



ANNUAL REPORT 2023

GROWING CASHFLOWS

TAG
Immobilien AG

GROUP FINANCIALS

in EUR m

Income statement key figures	2023	2022	2021
Rental income (net actual rent)	350.8	339.9	333.1
EBITDA (adjusted) total rental business	236.4	233.5	226.1
EBITDA (adjusted) from sales Poland	100.6	80.8	13.2
Adjusted net income from sales Poland	82.8	59.3	6.7
Consolidated net profit	-410.9	117.3	585.6
FFO I per share in EUR	0.98	1.19	1.24
FFO I	171.7	189.4	182.0
FFO II per share in EUR	1.46	1.56	1.29
FFO II	255.6	247.3	188.8
Balance sheet key figures	12/31/2023	12/31/2022	12/31/2021
Total assets	7,299.8	8,214.6	7,088.6
Equity	2,964.5	3,307.7	3,129.5
LTV in %	47.0	46.7	43.2
Portfolio data	12/31/2023	12/31/2022	12/31/2021
Units Germany	84,682	86,914	87,576
Units Poland (completed rental apartments)	2,417	1,153	361
Sold units Poland	3,586	1,751	412
Handovers in Poland	3,812	3,510	575
GAV total (real estate assets) in EUR m	6,574.4	7,481.4	6,735.3
GAV Germany (real estate assets) in EUR m	5,442.9	6,328.8	6,387.4
GAV Poland (real estate assets) in EUR m	1,131.5	1,152.6	347.9
Vacancy in % Germany (total portfolio)	4.3	4.8	5.7
Vacancy in % Germany (residential units)	4.0	4.4	5.4
Vacancy in % Poland (total portfolio)	7.2	35.8	0.0
Vacancy in % Poland (residential units in operations > 1 year)	2.2	3.9	4.2
I-f-I rental growth in % Germany	1.8	1.5	1.5
I-f-I rental growth in % Germany (incl. vacancy reduction)	2.3	2.7	1.3
I-f-I rental growth in % Poland	10.8	22.0	0.0
EPRA key figures	12/31/2023	12/31/2022	12/31/2021
EPRA Earnings per share in EUR	0.91	1.08	1.01
EPRA NTA per share in EUR	18.31	20.74	25.54
EPRA Net Initial Yields in %	4.5	4.2	3.9
EPRA Vacancy Rate in %	4.7	4.4	5.6
EPRA Cost Ratio (incl. vacancy costs) in %	32.6	30.5	31.9
EPRA Cost Ratio (excl. vacancy costs) in %	30.0	27.8	29.1
EPRA Loan to Value in %	48.6	47.6	43.5
Employees	2023	2022	2021
Number of employees	1,816	1,739	1,390
Capital market data			
Market cap at 12/31/2023 in EUR m			2,316.5
Share capital at 12/31/2023 in EUR			175,489,025
WKN/ISIN			830350/DE0008303504
Number of shares at 12/31/2023 (issued)			175,489,025
Number of shares at 12/31/2023 (outstanding, without treasury shares)			175,523,717
Free Float in % (without treasury shares)			99.97
Index			MDAX/EPRA

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FOREWORD BY THE MANAGEMENT BOARD

**Dear Shareholders,
Ladies and Gentlemen,**

As in the previous year, the German residential property market presented a mixed picture in the 2023 financial year. On the one hand, we have the convincing fundamental data: demand for apartments, particularly in the affordable segment, remains high. Germany continues to experience immigration; the population is growing. If the latest forecasts of declining newbuild figures prove to be only halfway accurate, the imbalance between supply and demand for housing in Germany will continue to increase. As recent years have shown, this situation does not just affect the major metropolises; properties in 'B locations' will also benefit from this development.

For us as the owner of almost 85,000 residential units in Germany, this continues to be a good starting point. Of course, there are also challenges. How can we upgrade the energy efficiency of our portfolio while keeping rents affordable? Do high energy prices mean that high ancillary costs will jeopardise the affordability of rents for our tenants? As our latest results show, we at TAG can handle these challenges. Strategically, we still see ourselves in the right position with a high-yielding portfolio that is becoming more energy-efficient by the year, and that offers our tenants liveable neighbourhoods at affordable prices.

On the other hand, the sharp rise in interest rates since the beginning of 2022 leads to a question that remains difficult to answer: what are residential properties in Germany currently worth? The transaction markets provide little information on this; volumes have been too subdued in recent quarters. This uncertainty will presumably remain with us for some time to come. In the meantime, we need to act conservatively. We have done so. The rights issue in July 2022, the dividend suspensions for 2022 and 2023, and the successful disposal programme in Germany are examples of this. We have also made provisions in the balance sheet and have already recognised extensive impairments in the German portfolio.

In contrast to the German market, purchase prices for apartments are rising in Poland. A price increase of between approx. 15% and 20% was observed over the course of 2023. The high pace of immigration from Ukraine since the beginning of the war has once again significantly increased demand on the Polish housing market. In addition, a government subsidy programme supported first-time homebuyers with low-interest loans in 2023. But even before that, there was a great demand for modern new-build flats, especially in the country's large university cities, whose population is growing continuously.

But let us take a more detailed look at the results for the 2023 financial year. At EUR 171.7m, FFO I, which includes the Group's rental business, was within the guidance range. In operational terms, i.e. EBITDA from rents, we earned more than in the previous year, but higher financing costs led to a 9% year-on-year decline in FFO I. For the current financial year 2024, we expect FFO I to remain stable, i.e. again in the EUR 170–174m range. As we were able to fully

repay the bridge financing for the acquisition of ROBYG S.A. in 2023, we expect less of a burden on the financing costs side in 2024.

In Germany, vacancy in our residential units fell from 4.5% at the beginning of the year to 4.0% in December 2023. Based on a comparable portfolio (like-for-like), total rental growth – including the effects of the vacancy reduction – of 2.3% p.a. was achieved. These are very pleasing results. At an average of less than EUR 6.00 per square metre of net rent, the residential space we offer remained affordable.

The Polish build-to-hold portfolio already comprised around 2,400 apartments at the end of 2023. Another 1,400 residential-for-rent units are under construction. Like-for-like rental growth reached 10.8% for apartments that have been in operations for more than a year. The vacancy rate for these units was 2.2% at the end of the year, compared with 3.9% at the end of the previous year.

Strong sales results in Poland in 2023 ensured that FFO II, at EUR 255.6m, exceeded the guidance of EUR 240–246m, and was up another 3% year-on-year. For 2024, we expect a temporary decline in FFO II, to between EUR 217m and EUR 223m. This is due to the lower sales result we are expecting in Poland. Results from the build-to-sell units are only realised accounting wise upon handover, even if the inflow of liquidity occurs earlier as construction activity progresses. As the vast majority of sales are made before construction begins or during the construction phase, which lasts around 18 months on average, this expected lower result essentially reflects the weaker sales figures for 2022, which were impacted by sharply rising mortgage interest rates in Poland. The significantly higher sales figures for the current financial year 2023, in which TAG sold almost 3,600 units (an increase of around 50% compared to the previous year), will lead to higher results in the p&l in the financial years from 2025 onwards.

After having already written down the German property portfolio 7.4% in the first half of the year, a further devaluation of 4.1% was recognised in the second half of 2023. These devaluations were caused by the significantly higher interest rate environment, which exceeded the operating value increases. This means that the valuation levels in the German property portfolio have fallen by c. 16% in the last 18 months, i.e. since the highest valuation estimates as at 30 June 2022. As at 31 December 2023, the portfolio is valued at a gross yield of 6.3% or at c capital value of c. EUR 1,060 per sqm. In our view, these are moderate values even in today's interest rate environment.

Despite these valuation losses, the loan to value (LTV) ratio as at 31 December 2023 remained almost unchanged year-on-year at 47.0% (31 December 2022: 46.7%). In addition to the good operating results and the suspension of a dividend payment in the 2023 financial year, this was due in particular to the residential property sales realised in Germany and Poland. In Germany, 1,373 units were sold in 2023 at a total purchase price of EUR 213.5m, generating net cash proceeds of EUR 187.4m.

In 2023, we systematically achieved our targets on the financing side with the aforementioned measures. Even though there are no significant maturities in the 2024 financial year, we still believe it makes sense to continue to act prudently. The Management Board and Supervisory Board of TAG therefore are still planning not to propose a dividend payment for the 2023 financial year at the next Annual General Meeting. The liquidity remaining in the Company as a result will be used to further strengthen the capital base and to finance new in Poland with high returns.



We would like to thank you, our shareholders, for your trust in us. We are particularly pleased that, after a very weak year in 2022, TAG's share price did so well in 2023, rising by 118%. In this respect, the capital market also honoured TAG's good performance in the financial year 2023.

Finally, we would again like to thank our employees, both in Germany and in Poland. Thanks to their great commitment, we are able to lead TAG through a phase in which we remain strategically and financially well positioned despite challenging capital and transaction markets.

Yours sincerely,

Claudia Hoyer
COO and Co-CEO

Martin Thiel
CFO and Co-CEO

BOARD REPORT

REPORT OF THE SUPERVISORY BOARD FOR THE 2023 FINANCIAL YEAR

Dear Shareholders, Ladies and Gentlemen,

The past financial year was once again characterised by numerous challenges. These included interest rates that remained significantly higher than in previous years, capital markets that were difficult to access and increasing bureaucracy and regulation for German companies. TAG's business model has proven to be sustainably stable under these conditions. The significant recovery in the share price reflects investors' confidence in TAG.

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

In the 2023 financial year, the Supervisory Board performed the duties incumbent upon it in accordance with the law, the articles of association, the German Corporate Governance Code ("GCGC") and its rules of procedure with great care. It regularly advised the Management Board on the management of the Company and monitored its activities. It was also directly involved at an early stage in all decisions of fundamental importance to the Company. The Management Board reported regularly, promptly and comprehensively on all relevant issues relating to corporate planning and strategic development. The Management Board's reporting covered the economic situation and profitability of TAG and its Group Companies, the course of business, the internal control system, the risk situation, risk management, compliance and sustainability issues. Reports were submitted in writing and verbally. The Management Board was in regular contact with the respective Chairman of the Supervisory Board to coordinate important business transactions.

Composition and organisation of the Supervisory Board

All four shareholder representatives on the Supervisory Board were to be newly elected at the Annual General Meeting on 16 May 2023. Mr Rolf Elgeti was unable to stand for re-election at short notice for personal reasons. He therefore stepped down from the Supervisory Board at the end of the Annual General Meeting. Mr Lothar Lanz's term of office also ended at this time as scheduled. Mr Lanz was no longer available for re-election as he had reached the age limit. The other existing members of the Supervisory Board, Prof. Kristin Wellner and Dr. Philipp Wagner, as well as a new member, Mr Olaf Borkers, were elected to the Supervisory Board by the Annual General Meeting. The Supervisory Board subsequently elected Mr Olaf Borkers as its Chairman.

The term of office of Ms Fatma Demirbaga-Zobel and Mr Harald Kintzel as employee representatives also ended at the end of the Annual General Meeting on 16 May 2023. On 22 September 2023, the employees elected Ms Beate Schulz and Mr Björn Eifler as their new representatives on the Supervisory Board.

Mr Eckhard Schultz became a member of the Supervisory Board for the shareholder side on 14 October 2023 by court appointment. At its meeting on 10 November 2023, the Supervisory Board elected him as its Deputy Chairman and also as Chairman of the Audit Committee. As a result, TAG's Supervisory Board was once again complete.

Following these personnel changes, the proportion of women was 33% for the Supervisory Board as a whole and 25% for the shareholder representatives. In order to achieve a higher proportion of women among the shareholder representatives, Dr. Wagner has offered to step down from the Supervisory Board at the end of the next Annual General Meeting, which is scheduled for 28 May 2024. The Supervisory Board has therefore been looking for a suitable female candidate at the end of 2023 and the beginning of 2024 and plans to propose Ms Gabriela Gryger to the next Annual General Meeting as the new shareholder representative for Dr. Philipp Wagner, who will then be stepping down. Mr Eckhard Schultz will also be up for election by the shareholders at this Annual General Meeting, as his court appointment will end at this time. If the election takes place as proposed, the proportion of women on both the Supervisory Board as a whole and among the shareholder representatives will be 50% in each case.

All members of the Supervisory Board have the knowledge, skills and experience required to properly fulfil their duties. The respective professional expertise of the individual Supervisory Board members complements each other so that the Supervisory Board as a whole and its diversity is able to fulfil its tasks comprehensively. The Supervisory Board fulfils its monitoring and advisory function in accordance with the law, the Articles of Association, the GCGC and the rules of procedure. The Supervisory Board regularly reviews the effectiveness of the fulfilment of its duties at its meetings.

The Supervisory Board has formed an Audit Committee and a Personnel Committee. The Audit Committee is responsible for the preliminary review of the documents relating to the annual financial statements and the consolidated financial statements as well as the preparation of the adoption and approval of these and the Management Board's proposal for the appropriation of profits. The Committee discusses with the Management Board the principles of compliance, of risk management system and of appropriateness and effectiveness of the internal control systems, among other things. The tasks of the Audit Committee also include preparing the election of the auditor by the Annual General Meeting and reviewing the necessary independence. The members of the Audit Committee have sufficient expertise in the areas of accounting and auditing. Expertise in both areas includes reporting, including auditing, on sustainability issues.

The Personnel Committee, which also performs the tasks of a nomination committee, is responsible for all personnel issues relating to the Supervisory Board and the Management Board, the conclusion and content of Management Board contracts and related matters, including fixed and variable remuneration. The Personnel Committee also selects suitable candidates for nomination to the Supervisory Board at the Annual General Meeting.

