance with Section 289f and Section 315d HGB" of the combined management re-port,
- the separate consolidated non-financial report pursuant to Sections 315b (3) and 315c HGB, which is expected to be presented to us after the date of this auditor's report and which is combined with the separate non-financial report pursuant to Sections 289b (3) and 289c to 289e HGB and referenced in the section "Sustainability Report and ESG Rating" of the combined management report,
- the sections "Sustainable corporate development" and "Sustainability Report and ESG Rating" of the combined management report,
- the remuneration report in the section "Report on the Main Features of the Company's Compensation System (Remuneration Report under the German Stock Corporation Act pursuant to Section 162 AktG)" of the combined management report,
- the executive directors' statement on the appropriateness and effectiveness of the entire internal control system and of the risk management system included in the section "Risk management" of the combined management report,
- the other disclosures of the combined management report marked as unaudited,
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- all other parts of the annual report or disclosures in the combined management report marked as unaudited,
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the statement in accordance with Section 161 AktG concerning the German Corporate Governance Code, which is part of the consolidated corporate governance statement combined with the corporate governance statement, and for the remuneration report pursuant to Section 162 AktG. Otherwise the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value B14D5BB0A4A-2B6EB57412AE83B69556C1AF2C73C7F40689F32C30CC7BE0F94A5, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the combined management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2022 contained in the “Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report” above, we do not ex-press any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the combined management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the “Group Auditor’s Responsibilities for the Audit of the ESEF Documents” section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the Parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor’s Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB.

We exercise professional judgement and maintain professional scepticism throughout the audit.

We also
- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the general meeting on 13 May 2022. We were engaged by the supervisory board on 23 May 2022. We have been the Group auditor of TAG Immobilien AG, Hamburg/Germany, since the financial year 2022.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as with the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF docu-ments made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Annika Deutsch.

Hamburg/Germany, 13 March 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:
Annika Deutsch
Wirtschaftsprüferin
(German Public Auditor)

Signed:
Maximilian Freiherr v. Perger
Wirtschaftsprüfer
(German Public Auditor)

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the Group's assets, financial position and earnings situation, and the combined management report includes a fair review of the development and performance of the business and the Group's situation, as well as a description of the principal opportunities and risks associated with the expected development of the Group.

Hamburg, 13 March 2023

Claudia Hoyer
COO

Martin Thiel
CFO

TAG FINANCIAL CALENDAR 2023

PUBLICATIONS / EVENTS

16 March 2023	Publication of Annual Report 2022
20 April 2023	Publication of Sustainability Report 2022
26 April 2023	Capital Markets Day in Warsaw, Poland
11 May 2023	Publication of Interim Statement Q1 2023
16 May 2023	Annual General Meeting, Hamburg
14 August 2023	Publication of Interim Report Q2 2023
14 November 2023	Publication of Interim Statement Q3 2023

CONFERENCES

09–10 January 2023	ODDO BHF Forum - Virtual days
12 January 2023	Barcays European Real Estate Conference, London
17 January 2023	Kepler Cheuvreux 22nd German Corporate Conference (GCC), Frankfurt
09–10 March 2023	16th European Property Seminar - Van Lanschot Kempen, New York
22–24 March 2023	BofA EMEA - Real Estate CEO Conference, London
24–25 May 2023	Kempen's 21st European Property Seminar, Amsterdam
05 September 2023	Commerzbank & ODDO BHF Conference, Frankfurt
18–22 September 2023	Baader Investment Conference, Munich
18–20 September 2023	Berenberg Twelfth German Corporate Conference, Munich
28 September 2023	Societe Generale Pan-European Real Estate Conference, London

TAG Headquarter Hamburg (Hamburg)

CONTACT

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The English version of the 2022 Annual Report is a translation of the German version. The German version is legally binding.

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