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

Supervisory Board members and composition of the committees until the end of the Annual General Meeting on 16 May 2023	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	-	-

Supervisory Board members and composition of the committees from the end of the Annual General Meeting on 16 May 2023	Supervisory Board	Audit Committee	Personnel Committee
Olaf Borkers ¹⁾	Chairman	Chairman ⁴⁾ / Deputy Chairman ⁵⁾	Member
Eckhard Schultz ²⁾	Deputy Chairman ⁵⁾	Chairman ⁵⁾	Deputy Chairman ⁵⁾
Prof. Dr. Kristin Wellner ¹⁾	Member	Deputy Chairman ⁴⁾ / Member ⁵⁾	Deputy Chairman ⁴⁾
Dr. Philipp K. Wagner ¹⁾	Member	Member ⁴⁾	Chairman
Beate Schulz ³⁾	Member	-	-
Björn Eifler ³⁾	Member	-	-

¹⁾ Elected by the Annual General Meeting

²⁾ By court appointment (October 2023)

³⁾ Elected by the employees (September 2023)

^{4)/5)} Until/from 10 November 2023

Meetings of the Supervisory Board

In the 2023 financial year, the Supervisory Board held three face-to-face meetings, one hybrid meeting (i.e. the meeting participants were either present in person or connected via video conference) and eight video conferences. In thirteen cases, resolutions were passed outside of meetings by means of electronic communication. The attendance of Supervisory Board members at meetings in the past financial year was as follows:

Attendance of Supervisory Board meetings in 2023 (composition of the Board until 16 May 2023)

	13 Mar (h ¹⁾)	17 Apr (V)	10 May (V)	15 May (P)
Rolf Elgeti (66 %)	x	x	-	-
Lothar Lanz (100%)	x	x	x	x
Prof. Dr. Kristin Wellner (100%)	x	x	x	x
Dr. Philipp K. Wagner (100%)	x	x	x	x
Harald Kintzel (100%)	x	x	x	x
Fatma Demirbaga-Zobel (100%)	x	x	x	x

Attendance of Supervisory Board meetings in 2023 (composition of the Board from 16 May 2023)

	16 May (P)	24 May (t)	08 Jun (V)	22 Jun (V)	08 Sep (V)	15 Sep (P)	10 Nov (V)	13 Nov (V)
Prof. Dr. Kristin Wellner (100%)	x	x	x	x	x	x	x	x
Dr. Philipp K. Wagner (87%)	x	x	x	x	-	x	x	x
Olaf Borkers (100%)	x	x	x	x	x	x	x	x
Eckhard Schultz from 14 Oct 2023 (100%)							x	x
Beate Schulz from 22 Sep 2023 (100%)							x	x
Björn Eifler from 22 Sep 2023 (100%)							x	x

Attendance at meetings until 05/16/2023 Audit Committee

	13 Mar (h)	15 May (P)
Rolf Elgeti (50%)	x	-
Lothar Lanz (100%)	x	x
Prof. Dr. Kristin Wellner (100%)	x	x

Attendance at meetings from 05/16/2023 Audit committee

	15 Sep (P)	13 Dec (P)
Prof. Dr. Kristin Wellner (100%)	x	x
Eckhard Schultz from 14 Oct 2023 (100%)		x
Olaf Borkers (100%)	x	x

Attendance at meetings 2023 Personnel Committee

	21 Dec
Dr. Philipp K. Wagner	x
Olaf Borkers	x
Eckhard Schultz	x

¹⁾ h = hybrid meeting, v = video conference, p = present in person, t = telephone conference

On 13 March 2023, the Supervisory Board held a meeting, some of which took place at the same time as the Audit Committee and others without the Management Board. At the joint meeting with the Audit Committee, the Supervisory Board discussed the 2022 annual and consolidated financial statements and the results of the audit by the auditor in detail. The representatives of the auditor were connected to the meeting via video. They discussed the results of the audit in detail with the Supervisory Board. The Supervisory Board then approved the annual and consolidated financial statements for 2022. Other key topics of the meeting were the definition of ESG criteria for Management Board remuneration, the determination of personal targets for Management Board members as part of their remuneration, the adoption of resolutions for the Annual General Meeting scheduled for 16 May 2023 and topics relating to compliance.

At the meeting on 17 April 2023, the Management Board presented the sustainability report for the 2022 financial year, which was unanimously approved by the Supervisory Board.

The sole item on the agenda of the meeting on 10 May 2023 was Mr Elgeti's decision not to stand for re-election to the Supervisory Board at the Annual General Meeting on 16 May 2023.

In addition to the Management Board's report on current business activities and the results for the first quarter of 2023, the meeting on 15 May 2023 focused on discussing the appointment of a new shareholder representative to the Supervisory Board following the departure of Mr Elgeti. The Supervisory Board also dealt with the Compliance Report and the Data Protection Report 2022.

At the constituent meeting held after the Annual General Meeting on 16 May 2023, the Supervisory Board dealt with the election of the Chairman and Deputy Chairman of the Supervisory Board, the Audit Committee and the Personnel Committee.

Further personnel issues were discussed at the meetings on 24 May and 8 June 2023 (extension of the Management Board employment contract and the appointment of Mr Martin Thiel to the Management Board) and at the meetings on 22 June (discussion of potential candidates on the shareholder side) and 8 September 2023 (endorsement of Mr Schultz as a member of the Supervisory Board).

The topics discussed at the meeting on 15 September 2023 included the report on the current operating business in Germany and Poland as well as the results for the second quarter of 2023, upcoming refinancing, the appointment of Ms Hoyer and Mr Thiel as Co-CEOs and the revision of the respective rules of procedure of the Supervisory Board and its two committees as well as the rules of procedure of the Management Board.

The meeting on 10 November 2023 focused on the Management Board's report on the results for the third quarter of 2023 and the adoption of the planning for the financial years 2024 to 2026. In addition, the Chairman and Deputy Chairman of both the Supervisory Board and the Audit and Personnel Committee as well as the members of both committees were elected.

At the meeting on 13 November 2023, the Supervisory Board discussed the possible payment of a dividend for the 2023 financial year together with the Management Board. At the proposal of the Management Board, the Supervisory Board unanimously decided not to propose a dividend payment to the Annual General Meeting, which decides on the appropriation of profits for the 2023 financial year.

Resolutions passed outside of meetings by means of electronic communication mainly related to approvals for property sales in Germany and investments in the Polish housing market.

Work of the Audit Committee and the Personnel Committee

In the last financial year, the Audit Committee discussed the audit risk, audit strategy and audit planning as well as the audit results with the auditor. The respective chairman of the committee was and is in regular contact with the auditor, including on the progress of the audit.

The Audit Committee held four meetings in the reporting year. At the joint meeting with the Supervisory Board on 13 March 2023, the 2022 annual financial statements and management report as well as the 2022 consolidated financial statements were approved, among other things. The meeting on 15 May 2023, which was also held jointly with the Supervisory Board, dealt with the Management Board's report on the first quarter of 2023, among other things. The review of the interim financial statements for the first half of 2023 and the planning and focal points of the audit for the 2023 financial year were the main topics of the meeting on 15 September 2023. On 13 December 2023, the Audit Committee dealt with the auditor's report on the current status of the audit for the 2023 financial year.

In the past financial year, the Personnel Committee discussed the aforementioned new appointments to the Supervisory Board, in particular at the separate meeting on 21 December 2023. Another key topic of discussion, which otherwise took place within the full Supervisory Board, was the extension of the Management Board employment contract and the appointment of Mr Martin Thiel to the Management Board.

Statutory auditor for 2023

The Supervisory Board commissioned Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, elected by the Annual General Meeting on 16 May 2023, to audit the annual and consolidated financial statements of TAG Immobilien AG as at 31 December 2023.

Approval of the annual financial statements and the consolidated financial statements

Deloitte GmbH Wirtschaftsprüfungsgesellschaft audited the Company's annual financial statements and management report prepared in accordance with German commercial law and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), including the Group management report for the 2023 financial year, and issued an unqualified audit opinion in each case.

The financial statement documents and the audit reports were forwarded to all Supervisory Board members in good time and discussed in detail at the Supervisory Board meeting on 11 March 2024. Representatives of the auditor attended the meeting on 11 March 2024, explained the audit and were available to answer questions from the Board. The auditor also confirmed that the early risk detection system set up by the Management Board is suitable for recognising developments that could jeopardise the Company's continued existence at an early stage.

The Supervisory Board concurred with the auditor's findings and raised no objections based on its own review of the annual and consolidated financial statements and the respective management reports. The annual and consolidated financial statements prepared by the Management Board were approved by the Supervisory Board and thus adopted.

Corporate governance

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

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

The declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) was updated in May 2023 with regard to the current compliance with recommendation C.5 (a member of the Supervisory Board who is also a member of the Management Board of a listed Company should not hold more than two Supervisory Board mandates and should not chair the Supervisory Board of listed companies outside the Group) and the temporary non-compliance with recommendation D.3 (the Chairman of the Supervisory Board should not also chair the Audit Committee) of the GCGC. In November 2023, the Management Board and Supervisory Board again updated the declaration with regard to recommendation D.3, which has now been complied with again, and issued the declaration as a whole. With the exception of the aforementioned temporary deviations, the recommendations of the GCGC were fully complied with in the 2023 financial year.

Vote of thanks to the staff

The Supervisory Board and the Management Board would like to recognise and thank all employees for their hard work and dedication in the reporting year, which made the positive development and further growth of the Group possible in the face of difficult conditions.

Hamburg, March 2024

For the Supervisory Board

Olaf Borkers

Chairman of the Supervisory Board



EPRA REPORTING

Since 2001, TAG Immobilien AG has been a member of EPRA (European Public Real Estate Association), a non-profit organisation representing the listed real estate sector in Europe, which regularly publishes 'Best Practice Recommendations' on financial reporting and the calculation of certain metrics. Even though TAG's internal corporate management is not currently based on EPRA metrics, we publish below, for information purposes, metrics and calculations according to EPRA's Best Practice Recommendations in their currently valid version (<http://www.epra.com/finance/financial-reporting/guidelines>). In this way, TAG actively supports EPRA's initiative to standardise and improve the comparability of key financial figures for real estate companies.

EPRA EARNINGS

EPRA Earnings is a performance indicator that measures the operating result from property rental business. Compared to the previous year, the Polish result from rental business is now also included, and the comparative figures for the 2022 financial year have been adjusted accordingly. EPRA earnings per share are then calculated taking into account the weighted number of shares outstanding in the financial year.

in EUR m	2023	2022
		(adjusted)
Net income	-410.9	117.3
Changes in value of investment properties, development properties held for investment and other interests	705.2	64.2
Profits or losses on disposal of investment properties, development properties held for investment and other interests	-3.5	-1.6
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	-71.3	-33.7
Other costs in respect of disposal of properties	13.4	19.9
Tax on profits or losses on disposals	14.0	7.0
Changes in fair value of financial instruments and associated close-out costs	18.1	16.8
Deferred taxes on EPRA adjustments	-106.5	-16.8
Adjustments in respect of joint ventures	2.4	0.0
Non-controlling interests in respect of the above	-1.1	-1.2
EPRA Earnings	159.8	171.8
Other deferred taxes	-4.2	30.1
Other non-cash financial results	5.8	-29.3
Non-recurring effects (Provisions for property transfer tax risks)	0.0	7.3
Depreciation/amortisation	10.2	9.4
Adjusted EPRA Earnings (FFO I)	171.7	189.4
Weighted average number of shares (outstanding)	175,444	158,900
EPRA Earnings per share in EUR	0.91	1.08
Adjusted EPRA Earnings (FFO I) per share in EUR	0.98	1.19
Interest expense convertible bond	0.0	0.0
EPRA Earnings, diluted*	159.8	171.8
Weighted average number of shares in TEUR, diluted	175,444	158,900
EPRA Earnings per share in EUR, diluted*	0.91	1.08

1) No diluting effects on the reporting dates.

Similar to funds from operations (FFO I), shown here as "adjusted EPRA surplus", valuation and sales results are eliminated on the basis of the IFRS consolidated result. In contrast to the calculation of FFO I, however, not all deferred taxes are adjusted for the EPRA surplus. This means, for example, that utilisations and value adjustments on deferred taxes on loss carryforwards, although not cash-effective, are fully deducted from EPRA net income, while these are eliminated in the calculation of FFO I. Non-recurring special effects and depreciation and amortisation are also deducted from EPRA net income, while they are eliminated from FFO I.

EPRA METRICS

EPRA distinguishes between three different metrics within net asset values (NAV), which are used to map different scenarios for property companies. Based on equity as a measure of net assets, different adjustments are made depending on a company's different investment strategies.

The EPRA Net Reinstatement Value (EPRA NRV) assumes a holding strategy and essentially represents a reconstruction value of the property portfolio. Accordingly, transaction costs that are deducted as part of the property valuation in accordance with IFRS are added back, as are hidden reserves, after deferred tax effects and minorities, in the properties of property, plant and equipment or inventories valued at acquisition or production cost. An adjustment is also made for deferred taxes on property 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 property purchase and sale transactions are carried out, as a result of which deferred taxes are also realised on a pro rata basis. An adjustment is therefore only made for deferred taxes on the strategic core portfolio within the investment properties. As with the EPRA NRV, hidden reserves in property assets are taken into account and derivative financial instruments are adjusted for deferred tax effects. In addition, intangible assets, including goodwill, are not taken into account in this strategy.

The EPRA Net Disposal Value (EPRA NDV) reflects the strategy of selling the property portfolio and therefore requires the inclusion at fair value of deferred taxes and derivative financial instruments, as well as other financial liabilities that would be realised as part of this strategy. Goodwill is excluded, but intangible assets are still recognised.

The calculation of the metrics as at the reporting date is as follows:

in EUR Mio.	EPRA NRV 12/31/2023	EPRA NTA 12/31/2023	EPRA NDV 12/31/2023
Equity (without non-controlling interest)	2,885.2	2,885.2	2,885.2
Deferred taxes on investment properties and derivative financial instruments	0.0	550.8	0.0
Fair value of derivative financial instruments	10.1	10.1	0.0
Difference between fair value and book value of properties valued at cost	51.9	51.9	51.9
Goodwill	0.0	-281.8	-281.8
Intangible assets	0.0	-4.1	0.0
Difference between fair value and book value of financial liabilities	0.0	0.0	131.2
Transaction costs (e.g. real estate transfer-tax)	471.0	0.0	0.0
EPRA Metrics (diluted)	3,418.2	3,212.0	2,786.5
Number of shares outstanding (diluted, in '000)	175,444	175,444	175,444
EPRA metrics per share (diluted)	19.48	18.31	15.88

in EUR Mio.	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
Effect from conversion of convertible bonds	0.0	0.0	0.0
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	3,639.0	3,110.1
Number of shares outstanding (diluted, in '000)	175,442	175,442	175,442
EPRA metrics per share (diluted)	25.54	20.74	17.73

All NAVs are generally calculated on a fully diluted basis. As in the previous year, the outstanding convertible bond 2020/2026 is "not in the money", meaning that no dilution effects had to be taken into account.

Deferred taxes are recognised as follows for the calculation of the NTA:

	2023				2022	
	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	5,934.3	89%	100%	6,223.3	92%	100%
Other portfolio including properties held for sale	708.6	11%	0%	534.0	8%	0%

EPRA NET INITIAL YIELD

The EPRA net initial yield compares the annualised annual net cold rent less non-recoverable charges, maintenance expenses and adjustments for rental incentives as of the reporting date with the fair value of the entire property assets, including the transaction costs (incidental acquisition costs) deducted in the valuation of the property assets. In the case of TAG as a landlord of residential property, the EPRA net initial yield also corresponds to the "topped-up EPRA net initial yield", as rent-free periods are only of very minor importance in this business model. Compared to the previous year, the rental business in Poland is now also included, in line with the presentation of the EPRA Earnings.

in EUR m	12/31/2023	12/31/2022
Market value of total real estate assets	5,942.8	6,328.8
Transaction costs deducted (acquisition costs)	471.0	519.8
Market value of total real estate assets (gross)	6,413.8	6,848.6
Annualised net annual rental income on the reporting date	352.4	340.6
Maintenance expenses	-39.8	-37.1
Non-recoverable charges	-11.4	-7.7
Ancillary costs of vacant real estate	-9.4	-9.3
Rental income after non-rechargeable ancillary expenses and maintenance costs	291.7	286.6
Adjustments for rental incentives (rent-free periods)	0.0	0.0
Rent after non-allocable utility costs, maintenance costs and rental incentives	291.7	286.6
EPRA Net Initial Yield	4.5%	4.2%
EPRA 'topped up' Net Initial Yield	4.5%	4.2%

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	12/31/2023	12/31/2022
Estimated rental income in December	32.1	29.6
Estimated rental income lost as a result of vacancies in December	1.5	1.3
EPRA vacancy rate in %	4.7%	4.4%

EPRA COST RATIO

The EPRA cost ratios are calculated as the ratio of total rental and administrative expenses (with or without vacancy costs and taking into account other operating income and eliminating special effects) to total rental income for the financial year. The cost ratios serve as a benchmark for a meaningful valuation of the development of operating expenses.

in EUR m	2023	2022
Rental expenses (non-rechargeable)	63.8	56.9
Impairment losses (rental business)	5.7	4.9
Net income from property services	-33.3	-27.9
Other operating income	-7.1	-4.1
Personnel expenses	63.2	55.6
Other operating expense	22.2	25.6
Non-recurring effects	0.0	-7.3
EPRA costs incl. vacancy costs	114.5	103.8
Vacancy costs	9.4	9.3
EPRA costs excl. vacancy costs	105.1	94.5
Rental income (net rent)	350.8	339.9
EPRA costs ratio incl. vacancy costs in %	32.6%	30.5%
EPRA costs ratio excl. vacancy costs in %	30.0%	27.8%

Properties are initially valued at acquisition or production cost including incidental costs. Borrowing costs incurred in connection with the acquisition or construction of investment properties are capitalised if the conditions for this are met. Subsequent costs for the extension, conversion or modernisation of the property are taken into account if they contribute to an increase in the fair value of the property. Production costs comprise the costs directly attributable to the property; overheads are not capitalised. In the past financial year, directly attributable personnel expenses of EUR 1.9m (previous year: EUR 3.8m) were capitalised in connection with modernisation expenses carried out by the company's own employees. There are no related disclosures in connection with joint ventures, as TAG does not participate in any joint ventures in the rental business.

EPRA Loan to Value (LTV)

The EPRA Loan to Value (LTV) is calculated from the ratio of net financial debt to the total property volume and represents the LTV of equity.

in EUR m	31.12.2023	31.12.2022
Liabilities to banks	2,290.3	2,522.0
Liabilities from corporate bonds and other loans	523.9	798.6
Liabilities from convertible bonds	463.5	460.6
Net payables ¹⁾	117.3	77.8
Cash and cash equivalents	-128.6	-240.5
Net financial debt	3,266.3	3,618.6
Investment properties	5,935.3	6,569.9
Property reported under tangible assets	2.0	9.9
Property held as inventory	629.6	714.2
Property reported under non-current assets held for sale	7.5	187.4
Real estate volume (book value)	6,574.4	7,481.4
Intangible assets	4.1	4.9
Net receivables	0.0	0.0
Difference between fair value and book value for properties valued at cost	75.7	108.4
Financial assets	66.9	0.0
Relevant real estate volume for LTV calculation	6,721.1	7,594.7
EPRA LTV	48.6%	47.6%

1) without prepayments received from sales

Net liabilities and net receivables are the balance of trade receivables and trade payables, other receivables and other liabilities, other provisions and receivables from income tax assets and income tax liabilities.

EPRA CAPEX

EPRA CAPEX shows the property-related investments made in the financial year.

EUR m	2023	2022
Acquisitions Financial year	0.0	137.7
Project developments	63.7	137.2
- of which capitalised interest	1.5	2.7
like-for-like portfolio Germany ¹⁾	86.2	86.6
- of which investments in existing space	86.2	86.6
Other ²⁾	0.0	0.0
EPRA CAPEX	149.9	361.5

1) Investments in investment properties EUR 85.9m (previous year: EUR 86.1m), investments in properties held for sale EUR 0.3m (previous year: EUR 0.5m)

2) Rental incentives, e.g. rent-free periods for tenants as a result of modernisations undertaken by tenants themselves, are of minor importance with a total volume of c. TEUR 20 p.a.; no information on modernisation expenses in connection with joint ventures is provided as TAG's joint ventures do not include investment properties.

The project developments relate to investments in new residential construction in Poland. Including a project development recognised in inventories, EUR 11m was invested in Germany. EUR 11.7m (previous year: EUR 20.3 m) and in Poland EUR 315.7 m (previous year: EUR 373.5 m) were invested in Poland. The modernisation expenses for the like-for-like portfolio only relate to investments in existing space; investments in additional space are of minor importance. Acquisitions in the previous year relate to project developments from the acquisition of ROBYG totalling EUR 124.8m and the other acquisitions in the German portfolio amounting to EUR 12.8m.

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

MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

FOUNDATIONS OF THE GROUP

Overview and corporate strategy

TAG Immobilien AG (hereinafter also referred to as "TAG" or the "Group") is a real estate Company based in Hamburg that focuses on the residential property sector. The properties of TAG and its subsidiaries are spread across various regions in Northern and Eastern Germany and North Rhine-Westphalia, and since the 2020 financial year also in Poland, where the business model includes sales activities in addition to the development and management of a residential property portfolio. In total, TAG managed around 84,700 (31 December 2022: around 86,900) residential units in Germany and around 2,400 (31 December 2022: around 1,150) in Poland as of 31 December 2023.

TAG's business model in Germany consists of the long-term letting of flats. All key property management functions are performed by the Group's own employees. In addition, caretaker services and craftsmen services are provided for the Company's own portfolio. Affordable housing that appeals to broad sections of the population is let. The Group's own

multimedia Company supports the provision of multimedia services to tenants and expands the range of property management services. Energy management is bundled in a subsidiary and includes the commercial supply of heat in the Group's own portfolios 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.

TAG's investments in Germany are primarily made in medium-sized cities and in the vicinity of large metropolises, as we not only see growth potential there, but also better yield opportunities compared to investments in large cities. Newly acquired portfolios regularly have higher vacancy rates, which are then reduced after acquisition through targeted investments and proven asset management concepts. Within Germany, investments are made almost exclusively in regions already managed by TAG in order to utilise existing management structures. In addition, local market knowledge is essential when acquiring new portfolios.

The expansion of business activities to Poland began in 2020 with the acquisition of Vantage Development S.A. ("Vantage"), a property developer based and focused on activities in Wrocław. The acquisition of Warsaw-based ROBYG S.A. ("ROBYG") expanded TAG's platform for developing flats for its own portfolio in the existing regions of Wrocław, Poznań and especially Tricity, and also enabled a comprehensive market entry in Warsaw. At the same time, TAG expanded its business model to include the development of flats for sale, thus benefiting from expected cash returns (in the sense of an FFO return on equity) to finance growth in the Polish rental housing market.

In Poland, TAG's residential rental business had around 2,400 completed flats as of the reporting date (31 December 2022: around 1,150). A further approx. 1,400 (31 December 2022: approx. 2,200) rental flats were under construction as of the reporting date. There is also a land reserve for the future construction of approx. 5,700 (31 December 2022: approx. 10,100) additional flats.

In the sales business, which also includes joint ventures, around 4,300 (31 December 2022: 6,400) flats were under construction as at the reporting date (including around 502 (31 December 2022: 360) completed and not yet sold flats). The land reserve in this business area comprises a further approx. 15,600 (31 December 2022: approx. 12,600) future flats. In the past financial year, a total of 3,586 (previous year: 1,751) flats were sold in Poland and 3,780 (Previous year: 3,510) flats were handed over to the buyers.

TAG's long-term growth target is to build up a portfolio of around 20,000 rental residential units in Poland. In the medium term, i.e. by the end of 2028, the rental portfolio is to grow to around 10,000 flats. In addition, the existing sales activities in Poland are to be continued in order to support the further growth of the rental portfolio from the surplus liquidity generated there. The investment focus is on new-build flats in large cities with favourable population growth, proximity to universities and a well-developed infrastructure.

The Polish rental housing market is characterised by a supply deficit. It is considered one of the least saturated housing markets in Europe, with a housing shortage of already over 2.1 million units. In addition, the absolute size of the Polish market (approx. 38 million inhabitants, fifth largest EU country by population), coupled with a growing service sector and a favourable demographic trend ("Generation Rents" – growing preference for rental flats), supports TAG's market entry in Poland. The Management Board expects that TAG's early market entry will give it a competitive advantage in terms of scale, market knowledge, market penetration and market position.

Group structure and organisation

TAG Immobilien AG is at the head of an integrated property group. It essentially fulfils the functions of a management holding Company and in this capacity performs Group-wide tasks for the entire Group. Central departments such as Finance, Accounting, Taxes, Controlling, Human Resources, IT, Purchasing and Legal are located directly within TAG Immobilien AG.

At Management Board level, responsibilities in the past financial year were as follows:

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

Structurally, the Group is divided into further subgroups, operating subsidiaries and property companies, each of which owns property portfolios and is consolidated in TAG's consolidated financial statements. As at 31 December 2023, the Group consisted of 183 (previous year: 187) fully consolidated subsidiaries. A complete overview of all companies is presented 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 Germany" 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 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. Within this organisational unit, the rental flat portfolio is held and managed by Vantage, while sales projects are implemented and construction activities are carried out within ROBYG. The organisational structure of the operating business in Poland – like the rest of the Group – has flat hierarchies and short decision-making channels. Central decisions are made in close consultation with TAG's Management Board and the departments operating in Germany.

Management system

TAG uses a continuously updated management system to monitor and manage its business activities. The management system is based on operational key figures, which are determined at regional level, and on financial key figures at Group level. The CFO is responsible for the management and ongoing monitoring of these key figures at Management Board level.

Key operational performance indicators

The two key operating figures, which are calculated monthly and reported to the Management Board, are shown below.

- Development of rents

To assess the development of rents, rental growth is calculated in absolute terms and on a like-for-like basis (i.e. excluding acquisitions and sales in the last twelve months) as well as the net actual rent and new letting rent per square metre. With like-for-like rental growth, a distinction is also made between like-for-like rental growth with and without the effects of vacancy reduction. The development of the indicators provides information on the status of the rental growth targets to be achieved. For corporate management purposes, like-for-like rental growth with the effects of vacancy reduction is the key performance indicator for assessing rental development.

- Development of the vacancy rate

The vacancy rate is calculated as the ratio of unlet square metres to the total square metres of residential or commercial space. Within the Company, a distinction is made between the development of the vacancy rate for the Group's residential units (i.e. excluding commercial space and excluding effects from acquisitions and sales in the financial year) and the development of the vacancy rate for the overall portfolio. The vacancy rate serves as an indicator of the effectiveness of modernisation and rental activities as well as the successful implementation of neighbourhood development concepts. The reduction in vacancies is included as a further value driver in the development of rental growth. For corporate management purposes, the development of the vacancy rate for the residential units is the key performance indicator for assessing vacancy trends.

In addition, maintenance and modernisation expenses are calculated, reported and reviewed on a monthly and quarterly basis as supporting indicators. The measures are broken down into "major measures" (e.g. modernisation of entire blocks of flats), modernisation of previously vacant flats and modernisation when tenants change. The review of the measures serves both to secure the return targets and to maintain the portfolio in the long term.

Furthermore, so-called "contribution margins", i.e. results directly attributable to an individual region or service business, are calculated on a monthly basis for the rental business in Germany and the services provided in this context.

In addition to rents and vacancy rates, the current operating results for business activities in Poland also include the key figures relevant to the sales business, which are also reported on a monthly basis. These include, in particular, the number of flats sold and handed over, sales prices and sales margins as well as the development of construction costs.

Financial KPIs

Funds from operations (FFO) are the key performance indicators for Group management. FFO is calculated on the basis of consolidated net income, adjusted for non-cash components such as valuation results, depreciation and amortisation, impairments (without adjusting for impairments on rent receivables), non-cash interest expenses and excluding non-recurring special effects and deducting actual income taxes. Within FFO, a distinction is made between FFO I (excluding the results of sales and, since the 2023 financial year, including the contributions from the rental business in Poland) and FFO II (including the results of sales in Germany and taking into account the results of the sales business in Poland). Both key figures are used as important performance indicators, calculated monthly and compared with the planned figures, both in absolute terms and on the basis of outstanding shares.

In addition, the loan-to-value (LTV) ratio, which is calculated as the sum of total financial liabilities (bank loans as well as corporate and convertible bonds including promissory note loans and commercial papers) less cash and cash equivalents in relation to total property assets (including hidden reserves in properties valued at acquisition or production cost in property, plant and equipment or inventories as well as prepayments made on properties and company acquisitions), is calculated monthly and reported to the Management Board. The EPRA NTA is calculated monthly as a further supporting indicator and reported to the Management Board.

The Group's current liquidity situation is monitored daily. Short to medium-term liquidity planning covering a period of twelve months is prepared monthly. Long-term liquidity planning for a period of three years is carried out once a year. The so-called "available liquidity" (supporting indicator), i.e. unrestricted cash and bank balances plus unutilised credit lines with banks, is managed in each case. These measures ensure the financial stability of the Group.

The relevant parameters and key figures for Management Board remuneration are presented in the remuneration report in the section "Report on the main features of the company's remuneration system (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 2023, inflation slowed in Germany in 2023 and wage incomes rose more strongly than in the previous year. However, this did not lead to a recovery in private consumption, as part of the increase in purchasing power was saved by households. The economy was dampened by central banks everywhere in order to combat inflation. After the coronavirus crisis, services in particular were in demand worldwide, which meant that German exports slumped for a long time. The only strong impetus came from investments in defence equipment, which were made as part of the special assets of the German armed forces. Overall, the German economy has cooled noticeably since the beginning of the year and the recovery originally expected for the second half of the year has failed to materialise.

According to initial calculations by the Federal Statistical Office of Germany (Destatis), price-adjusted gross domestic product (GDP) in 2023 was 0.3% lower than in the previous year. Adjusted for price and calendar effects, a decline of only 0.1% was recorded. Overall economic development in Germany came to a standstill as a result of the ongoing crisis-ridden environment. The main reasons for this were high prices, low demand from Germany and abroad and higher interest rates, which led to unfavourable financing conditions.

According to the Federal Statistical Office, the inflation rate for the year as a whole was 5.9% and weakened during the year from a value of 8.7% in January to a value of 3.7% in December. This puts the inflation rate for 2023 below the historically high average of 7.9% from the previous year 2022, but still at a high level. Special effects from the implemented relief measures for energy products partially dampened inflation for energy products in 2023. These increased in price by 5.3% compared to 2022, following an enormous increase of 29.7% in 2022. Food prices also rose particularly sharply by 12.4% compared to the previous year.

The economic weakness also left its mark on the labour market in 2023, although it was still able to hold its own: although 2023 was one of the years with the lowest unemployment rate since reunification, unemployment and underemployment rose significantly on average in 2023. The number of unemployed people in Germany rose by 191,000 to 2,609,000 compared to the previous year, which corresponds to an increase of +0.4 percentage points to 5.7%. This is primarily due to the weak economic development, which has made it more difficult for the unemployed to find new employment. According to preliminary figures from the Federal Statistical Office, employment rose by an annual average of 333,000 to around 45,940,000 people. In 2023, the demand for labour weakened further, as already indicated in the second half of 2022.

In 2023, the European Central Bank (ECB) responded to the high inflation rates in the eurozone, at least at the beginning of the year, which weakened over the course of the year, with significant key interest rate hikes. The main refinancing rate rose from 2.50% in December 2022 to 4.50% in September 2023 and has remained at this level ever since. The Governing Council of the ECB believes that the ECB's key interest rates have reached a level that – if maintained for a sufficiently long period of time – will make a significant contribution to inflation returning towards its target of 2% in the foreseeable future. DZ Bank assumes that the ECB will not initiate a turnaround in interest rates until the fourth quarter of 2024, as core inflation will remain high. Core inflation was +5.1% in 2023, after +3.8% in 2022.

Around 84.7 million people lived in Germany at the end of 2023. An initial estimate by the Federal Statistical Office thus assumes a population increase of 0.3 million people compared to the end of 2022. This growth is significantly lower than in the previous year and is solely due to net immigration, as the balance of births and deaths was negative, as in all years since reunification.

At the end of 2022, there were 43.4 million homes in Germany. Of these, around 41.9 million were in residential buildings, 52.5% or 22.0 million of which were in apartment blocks. According to the Federal Statistical Office, the construction of 20,200 flats was approved in November 2023, 16.9% fewer than in November 2022. In the first eleven months of 2023, the number of building permits for flats fell by 25.9% to 238,500 approved flats compared to the same period in 2022. At the beginning of 2023, a study by the Pestel Institute predicted a housing shortfall of 700,000 flats for 2023. This illustrates the imbalance between supply and demand.

The factors described above, such as rising interest rates, a weakening economy, high inflation and housing deficits, have an impact on the development of the residential property market, as they directly affect all market participants such as investors and home seekers in terms of available funds, household income and rent levels. Accordingly, the German residential investment market was significantly more subdued in 2023 than in the Previous year. Nevertheless, between EUR 5bn and just under EUR 8bn was invested in residential property nationwide. Further information on this can be found in the following section "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

A new government was elected in Poland on 15 October 2023. On 12 December, the new head of government Donald Tusk, who governs a three-party alliance consisting of the liberal-conservative Civic Coalition, the Christian-conservative Third Way and the left-wing alliance Lewica, was sworn in. This marked the end of two months of government formation. On election day, the currency markets had recorded gains of 2% and the Polish leading index WIG20 had risen by over 3%. This was accompanied by hopes for the release of billions in EU funds, as Brussels had previously blocked the funds due to the political course of the previous governing party PiS. The change of government is hoped to bring Poland closer to the EU again, after it had distanced itself from the EU in the last legislative period.

In the period before and after the pandemic, Poland was one of the fastest growing economies in the EU and benefited from strong political support, low unemployment and the continued inflow of foreign direct investment. In recent years, per capita economic output has almost quadrupled from USD 10,000 in 1991 to around USD 37,000 in 2022, which is unprecedented by European standards. Economic growth in Poland is expected to slow down in 2023. The Polish economy weakened in the first half of 2023 in particular, but recovered in the second half of 2023, with gross domestic product (GDP) falling by 0.3% year-on-year in the first quarter of 2023 and by as much as 0.6% in the second quarter, before rising again by 0.5% year-on-year in the third quarter of 2022 and even increasing by 1.0% year-on-year in the fourth quarter of 2023. Overall, gross domestic product (GDP) grew by 0.2% in 2023 compared to the previous year. In 2024, however, the European Commission expects GDP to grow again by 2.7% compared to the previous year.

Poland's foreign trade is highly focussed on the European Union. Germany was the most important trading partner in 2022, accounting for 28.6% of Polish exports and 21.1% of Polish imports. Despite the general economic weakness, German-Polish foreign trade will continue to develop positively in 2023. After the first three quarters of 2023, the trade volume is above the level of the previous year. This is primarily due to increased imports from Poland. However, according to Destatis, German exports fell by 3.7% year-on-year to around EUR 89.3bn in the period from January to December 2023.

In December 2023, Poland had a population of around 36.8 million, which corresponds to a population loss of -2.39% compared to 2022. The total population of Poland is estimated to have grown by around 8.1% in 2022 compared to the Previous year. The reason for this enormous increase is the war in Ukraine.

The average inflation rate is expected to be 10.9% in 2023. Towards the end of 2023, the rise in consumer prices in Poland fell noticeably. The inflation rate was 6.2% in December 2023, after 8.2% in September 2023, 11.5% in June and a high of 18.4% in February 2023. The main reason for the decline was the slight increase in prices for food, non-alcoholic beverages and non-food products.

The situation on the labour market continues to be characterised by a low unemployment rate and a high level of employment. Nominal wages grew by 13.8% in the second quarter of 2023 compared to the same period of the previous year, after 14.3% in the first quarter of 2023, also compared to the same period of the previous year. The seasonally adjusted unemployment rate was 2.7% in December 2023, well below the EU average of 5.9%. The unemployment rate was only lower in Malta (2.4%). The unemployment rate for 2023 as a whole is expected to be 3.0%, 0.1% higher than in 2022 (2.9%). Furthermore, around 1.1 million foreigners were insured under the pension and disability insurance

scheme in September 2023 due to their employee status, of which around 753,100 were Ukrainian citizens, which corresponds to a share of 67.7%.

The Polish key interest rate has been at 5.75% since 5 October 2023 and was therefore downgraded by 0.25% compared to September 2023. There were no further interest rate changes until the end of the year. In January 2023, the key interest rate was still at 6.75% and therefore fell by 1 percentage point over the course of the year. The first interest rate cut was decided in September 2023, when the then key interest rate of 6.75% was lowered by 0.75% to 6%.

From July 2023, the state development bank took over part of the financing costs for new property loans up to a maximum of around TEUR 133 as part of the "The first home" programme. People under the age of 45 who do not yet own a house or flat are eligible. This substantial subsidy allows private customers to take advantage of a maximum interest rate of 2% for 10 years.

Further information can be found in the section "Development of the Polish real estate and residential real estate market".

Sustainable corporate development¹⁾

Sustainability issues continued to be the subject of intense debate in 2023. Questions about sustainability goals and the impact of business activities on the environment and society changed the public's view of companies and investment decisions in particular. Even if the priority of the topic has somewhat receded into the background due to macropolitical developments in Europe, TAG bears a special social responsibility as a large property company. We want to offer our tenants a secure home and good service in the long term and – as far as we can as a landlord – help them in difficult situations, such as those caused by the energy crisis, and offer flexible solutions. It is also important to support our employees, who are committed to their work every day, as much as possible. Social commitment, which we have been practising for years in many of our residential neighbourhoods, is more important to us than ever. Our aim is to incorporate sustainability aspects into our corporate strategy along our entire value chain. In the 2020 financial year, for example, we established the TAG Miteinander Stiftung (TAG Together Foundation) to make an even more targeted contribution to ensuring that people who live in our neighbourhoods live in good conditions and enjoy living together and being neighbours. As a responsible employer, we give our employees the option of flexible and mobile working. Personal responsibility and shared commitment, respectful and transparent cooperation make a decisive contribution to the Company's success.

We also see sustainable corporate development as a holistic concept with synergy effects between the various levels of sustainability: With economic stability and sustainable earnings, we create the conditions for social and ecological commitment, and our social and ecological measures in turn have a positive impact on TAG's long-term economic success. As a result, we fulfil the key requirements of our various stakeholders.

Within TAG, sustainability aspects have been more strongly integrated into business activities and awareness of them has been raised. This also includes harmonisation and coordination processes for the alignment and implementation of sustainability activities at our subsidiaries in Poland.

In order to align our sustainability strategy even better with stakeholder expectations, we are intensifying our dialogue. TAG's sustainability surveys among shareholders, banks and other investors confirm the increased importance of ESG (Environment Social Governance) issues.

For further explanations in this context, please also refer to our Sustainability Report, which constitutes TAG's non-financial reporting in accordance with Sections 289b et seq. and 315b et seq. HGB (German Commercial Code).

¹⁾ unaudited information

Sustainability Report and ESG Rating²⁾

TAG published its first sustainability report for the 2012 financial year. Since then, we have disclosed our sustainable actions every year. We have described measures, outlined progress and highlighted challenges. We will continue to do so, but the tenth sustainability report (available at www.tag-ag.com under 'Sustainability/Reports') is the last in this form. From 2025, we will implement the new standards of the Corporate Sustainability Reporting Directive (CSRD) that will then apply to us and integrate our sustainability reporting into the annual report.

In 2023, we once again made a lot of progress to drive forward our decarbonisation strategy and make our portfolio future-proof. Our goal is clear: between 2022 and 2024, we want to save around 6,000 tonnes of CO₂ by renovating buildings and heating systems. Accordingly, we invested in building refurbishment and switching energy sources in particular in the reporting year.

In Poland, a traditional condominium market, we are meeting the increasing demand for rental flats in urban areas. We are successfully expanding our rental flat portfolio in six Polish cities, with the number of rental units standing at around 2,400 at the end of 2023. In our Polish neighbourhoods, we are focusing on environmentally friendly infrastructure, low-emission building systems and sustainable materials with the concept of the 15-minute city or short distances and the Green Standard for new construction project developments.

Our commitment to sustainable corporate development is also recognised and honoured by rating agencies. In a report published in February 2024 by Sustainalytics, one of the leading companies for market research, ratings and data on ESG issues, TAG was ranked 9th out of a total of over 1,000 real estate companies analysed worldwide, placing it among the top 2% of all companies in this sector. Around 16,000 companies were analysed across all sectors. TAG was ranked 30th, placing it in the top 1%. The risk is categorised as negligible risk with 6.4 points, an improvement of 0.5 points compared to the previous year (6.9 points).

In December 2023, we also received a rating of "A" from the rating agency MSCI after participating in the rating process (after "AA" in 2022), placing us in the second-highest category with a score of 6.4 out of a possible 10 points. Furthermore, in July 2023, the agency MOODY'S awarded us 52 out of 100 points after participating in the rating process (sector average 40 points). In 2021, the result was still 35 points.

In 2023, we received the "Gold" award from EPRA (European Public Real Estate Association) for our 2022 Sustainability Report for the first time. In September, we received a score of 49 out of 100 from the rating agency SAM/Standard & Poor's. This is an improvement of 2 points compared to the previous year.

ISS ESG gave us an unchanged C- rating in August 2023. The CDP Climate Change result was also unchanged after our participation in 2023 with a score of C, in line with the global industry average.

²⁾ unaudited information

RESEARCH AND DEVELOPMENT

Due to the nature of its business activities, the Group does not engage in any research and development activities. The Group's business activities are not dependent on patents, licences or brands, although the word and figurative marks of TAG Immobilien AG and the "TAG Wohnen" brand in particular are protected.

BUSINESS REPORT

Development of the German real estate and residential real estate market

Investment in the German residential investment market was lower in 2023 than at any time since 2011. The transaction volume figures from the major brokerage houses range from EUR 5bn (BNP) to just under EUR 8bn (JLL and Cushman& Wakefield). According to the BNP Paribas Real Estate residential market report Q4 2023, the investment volume for the residential use type has once again fallen significantly from EUR 13bn in 2022 to EUR 5bn (- 60% for transactions >30 flats). A sharp rise in borrowing costs, an insufficient risk premium and increased uncertainty regarding further regulations led to this reluctance to buy. There were no large-volume transactions and the market was characterised by small-scale deals. The segment of transactions over EUR 100m accounted for only 39% of sales, well below the long-term average of 57%.

The distribution of the investment volume by buyer group has also changed noticeably compared to previous years. US buyers and family offices are strongly represented with 24% and 19% respectively, while German capital contributed just under 68% of turnover. Property companies/REITs were hardly active on the buyer side due to the focus on refinancing.

Looking ahead, the Fed and the ECB are expected to start lowering interest rates in 2024. This should give market players more planning security. Against the backdrop of already rising rental yields and falling government bond yields, there is a good chance that residential investments will become more attractive again. The supply/demand ratio should also improve fundamentally against the backdrop of a very tight housing market and a lack of new residential construction. A more relaxed fiscal environment could lead to a significant revival on the German residential investment market in the second half of the year.

According to the residential property market report published by Savills in January 2024, the German housing market continues to paint a positive picture from the perspective of portfolio owners: rents rose sharply last year and vacancy rates fell. This is due to a decline in building permits, cancellation rates for residential construction projects and a further increase in the number of households. A trend reversal is not to be expected here; on the contrary, an increase in the housing shortage is anticipated. The willingness of existing homeowners to sell is therefore likely to remain fairly subdued, at least in the first half of 2024. For this year, experts also expect only a moderate increase in the transaction volume to a range between EUR 9 – 11bn.

The Federal Constitutional Court's decision to declare the second supplementary budget law 2021 null and void, which means that the federal government will have to renegotiate the 2024 federal budget, will tend to increase the uncertainty surrounding housing policy. Due to the savings that have become necessary, state subsidies such as the planned declining balance depreciation for new builds or KfW (German state-owned investment and development bank)

subsidy programmes could be put to the test and cause additional planning uncertainty, which is associated with costs. Against this backdrop and due to the significant decline in building permits and the ongoing reluctance of project developers, it is expected that the volume of new construction will continue to fall in the coming years and could fall below the 200,000 flats mark by 2025 at the latest. JLL also confirms a significant excess demand and expects rents to continue to rise in the medium to long term due to a significant decline in building permits.

Development of the Polish real estate and residential real estate market

2022 was the weakest year in the last 10 years in terms of units sold on the Polish residential property market. In 2023, however, the number of residential units sold rose by around 65% year-on-year to 58,000 units. Demand was additionally boosted by the programme to promote the first-time purchase of residential property ("BK 2"), which led to the signing of around 60,000 loan agreements in 2023, of which around 35-40% were in the new-build segment. The "BK2" residential construction programme was therefore a factor that strongly supported demand and encouraged buyer groups to make faster purchase decisions, particularly from the second quarter onwards.

Around 10,000 of the transactions took place in the major cities of Warsaw, Krakow, Wrocław, Tricity, Poznań and Łódź. There was a shortage of supply in markets such as Warsaw, Kraków and Wrocław. In Tricity, Poznań and Łódź, on the other hand, annual sales were good but not record-breaking. Nevertheless, all major markets recorded an increase in sales compared to the previous year.

In the second half of 2022 alone, project developers brought around 49,000 residential units onto the market – more than demand – despite the war in Ukraine and the decline in sales figures. This led to an oversupply. In 2023, on the other hand, sales soared and the supply side was unable to keep up with demand. As a result, 12% fewer flats were placed on the market in the aforementioned cities and the 6 largest markets.

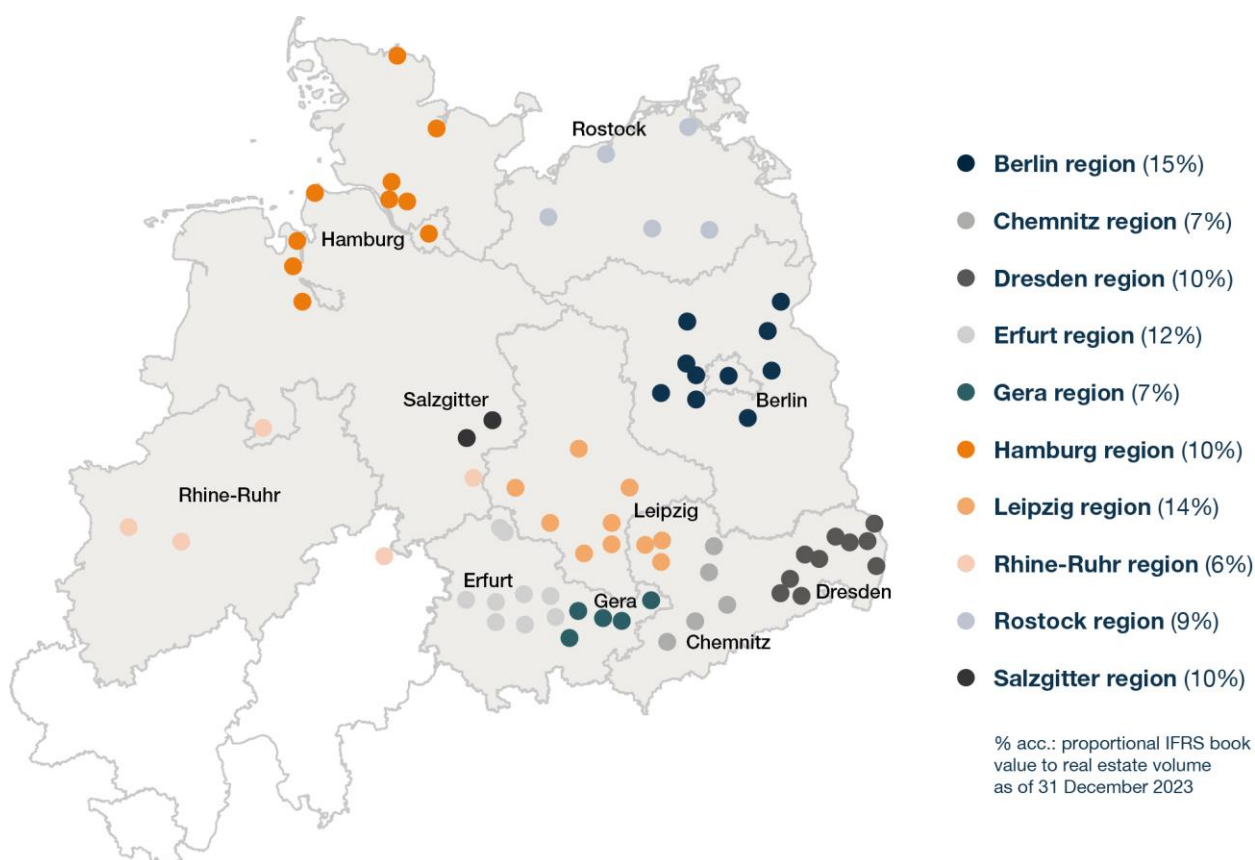
Although the number of units brought onto the market in Q4 2023 totalling 16,000 units is comparable to the quarterly results of 2019 or 2021, the first few months of 2023 with a low volume of new construction had a decisive impact on the total number of new units brought onto the market, resulting in the lowest number of new units brought onto the market in a decade. This shows that demand (58,000 units sold) in 2023 was significantly higher than the number of new units built, which totalled 43,000.

At the end of Q4 2023, the average prices of the residential units on offer reached record highs and rose by between 14% and 22% compared to Q4 2022. In the individual submarkets, average prices rose as follows: in Tricity by 21.4%, in Warsaw by 21.4%, in Poznań by 17.9%, in Kraków by 15.7%, in Łódź by 14.9% and in Wrocław by 14.0%.

The "BK2" housing construction programme came to an end in December 2023. However, the government is planning to launch a new "Mieszkanie na start" programme in the second half of 2024, which will have slightly different regulations to the "BK2" programme (for example, with regard to income limits to be met or the differentiation of the loan interest rate according to the number of people in the household). This could lead to a repeat of the situation (high turnover, supply problems and further increases in the average price) in the annual comparison of 2023 and 2024.

Overview of the portfolio and portfolio strategy

TAG's property portfolio in Germany comprises around 84,700 residential units at the end of the 2023 financial year. The focus in Germany is on the management of attractive and affordable housing, while at the same time taking social responsibility for tenants. The regional focus in Germany is primarily in the north and east of the country and is distributed as follows.



Portfolio Data	12/31/2023	12/31/2022
Units	84,682	86,914
Floor space in sqm	5,070,247	5,203,677
Real estate volume in EUR m ¹⁾	5,442.9	6,328.8
Annualised net actual rent in EUR m p.a. (total)	336.7	340.6
Net actual rent in EUR per sqm (total)	5.78	5.73
Net actual rent in EUR per sqm (residential units) ²⁾	5.71	5.64
Vacancy in % (total)	4.3	4.8
Vacancy rate in % (residential units) ²⁾	4.0	4.4
I-f-I rental growth in %	1.8	1.5
I-f-I rental growth in % (incl. vacancy reduction)	2.3	2.7

¹⁾ EUR 6,574.4m or EUR 7,481.4m in the previous year total property volume (of which EUR 1,131.5m or EUR 1,152.6m in the previous year is attributable to properties in Poland)

²⁾ excluding acquisitions

In Germany, TAG is consistently focussing on the so-called "ABBA strategy", i.e. investing in A locations in B cities and B locations in A cities. In our opinion, this strategy is working more than ever. Smaller and medium-sized cities are also benefiting from the disproportionately high demand for housing in the metropolises, where affordable housing in particular is becoming scarce. Many people are moving to the outskirts of large cities or to the centres of medium-sized cities in order to live in attractive yet affordable accommodation.

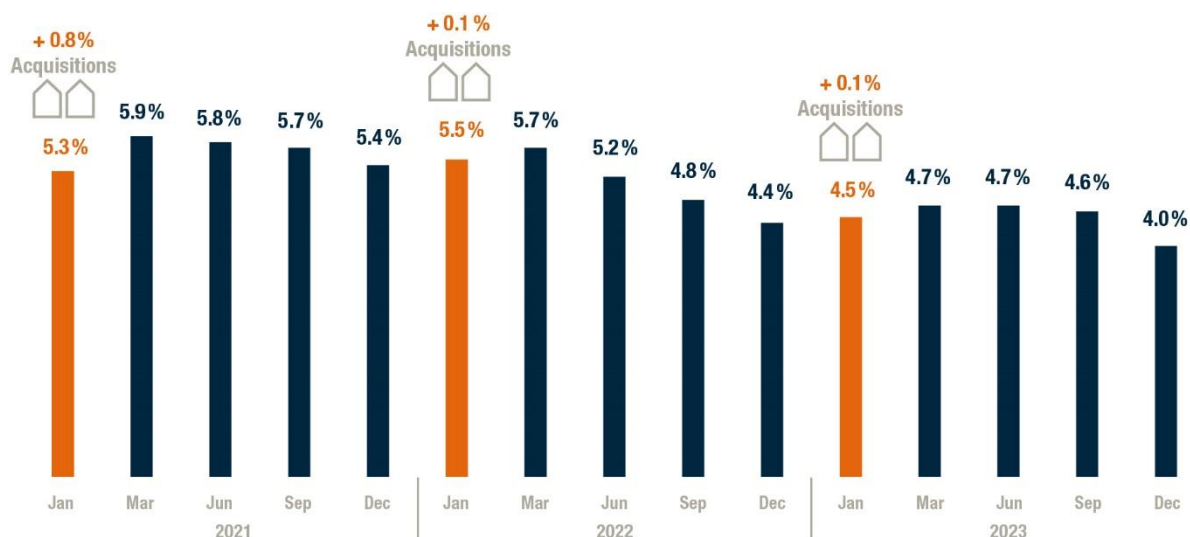
Even if rents in the B locations and B cities do not match the top locations in Germany in absolute terms, we believe that they are still very attractive. In our view, the achievable yield, i.e. the ratio of the expected rent or the expected FFO I to the purchase price or the equity capital employed,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

Investments in Germany are made exclusively in residential real estate, including the smaller commercial properties usually found in larger residential portfolios. Higher vacancy rates at the time of purchase are not an obstacle to investment as long as they are not structural in nature. On the other hand, a continuous reduction in vacancy rates, as has been achieved continuously in the past, can lead to attractive rental growth with relatively low investment costs.

Operative Business Performance and Portfolio Developments

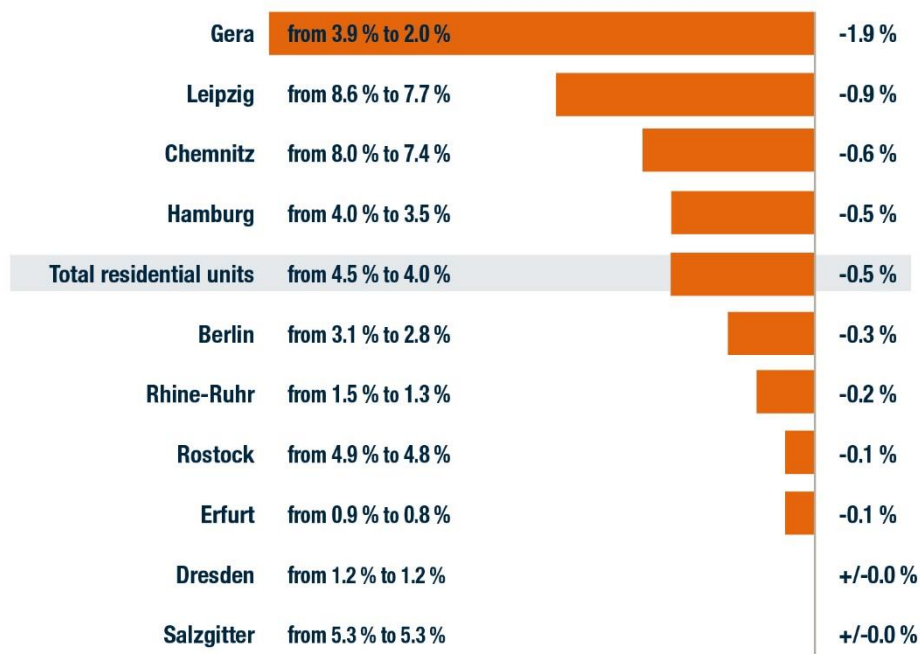
Vacancy

The following chart (unaudited quarterly figures) illustrates the development of vacancy in the Group's residential units in Germany in the financial years 2021 to 2023:



After a slight increase in vacancy in the Group's residential units in the first quarter, as in previous years, it was reduced by 0.5 percentage points in the following quarters and over the course of the year to 4.0% in December 2023. TAG has thus achieved its forecast for the 2023 financial year, which envisaged a reduction in vacancy of 0.3% to 0.5% points. This is mainly due to the further increase in demand for housing in our regions as a result of high net immigration and the 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 percentage points since the beginning of the financial year, including acquisitions in the financial year) contributed to the changes in vacancy as follows:



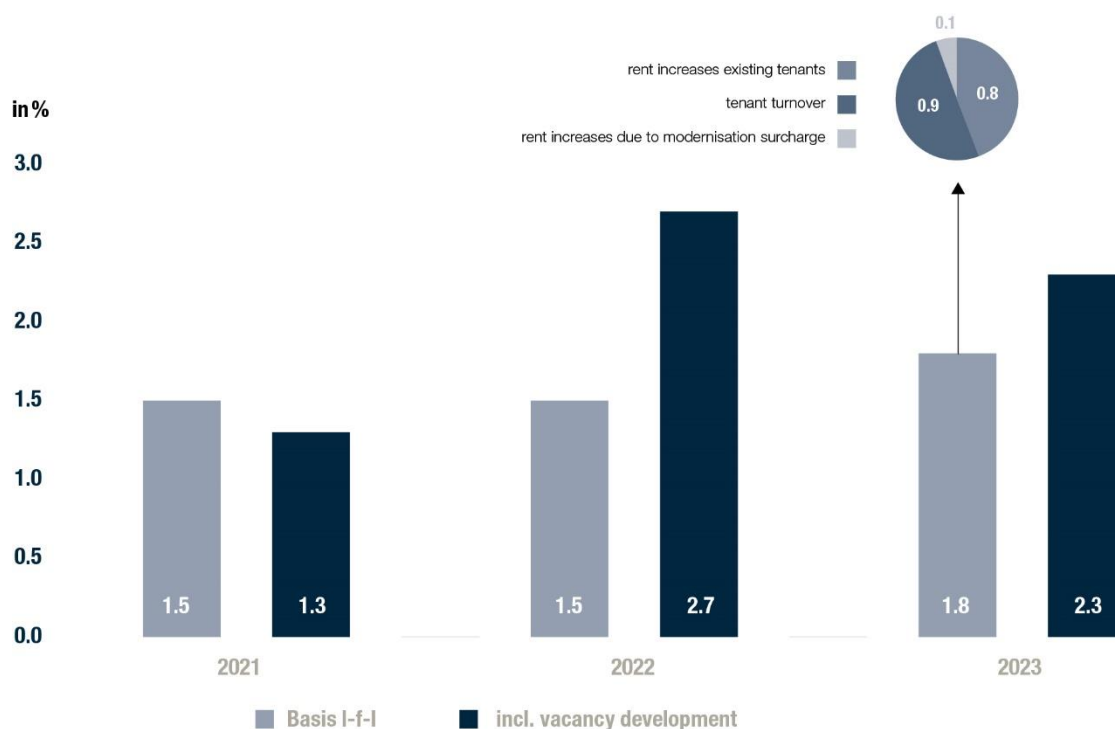
Significant declines in vacancy were recorded in particular in the regions of Gera (vacancy reduction of 1.9 percentage points), Leipzig and Chemnitz (decline of 0.9 percentage points and 0.6 percentage points respectively). Of all ten regions in TAG's real estate portfolio, seven had vacancy rates of less than 5% as of 31 December 2023.

In the overall portfolio, which also includes some commercial units within the residential portfolio, the vacancy rate as at 31 December 2023 was 4.3%, compared to 4.8% in the previous year.

Growth in rents

Basic rental growth in the Group's residential units in Germany amounted to 1.8% on a like-for-like basis (i.e. excluding acquisitions and sales in the last twelve months) after 1.5% in the previous year. This rental growth of 1.8% was made up of ongoing rent increases for existing tenants (0.8% after 0.6% in the previous year), rent increases as part of a change of tenant (0.9% after 0.8% in the previous year) and rent increases due to modernisation levies (0.1% after 0.1% in the previous year). Including the effects of changes in vacancy rates, total rental growth on a like-for-like basis amounted to 2.3% in 2023 (2.7% in the 2022 financial year). The forecast for total rental growth on a like-for-like basis of 2.0% to 2.5% for the full 2023 financial year was therefore met.

The following diagram shows the development of growth in rents in the financial years 2021 to 2023:



The average rent in the portfolio's residential units increased from EUR 5.64 per sqm to EUR 5.71 per sqm in 2023. New lettings were concluded in the 2023 financial year at an average of EUR 6.02 per sqm, which was also an increase on the previous year (EUR 5.86 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/ 2023	In- place yield	Vaca- n-cy Dec. 2023 %	Vaca- n-cy Dec. 2022 %**	Cur- rent net rent EUR / sqm	Relet- ting rent EUR / sqm	I-f-I rental growt h (y- o-y)	Total I-f-I rental growt h ³⁾ (y- o-y)	Main - tena n-ce EUR / sqm	Cap ex EUR / sqm
Berlin	9,642	558,269	778.3	5.2%	2.8%	2.9%	6.19	7.02	2.2%	2.5%	9.06	21.43
Chemnitz	7,967	469,641	368.4	7.3%	7.4%	8.1%	5.15	5.37	1.3%	1.9%	8.21	22.43
Dresden	5,874	378,393	530.6	5.3%	1.2%	1.2%	6.26	6.42	2.3%	2.3%	5.54	8.64
Erfurt	10,189	574,955	670.2	5.7%	0.8%	0.8%	5.55	5.81	2.2%	2.2%	7.32	14.71
Gera	9,169	531,723	402.4	8.2%	2.0%	3.9%	5.28	5.53	1.7%	3.8%	6.33	10.53
Hamburg	6,505	397,907	522.2	5.5%	3.5%	4.0%	6.22	6.90	2.4%	3.0%	8.73	15.29
Leipzig	13,317	772,838	741.0	6.4%	7.7%	7.7%	5.53	5.79	1.6%	2.6%	5.91	20.99
Rhine- Ruhr	3,835	241,142	318.9	5.3%	1.3%	1.4%	5.90	6.21	2.2%	2.4%	14.80	11.70
Rostock	7,890	442,201	509.5	5.8%	4.8%	6.1%	5.81	6.36	1.7%	1.7%	7.31	26.54
Salzgitter	9,179	563,062	512.3	6.9%	5.3%	5.3%	5.56	5.71	0.9%	0.9%	8.35	16.81
Total residential units	83,567	4,930,131	5,354	6.1%	4.0%	4.4%	5.71	6.02	1.8%	2.3%	7.73	17.48
Acquisi- tions	-	-	-	0.0%	0.0%	45.1 %	0.00	-	-	-	-	-
Commer- cial units within resi. portfolio	1,006	128,518	-	-	14.1%	13.9 %	8.00	-	-	-	-	-
Other ¹⁾	109	11,598	89.0	8.6%	0.9%	0.2%	14.62	-	-	-	-	-
Grand total	84,682	5,070,247	5,443	6.3%	4.3%	4.8%	5.78	-	-	-	-	-

¹⁾ incl. effects from changes in vacancy rates

²⁾ Includes commercial properties and serviced flats. The IFRS book value includes project developments totalling EUR 65.2m.

Revaluation of the portfolio in the financial year under review

In the 2023 financial year, as in previous years, two valuations of the entire portfolio were carried out by CBRE GmbH as an independent expert for the German portfolio and by Savills for the Polish portfolio. The valuations were again carried out as at 30 June and 31 December of the year.

Overall, there was a valuation loss of EUR 731.6m for the portfolio in Germany for the 2023 financial year (previous year: EUR 97.3m). Income of around EUR 150.2m (previous year: income of around EUR 57.3m) is attributable to a better operating performance than assumed in the previous valuation and an amount of around EUR -881.8m (previous year: around EUR -154.6m) to the so-called "yield extension", i.e. increased capitalisation interest rates. Compared to the carrying amount at the beginning of the year, this corresponds to an impairment of -1.6%, excluding book value increases due to modernisation measures (capex), after an impairment of -1.5% in the financial year 2022.

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

Region (in EUR m)	12/31/ 2023 Fair value (IFRS)	12/31/ 2023 Fair value (EUR/sq m)	12/31/ 2023 Implied multipl e	FY 2023 Valuatio n result	Share of operationa l perfor mance/oth er market developm ents	Share of Yield com- pressio n	12/31/ 2022 Fair value (IFRS)	12/31/ 2022 Fair value (EUR/sq m)	12/31/ 2022 Implied multipl e
Berlin	778.3	1,338.9	18.6	-98.5	30.0	-128.6	959.9	1,535.0	21.5
Chemnitz	368.4	765.2	13.4	-47.7	9.5	-57.3	407.3	843.9	15.1
Dresden	530.6	1,367.0	18.4	-72.6	11.8	-84.4	628.8	1,546.6	21.3
Erfurt	670.2	1,121.3	16.7	-105.9	18.8	-124.7	767.8	1,284.5	19.6
Gera	402.4	723.3	11.7	-53.1	19.3	-72.4	450.0	808.8	13.6
Hamburg	522.2	1,287.7	17.7	-87.3	19.2	-106.5	636.7	1,535.3	21.1
Leipzig	741.0	948.1	15.3	-89.3	21.3	-110.6	812.0	1,050.5	17.2
Rhine-Ruhr	318.9	1,270.9	17.9	-43.6	7.2	-50.8	388.5	1,425.9	20.4
Rostock	509.5	1,129.4	16.8	-53.0	6.2	-59.2	578.3	1,216.7	18.6
Salzgitter	512.3	907.3	14.2	-71.8	4.9	-76.7	574.6	1,017.7	16.0
Total residential units	5,353.8	1,058.4	16.0	-722.7	148.3	-871.1	6,203.9	1,200.3	18.4
Acquisi- tions	-	-	-	-	-	-	14.2	807.8	24.0
Other ¹⁾	89.0	2,020.7	11,6	-8.9	1.8	-10.7	110.9	3,258,4	17,2
Grand total	5,442.9	1,060,6	16.0	-731.6	150.2	-881.8	6,328.8	1,205,9	18,4

¹⁾ incl. book value of project developments of EUR 65.7m

The valuation multiple of the portfolio (as a ratio of the IFRS book value to the net actual rent) fell from 18.4 at the end of 2022 to 16.0 as at 31 December 2023. This corresponds to a gross initial yield of 6.3% (previous year: 5.4%). In terms of price per square metre, this results in a value of around EUR 1,060 for the German portfolio as a whole (Previous year: around EUR 1,200).

The valuation of the units in Poland that are rented or intended to be rented and recognised as investment properties resulted in a valuation result of EUR 26.4m as at 31 December 2023 with a book value of EUR 566.8m (31 December 2022: EUR 491.7m) after EUR 33.1m in the previous year.

Purchases and sales in Germany in the 2023 financial year

While the focus of sales in the past 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, portfolio sales were also increasingly driven forward in 2023 to refinance financial liabilities maturing in 2023 and 2024.

A total of 1,373 (previous year: 1,589) units (mainly flats and one larger commercial property) were sold in Germany during the financial year for a total purchase price of EUR 213.5m (previous year: EUR 102.3m). The average factor on the current annual net cold rent was 23.3 times (previous year: 17.9 times), which corresponds to an annual gross initial yield of 4.3% (previous year: 5.6%). Net cash proceeds, i.e. the remaining purchase price after deduction of the loans to be repaid, totalled around EUR 187.4m in the 2023 financial year (previous year: around EUR 86.3m). The sales resulted in a book profit of EUR 3.2m (previous year: book loss of EUR 2.7m), which was mainly due to the fact that the commercial property sold was recognised at amortised historical cost as a partly owner-occupied office building.

An overview of the sales signed in Germany in the 2023 financial year is as follows:

Signing	2023	2022
Units	1,373	1,589
Current net rent EUR/sqm/month	8.18	5.51
Vacancy	3%	12%
Purchase price in EUR m	213.5	102.3
Current net rent EUR m p. a.	9.17	5.71
Net cash proceeds EUR m	187.4	86.3
Book profit/loss in EUR m	3.2	-2.7
Closing	2023/2024	2022/2023
Multiples	23.3	17.9

No purchases were made in the 2023 financial year.

Development of the business activities in Poland

Based on an average exchange rate of the Polish złoty (PLN) to the euro of 4.5420:1 in the financial year 2023, revenue from property sales in Poland totalled EUR 485.8m after EUR 337.6m in the previous year. With cost of sales of EUR 412.1m after EUR 300.8m in the previous year (including effects from the purchase price allocation of EUR 36.8m after EUR 53.9m in the previous year), the result from sales totalled EUR 73.7m (previous year: EUR 36.8m). The result from disposals includes a loss of EUR 3.0m (adjusted for purchase price allocation effects: gain of EUR 13.4m) from property transfers to joint ventures established with a financial investor at the end of the second quarter of 2023.

In total, sales of 3,586 (previous year: 1,751) flats were signed in the 2023 financial year and 3,812 (Previous year: 3,510) flats were handed over to the buyers.

Rental income (net actual rents) of EUR 11.6m was generated in Poland as at 31 December 2023, compared to EUR 2.7m in the same period of the previous year. Taking into account rental expenses of EUR 0.8m (same period of the previous year: EUR 0.3m), net rental income totalled EUR 10.8m (same period of the previous year: EUR 2.5m). As at the reporting date, 2,417 units were let (same period of the previous year: 1,153). The vacancy rate in the rental portfolio in Poland was 7.2% as at 31 December 2023 (prior-year period: 35.8%). Like-for-like rental growth for flats that have been let for at least one year was 10.8% after 22% in the prior-year period.

An overview of the portfolio in Poland as at 31 December 2023 is as follows:

Region	Units planned	Units completed	Units under construction	Landbank (possible units)	area in sqm	12/31/2023 Fair value in EUR m ¹⁾
Wrocław	2,729	1,190	668	871	132,695	214
Poznań	3,055	834	364	1,857	156,896	168
Warsaw	974	0	0	974	48,768	14
Tricity	998	0	185	813	44,141	36
Łódź	1,351	393	142	816	60,616	64
Other	334	0	0	334	43,614	18
Units build to hold	9,441	2,417	1,359	5,665	486,730	514
Warsaw	4,260	0	863	3,397	266,868	80 ²⁾
Tricity	2,493	0	374	2,119	136,266	73
Wrocław	8,121	0	1,705	6,416	415,614	256
Poznań	4,986	0	1,306	3,680	259,289	209
Units build to sell	19,860	0	4,248³⁾	15,612	1,078,037	618
Total portfolio	29,301	2,417	5,607	21,277	1,564,767	1,132

¹⁾ fair value excluding projects in joint ventures

²⁾ book value including EUR 1.4 m self-used office space

³⁾ thereof 502 completed units not yet sold

Further details of the rental portfolio in Poland can be found in the following overview:

Region	Units	Rentable area in sqm	IFRS Fair value Dec-2023 in EUR m	In-place yield in %	Vacancy Dec-2023 in %	Vacancy Dec-2022 in %	Net actual rent EUR/sqm/month ¹⁾	lfl rental growth y-o-y
Residential units in operation > 1 year	1,452	63,047	167.5	5.9	2.2	3.9	13.4	10.8
Wrocław	863	36,041	102.6	6.1	3.0	3.9	15.0	11.4
Poznań	589	27,006	64.9	5.5	1.2	-	11.2	9.2
Residential units in operation < 1 year	914	39,299	110.6	-	13.8	50.2	12.4	-
Wrocław	286	11,983	31.9	-	3.8	54.6	14.0	-
Poznań	237	10,452	25.7	-	0.0	29.5	11.6	-
Łódź	391	16,864	53.0	-	29.4	91.8	11.5	-
Total residential units	2,366	102,346	278.1	-	6.7	35.4	13.0	-
Commercial units	51	5,814	17.6	-	17.0	57.9	14.9	-
Total portfolio	2,417	108,160	295.7	-	7.2	35.8	13.1	-

¹⁾ based on a PLN/EUR exchange rate of 0.2304 as at 31 December 2023

TAG SHARE AND THE CAPITAL MARKET

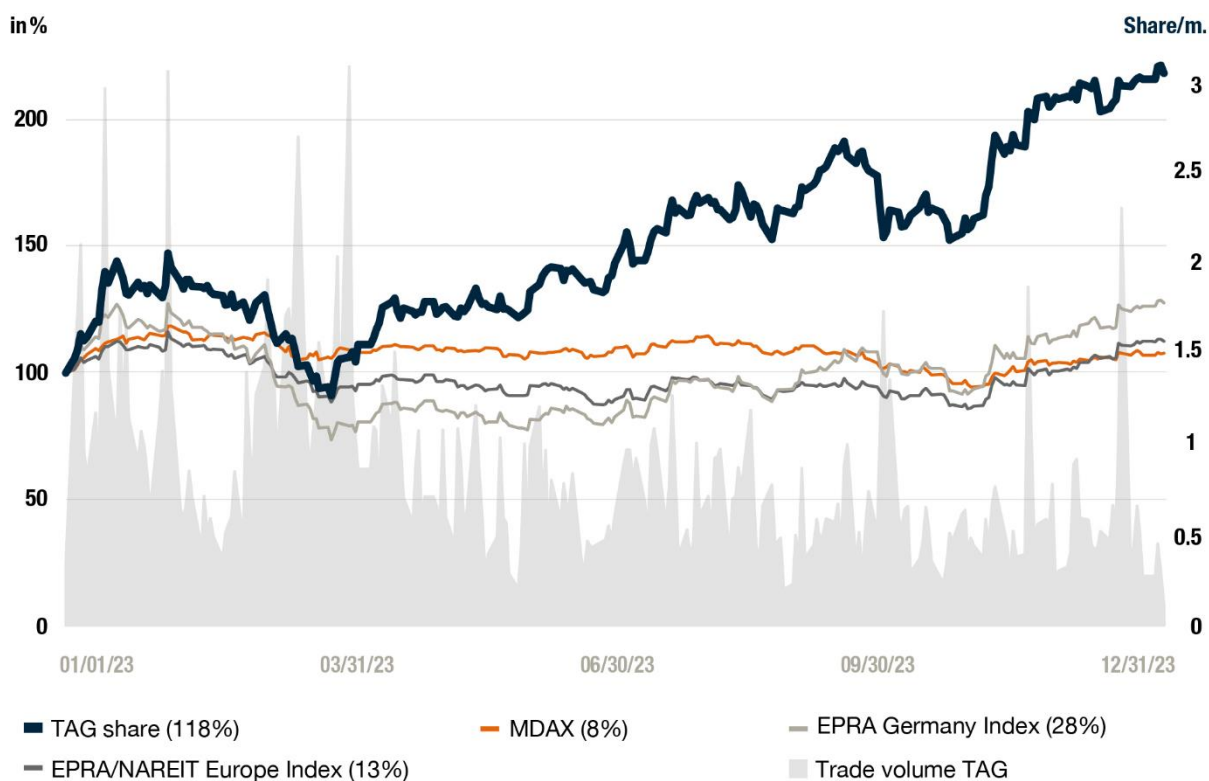
Share performance

The shares of TAG Immobilien AG are listed on the MDAX of the Frankfurt Stock Exchange, with a market capitalisation of EUR 2.3 bn as of 31 December 2023 (31 December 2022: EUR 1.1 bn).

In 2023, the TAG share showed a clearly positive price trend. Starting from a closing price of EUR 6.05 at the end of 2022, the share was quoted at EUR 13.20 (+118%) in the closing auction on 31 December 2023. The high was EUR 13.38 in December (28 December 2023), while the low was EUR 5.52 on 28 March 2023. The overall performance of the TAG share reflects the increasingly stable market conditions during the year, in particular the expectation of falling or at least no longer rising interest rates in the future. In 2022, on the other hand, when interest rates rose sharply, the TAG share price fell by 72%.

By way of comparison, the EPRA index, which is made up of various European property companies listed on international stock exchanges, recorded a gain of 13% (previous year: -39%).

At the national level, the MDAX index was up 8%. The EPRA Germany, an index comprising the major German property stocks, also recorded an increase of 28% (previous year: -55%) and thus significantly underperformed the TAG share, as the chart below illustrates:

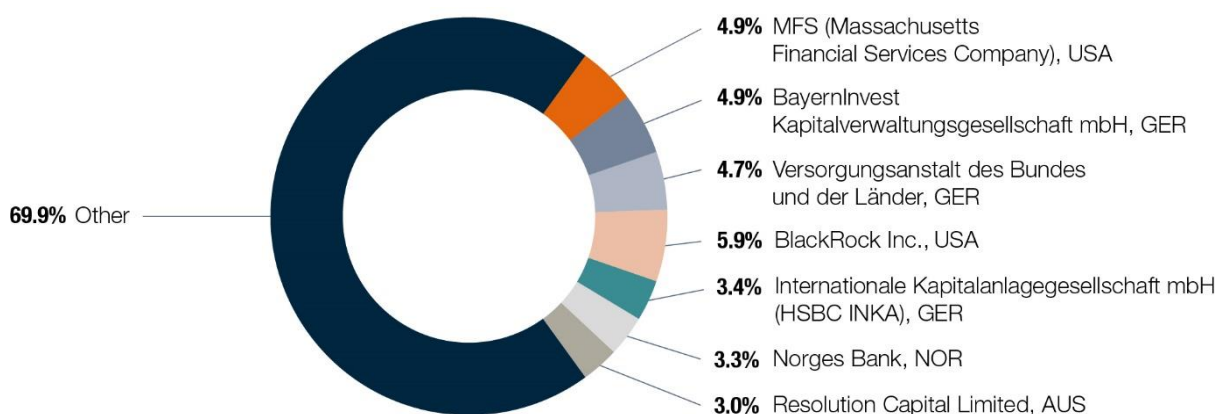


Share capital and capital structure

As at 31 December 2023, the share capital and the number of shares were unchanged from the previous year at EUR 175,489,025.00 and 175,489,025 shares respectively.

As of the reporting date, the free float was just under 100% of the share capital, 6,484 shares of the share capital (after 47,434 shares as of 31 December 2022) are held by TAG as treasury shares for Management Board and employee remuneration purposes.

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 2023) 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.



Dividend

In a departure from the distribution policy of previous years, the Annual General Meeting on 16 May 2023 resolved not to distribute a dividend for the 2022 financial year. In line with this approach, TAG's Management Board and Supervisory Board plan to propose to the next Annual General Meeting that no dividend be paid for the 2023 financial year either. The liquidity remaining in the Company as a result will be used to further strengthen the capital base and to finance new high-yield projects in Poland. As soon as the capital and transaction markets have normalised again, TAG intends to resume dividend payments.

A decision on a dividend payment for 2024 will be made at the earliest at the end of the year with the forecasts for 2025 and will depend on market conditions and the refinancing of all financial liabilities.

Credit rating

As of the date of this report, TAG has credit ratings from the rating agencies Moody's (non-investment grade, Ba1, outlook stable) and S&P Global (investment grade, BBB-, outlook negative).

Should TAG no longer be rated investment grade by S&P Global in the future, there would be no effects on financial liabilities, with the exception of the increase in the interest rate by 0.5 percentage points in promissory note loans totalling EUR 74.5m; in particular, there are no financing commitments or financial liabilities that are linked to the existence of at least an investment grade rating.

Change in the composition of the Supervisory Board

At the end of the Annual General Meeting in May 2023, the previous Chairman of the Supervisory Board, Mr Rolf Elgeti, and his deputy on the Supervisory Board, Mr Lothar Lanz, stepped down from the Supervisory Board of TAG Immobilien AG. The Annual General Meeting elected Mr Olaf Borkers and re-elected Prof. Dr. Kristin Wellner and Dr. Philipp Wagner as members of the Supervisory Board. The Supervisory Board members then elected Mr Borkers as Chairman of the Supervisory Board. At the beginning of October 2023, Mr Eckhard Schultz was appointed by the court as an additional member of TAG's Supervisory Board. The appointment is initially valid until the upcoming Annual General Meeting, which is scheduled for May 2024 and at which Mr Schultz will stand for election by the shareholders.

The employee representatives Ms Fatma Demirbaga-Zobel and Mr Harald Kintzel also stepped down from the Board in May 2023 after their term of office expired. In September 2023, the TAG workforce elected Ms Beate Schulz (Legal Department at the Berlin site) and Mr Björn Eifler (Team Leader Real Estate Management at the Chemnitz site) as new employee representatives on the Board.

Appointment of both Management Board members as Co-CEOs in addition to their existing functions as COO and CFO

The two members of TAG's Management Board, Ms Claudia Hoyer and Mr Martin Thiel, have been the Group's Chief Operating Officer (COO) and Chief Financial Officer (CFO) since 2012 and 2014 respectively, and have been managing the Company as a two-member Management Board since the beginning of 2022. This continuity in the Management Board and joint responsibility is to be continued in the future. Against this background, the Supervisory Board appointed the two Management Board members as Co-CEOs and extended the Management Board employment contract with Mr Martin Thiel for a further five years until 31 March 2029. Ms Claudia Hoyer's Management Board employment contract also runs on a long-term basis until 30 June 2027.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSET POSITION

Results of operations

Rental revenues and rental income (net rent)

At EUR 339.2m, the Group's net actual rent ("cold rent") generated from the rental business in Germany was slightly above the previous year's level of EUR 337.2m, which represents a positive development considering the sales made in 2023. Like-for-like rental growth (including the effects of vacancy reduction) of 2.3% (previous year: 2.7%) and a further reduction in the vacancy rate of the overall portfolio to 4.3% at the end of the year after 4.8% contributed significantly to this development.

Including the other income recognised in rental revenues (mainly third-party operating and ancillary costs), total rental revenues in Germany amounted to EUR 450.7m after EUR 451.1m in the previous year. The rental business in Poland contributed to net rental income with net actual rent of EUR 11.6m (previous year: EUR 2.7m). The increase compared to the previous year is due to the completion of further units for letting and the like-for-like rental growth of 10.8% achieved in Poland in 2023.

Taking rental expenses into account, net rental income in Germany, as the balance of rental revenues and expenses, totalled EUR 270.6m, compared to EUR 275.4m in the previous year. Net rental income of EUR 10.7m was generated from rental in Poland, compared to EUR 2.5m in the previous year. Overall, net rental income totalled EUR 281.3m after EUR 277.9m in the previous year.

For the Rental Germany segment, which also includes rental-related services from the 2023 reporting year, the segment result or FFO I, after deduction of management costs and directly attributable personnel and material costs, is EUR 173.4m (previous year: FFO I of EUR 189.4m).

The segment result or FFO I in the Rental Poland segment, which is reported for the first time as at 31 December 2023, amounts to EUR -1.7m (previous year: EUR 0m) after deducting management costs and directly attributable personnel and material costs

Results from sales of investment properties and properties held as inventories

At EUR 749.5m, revenue from the sale of inventory properties and investment properties was significantly higher than the previous year's level of EUR 418.8m. This is due in particular to TAG's continued sales activities in Germany in the 2023 financial year. The revenue generated in Poland from the sale of inventory properties totalled EUR 478.1m, compared to EUR 327.0m in the previous year (see also the comments in the section "Overview of business activities in Poland "). Overall, this resulted in a sales result of EUR 74.8m in 2023 after EUR 35.4m in the previous year.

In addition to book profits, the sales result also includes expenses for commissions for sales, additions to provisions for compensation risks and litigation costs from property development measures and sales in previous years as well as other incidental sales costs. These expenses totalled EUR 7.5m (previous year: EUR 3.4m).

For the Sales Poland segment, which is also reported for the first time as at 31 December 2023, the sales result or FFO II contribution reported in the segment reporting amounts to EUR 82.8m.

Revenues from services and net service income

Service revenues totalling EUR 118.0m (previous year: EUR 82.2m) were generated almost exclusively in Germany at EUR 114.2m (previous year: EUR 80.4m). They relate to the business areas of energy management, multimedia, craftsmen services, caretaker services and property management. Of this, EUR 3.8m (previous year: EUR 3.2m) is attributable to pro rata property tax and insurance premiums. The increase is mainly due to the higher prices for heat and gas within energy management in the reporting period, which are passed on to the tenants. After deducting directly attributable purchasing and material costs, net income from services totalled EUR 32.8m (previous year: EUR 28.6m).

Other operating income

Other operating income amounted to EUR 20.3m in the financial year (previous year: EUR 20.2m) and, as in the previous year, is mainly attributable to the capitalisation of personnel expenses in connection with project developments in Poland, the interim letting of properties not yet developed and the reversal of provisions.

Valuation results

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 EUR -705.2m in 2023, following an impairment of EUR -64.2m in the previous year. The valuation result in Germany had a negative impact of EUR -731.6m (previous year: EUR -97.3m), while a positive valuation result of EUR 26.4m (previous year: EUR 33.1m) was achieved in Poland (see also the section above entitled "Operating business performance and developments in the portfolio – revaluation of the portfolio in the past financial year").

Personnel expenses

Personnel expenses increased to EUR 85.6m in the reporting period (same period of the previous year: EUR 77.7m). Due to the first-time consolidation of ROBYG from the second quarter of 2022, both the number of employees and, analogously, personnel expenses in the Group increased. The number of employees in the German companies is almost constant compared to the previous year.

As at 31 December 2023, TAG employed 1,816 people, including employees in Poland, compared to 1,739 employees at the end of the 2022 financial year.

In this context, directly attributable personnel costs totalling EUR 85.2m (previous year: EUR 77.7m) are allocated to the individual segments. Of this, EUR 59.7m in Germany and EUR 3.4m in Poland (previous year: EUR 55.6m in Germany, EUR 0 in Poland) are attributable to the Rental segment, which has also included rental-related services since 2023. Sales activities in Poland accounted for EUR 22.4m (previous year: EUR 22.1m).

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

Amortisation of intangible assets and depreciation of property, plant and equipment of EUR 11.8m (previous year: EUR 10.6m) relate exclusively to scheduled depreciation, mainly on IT software, on the Group's own office properties, which are to be recognised at amortised cost in accordance with IFRS regulations, on operating and office equipment and on rights of use within the meaning of IFRS 16.

Other operating expenses

At EUR 30.0m, other operating expenses are slightly below the previous year's level of EUR 32.7m. Otherwise, the items in other operating expenses mainly include legal, consulting and auditing costs as well as communication and office space costs.

Directly attributable expenses (and income) totalling EUR 9.8m (previous year: EUR 5.2m) are allocated to the individual segments. Of this amount, expenses totalling EUR 16.2 m in Germany (previous year: expenses of EUR 14.2m) and income of EUR 1.1m in Poland (previous year: expenses of EUR -2.0m) are attributable to the rental business segment and income of EUR 5.3m (previous year: income of EUR 11.0m) to the sales business in Poland.

Net interest income and other financial result

The total financial result, as the balance of interest income and interest expenses as well as the other financial result, decreased to EUR -79.7m (previous year: EUR -32.6m), mainly due to increased interest expenses and expenses from the valuation of derivatives. Eliminating one-off effects and non-cash valuation results, e.g. from derivatives, from this financial result leads to a cash financial result excluding special effects of EUR -59.7m for the 2023 financial year after EUR 41.9m in 2022, which is included in the calculation of FFO in this amount.

Due to the slight increase in interest rates over the course of the year, the average interest expenses for total financial liabilities rose to 2.2% after 2.1% at the end of the previous year.

The other financial result includes the valuation of derivatives totalling EUR -18.1m (previous year: EUR 15.6m), as well as income from joint ventures totalling EUR 2.4m (previous year: EUR 0.0m) and currency translation effects totalling EUR 2.4m (previous year: EUR -0.6m).

Taxes on income

Income taxes totalled EUR -92.2m in 2023 after EUR 26.9m in 2022. The share of actual tax expenses amounted to EUR 27.2m in 2023 (previous year: EUR 16.0m), while the remaining income of EUR 119.4m (previous year: expense of EUR 11.0m) relates to non-cash deferred taxes, primarily from the valuation of investment properties and from the utilisation of deferred taxes on unused tax losses carried forward.

Consolidated net profit

In the 2023 financial year, TAG generated consolidated net income of EUR -410.9m (previous year: EUR 117.3m). The main reason for the EUR -528.2m decrease in consolidated net income was a EUR -641.0m lower valuation result.

Adjusted EBITDA

For the financial year 2023, the following adjusted EBITDA and adjusted EBITDA margin are calculated for the rental business in Germany as the ratio of adjusted EBITDA to net actual rent (in each case excluding sales results):

in EUR m	2023	2022
EBIT	-512.8	118.0
Valuation result	731.6	97.3
Depreciation	9.9	9.4
One-off's	0.0	7.3
Sales result	-1.1	1.4
EBITDA (adjusted)	227.6	233.5
Rental income (net actual rent)	339.2	337.2
EBITDA-Margin (adjusted)	67.1%	69.2%

The decline in adjusted EBITDA is mainly due to the year-on-year increase in maintenance costs and non-recoverable property management costs, including from the allocation of CO₂ costs. As a result, the EBITDA margin of 67.1% is below the previous year's level of 69.2%.

The adjusted EBITDA and the adjusted EBITDA margin for the rental business in Poland are as follows:

in EUR m	2023
EBIT Rental Poland	22.1
Valuation result	-13.7
Depreciation	0.3
EBITDA (adjusted)	8.8
Rental income (net rent)	11.6
EBITDA-Margin (adjusted)	75.9%

The rental business in Poland did not yet make a significant contribution to earnings in the 2022 financial year. In this respect, the adjusted EBITDA and the adjusted EBITDA margin for Poland are reported for the first time for the 2023 financial year. Based on net actual rent of EUR 11.6m and adjusted EBITDA of EUR 8.8m, this results in an adjusted EBITDA margin of 75.9% as at 31 December 2023.

Funds from Operations (FFO)

FFO I is calculated from consolidated net income in Germany, adjusted for non-cash components such as valuation results, depreciation and amortisation, impairment losses (without adjusting for impairment losses on rent receivables), non-cash interest expenses and excluding non-recurring special effects and deducting actual income taxes. Furthermore, FFO I does not include results from property sales. AFFO ("Adjusted Funds from Operations") is calculated from FFO I and deducts all capitalised investments in properties (capex). FFO II is based on FFO I and also takes into account the results from property sales and the earnings contribution from business activities in Poland. The number of shares outstanding was calculated as a weighted average.

The following overview shows the calculation of FFO I, adjusted EBITDA, AFFO and FFO II in the past financial year and in comparison to the same period of the previous year:

in EUR m	01/01/ - 12/31/2023	01/01/ - 12/31/2022
		(adjusted)
EBIT Germany	-512.8	118.0
EBIT Poland (rental)	22.1	0.0
EBIT Germany and Poland rental	-490.7	118.0
Adjustments		
Valuation result	717.9	97.3
Depreciation	10.2	9.4
One-off's	0.0	7.3
Sales result	-1.1	1.4
EBITDA (adjusted) total rental business	236.4	233.5
Rental income (net actual rent)	350.8	337.2
EBITDA (adjusted)	67.4%	69.2%
Net finance income (cash, after one-offs)	-59.7	-41.9
Income taxes (cash)	-3.9	-1.0
Guarantee dividend minorities	-1.1	-1.2
FFO I	171.7	189.4
thereof FFO I German business	173.4	189.4
thereof FFO I Polish business	-1.7	0.0
Capitalised maintenance	-20.0	-17.2
AFFO before modernisation capex	151.7	172.2
Modernisation capex	-66.1	-69.4
AFFO	85.6	102.8
Net income from sales Germany	1.1	-1.4
Adjusted net income from sales Poland ¹⁾	82.8	59.3
FFO II (FFO I + net income from Sales)	255.6	247.3
Weighted average number of shares outstanding (in 000)	175,444	158,900
FFO I per share (in EUR)	0.98	1.19
FFO II per share (in EUR)	1.46	1.56
Weighted average number of shares fully diluted (in 000)	175,444	158,900
FFO I per share (in EUR)	0.98	1.19
FFO II per share (in EUR)	1.46	1.56

The contributions of business activities in Poland to TAG's consolidated net income and the contribution to the TAG Group's FFO II in the 2023 financial year are as follows:

in EUR m	01/01- 12/31/2023	01/01- 12/31/2022
EBIT Poland	67.2	58.8
Result of effects from purchase price allocation	36.8	53.9
Valuation result	-12.7	-33.1
Depreciation	1.6	1.2
Results from joint ventures ¹⁾	7.7	0.0
EBITDA (adjusted) from sales Poland	100.6	80.8
Net financial result	1.2	-3.2
Cash taxes	-18.4	-15.0
Minority interests	-0.6	-3.3
Result operations Poland (contribution to FFO II)	82.8	59.3

¹⁾ excluding effects from the purchase price allocation

FFO I fell by -9.4% compared to the previous year, from EUR 189.4m to EUR 171.7m. On a per share basis, this resulted in a decline from EUR 1.19 per share to EUR 0.98 per share.

In the previous year, the Group forecast FFO I of EUR 0.98 per share for the 2023 financial year, which corresponded to FFO I of EUR 170m to EUR 174m in absolute terms. With FFO I of EUR 171.7m and FFO I of EUR 0.98 per share for the 2023 financial year, this forecast was met in absolute terms.

For FFO II, the Group forecast a range of EUR 240.0m to EUR 246.0m or EUR 1.38 per share. With FFO II of EUR 255.6m and FFO II per share of EUR 1.46 per share, this forecast was exceeded in absolute terms. In addition to the operating performance of the Polish subsidiaries, this development is due in particular to interest income generated in Poland and positive effects from the currency translation from zloty to euro.

Assets position

Assets

Total assets amounted to EUR 7.3bn as at 31 December 2023 after EUR 8.2bn as at 31 December 2022. In addition to investment properties of EUR 5,935.3m (previous year: EUR 6,569.9m), the Group's total property assets also include properties held as property, plant and equipment of EUR 2.0m (previous year: EUR 9.9m) and, particularly in Poland, properties held as inventories of EUR 629.6m (previous year: EUR 714.2m). In addition, properties totalling EUR 7.5m (previous year: EUR 187.4m) are reported as non-current assets held for sale. Total property assets as at 31 December 2023 amounted to EUR 6,574.4m compared to EUR 7,481.4m at the end of the previous year, of which EUR 5,442.9m (previous year: EUR 6,328.8m) was attributable to German properties and EUR 1,131.5m (previous year: EUR 1,152.6m) to properties in Poland. The decrease compared to the previous year is mainly due to changes in market value totalling EUR -705.2m (previous year: EUR -64.2m), sales of investment properties and non-current assets held for sale amounting to EUR 259.4m (previous year: EUR 88.7m) and sales of properties held as inventories amounting to EUR 434.1m (previous year: EUR 292.1m). Cash and cash equivalents amounted to EUR 128.6m as at 31 December 2023 compared to EUR 240.5m as at 31 December 2022.

Investments and Capex reporting

In 2023, TAG spent a total of EUR 125.8m (previous year: EUR 123.7m) on ongoing maintenance and modernisation in its like-for-like portfolio in Germany, i.e. excluding the acquisitions of the financial year and excluding project developments. EUR 39.7m (previous year: EUR 37.1m) was spent on maintenance recognised in profit or loss and EUR 86.1m (previous year: EUR 86.6m) on modernisations eligible for capitalisation, which break down as follows for the German portfolio:

in EUR m	2023	2022
Large-scale measures (e.g. modernisation of entire residential complexes)	44.8	48.9
Modernisation of apartments		
Previously vacant apartments	21.3	20.5
Change of tenants	20.0	17.2
Total modernisation costs like-for-like portfolio	86.1	86.6

Total investments (ongoing maintenance recognised in profit or loss and capitalised refurbishment and modernisation measures) amounted to EUR 25.21 per sqm in the Group's like-for-like portfolio in 2023 after EUR 24.55 per sqm in the previous year and EUR 24.52 per sqm in the entire German portfolio (previous year: EUR 23.77 per sqm).

Broken down by acquisitions, project developments and the residential portfolio, including acquisitions made during the financial year, investments in investment properties are as follows:

in EUR m	2023	2022
Acquisitions during the financial year	0.0	137.7
Project developments	63.7	137.2
- thereof capitalised interest	1.5	2.7
like-for-like Portfolio Germany ¹⁾	86.2	86.6
- thereof investments in existing areas	86.2	86.6
Other ²⁾	0.0	0.0
Total investments in investment properties	149.9	361.5

¹⁾ Investments in investment properties EUR 85.9m (previous year: EUR 86.1m), investments in properties held for sale EUR 0.3m (previous year: EUR 0.5m)

²⁾ Rental incentives, e.g. rent-free periods for tenants as a result of modernisation work carried out by tenants themselves, continue to be of minor importance; information on modernisation expenses in connection with joint ventures is not included here.

Project developments relate to investments in new residential construction in Poland. Including a project development recognised in inventories, EUR 11.7m (previous year: EUR 20.3m) was invested in Germany and EUR 315.7m (previous year: EUR 373.5m) in Poland. The modernisation expenses for the like-for-like portfolio only relate to investments in existing space; investments in additional space are of minor importance. Acquisitions in the previous year relate to project developments from the acquisition of ROBYG totalling EUR 124.8m and the other acquisitions in the German portfolio amounting to EUR 12.8m.

A detailed breakdown of ongoing maintenance expenses and refurbishment and modernisation measures per sqm by region can also be found in the portfolio overview table in the "Business performance – portfolio in detail" section above.

Goodwill

The initial consolidation of Vantage in 2020 resulted in goodwill of EUR 19.8m, which was reduced to EUR 19.4m as at 31 December 2023 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 assets acquired and liabilities assumed.

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 hedging transaction 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 at the reporting date, this goodwill increased to EUR 262.5m due to currency effects.

Financial position

Equity

In the 2023 financial year, the equity base was reduced by EUR -410.9m (previous year: increased by EUR 117.3m) due to the current consolidated result.

As at the reporting date, Group equity totalled EUR 2,964.5m (31 December 2022: EUR 3,307.7m). The equity ratio at the end of the 2023 financial year was 40.6%, compared to 40.3% at the end of the previous year.

EPRA Net Tangible Assets (NTA)

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

in EUR m	12/31/2023	12/31/2022
Equity (before minorities)	2,885.2	3,198.5
Deferred taxes on investment properties and derivative financial instruments ¹⁾	550.8	638.6
Fair value of derivative financial instruments	10.1	-6.1
Difference between fair value and book value of properties valued at cost ¹⁾	51.9	74.1
Goodwill	-281.8	-261.3
Intangible assets (book value)	-4.1	-4.9
EPRA NTA, fully diluted	3,212.1	3,638.8
Number of shares, fully diluted (in 000)	175,444	175,442
EPRA NTA per share (EUR), fully diluted	18.31	20.74

¹⁾ Deferred taxes on derivative financial instruments as well as deferred taxes and minority interests are taken into account when determining the hidden reserves on property, plant and equipment and inventories.

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

	2023				2022	
	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	5,934.3	89%	100%	6,223.3	92%	100%
Other portfolio including properties held for sale	708.6	11%	0%	534.0	8%	0%

Financing and liquidity

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

in EUR m	12/31/2023	12/31/2022
Liabilities to banks	2,290.3	2,522.0
Liabilities from corporate bonds and other loans	523.9	798.6
Liabilities from convertible bonds	463.5	460.6
Cash and cash equivalents	-128.6	-240.5
Net financial debt	3,149.0	3,540.8
Investment properties	5,935.3	6,569.9
Property reported under tangible assets	2.0	9.9
Property held as inventory	629.6	714.2
Property reported under non-current assets held for sale	7.5	187.4
Real estate volume (book value)	6,574.4	7,481.4
Book value of property for which purchase prices have already been paid in advance	-3.8	0.0
Share in Joint-Ventures including loans	58.9	0.0
Difference between fair value and book value for properties valued at cost	75.7	108.4
Relevant real estate volume for LTV calculation	6,705.2	7,589.8
LTV	47.0%	46.7%

TAG bases its debt financing on various pillars. In addition to bank loans secured by land charges at the subsidiaries, the Company also utilises capital market-based financing, such as corporate bonds in Germany and Poland, convertible bonds and, albeit to a lesser extent of generally a maximum of EUR 50m, short-term bearer bonds with maturities of generally one to twelve months (commercial papers) and promissory note loans as a special form of corporate bond. TAG and its subsidiaries also have access to credit lines from banks.

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

The key parameters of the bonds outstanding as at 31 December 2023 are 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 %

The corporate bond WKN A2LQP69 with a nominal value of EUR 125m outstanding at the end of the previous year's reporting date was repaid on 16 June 2023.

On the Polish capital market, the Group has currently issued unsecured bonds with a total volume of PLN 360m in various tranches and a new bond for EUR 24m as part of a bond issuance programme.

Titel	Volume in m PLN	Outstanding Volume in m PLN	Outstanding Volume in EURm	Maturity	Interest as of 31 Dec. 2023
Series PC	100.0	100.0	23.0	12/04/2024	8.8%
Series PD	150.0	150.0	34.6	06/17/2026	8.2%
Series PE	110.0	110.0	25.3	12/22/2025	10.7%
Series AA	n.a.	n.a.	24.0	07/12/2027	6.8%

The bonds are economically hedged by interest rate swaps with a volume of PLN 170m (previous year: PLN 470m). Bonds outstanding at the end of the previous year totalling PLN 297.1m were repaid in full during the financial year.

In Germany, TAG also placed a number of promissory note loans as part of private placements.

Instrument	Year of issuance	Nominal in EURm	Maturity of tranches	Average Interest as of 31 Dec. 2023
Promissory notes	2019	102.0	5 to 7 years	1.2%
Promissory notes	2020	77.0	3 to 10 years	2.1%
Promissory notes	2022	64.5	3 to 7 years	5.1%

Promissory note loans totalling EUR 115m were repaid on time in the financial year.

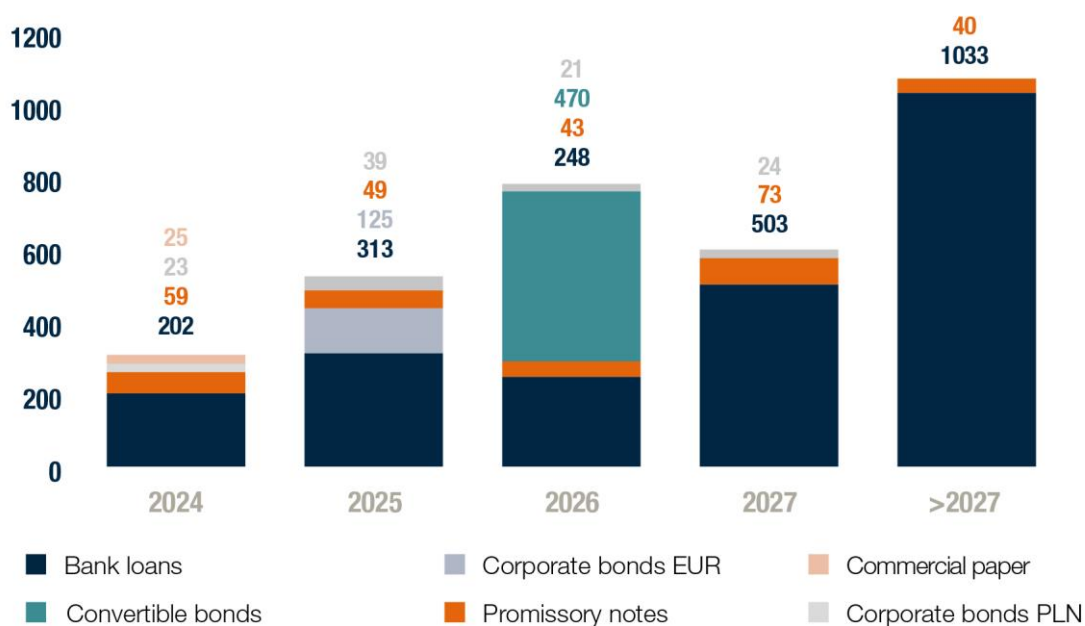
With an average remaining term of 2.8 years, the German promissory note loans have an average interest rate of 2.79% p.a.

The bridge financing of up to EUR 750.0m taken out to acquire the shares in ROBYG S.A., of which EUR 250m had still been utilised as at the previous year's reporting date, was repaid in full by October 2023.

In the reporting year, secured loans totalling EUR 263.8m were taken out with banks in Germany.

The maturities of the total financial liabilities as at 31 December 2023 are shown in the following overview:

in EUR m



The average volume-weighted remaining term of bank loans as at the reporting date was 5.8 years (previous year: 6.8 years) and that of total financial liabilities was 4.8 years (previous year: 6.8 years). The average interest rate for bank loans was 2.2% as at 31 December 2023 (previous year: 2.1%), while the average interest rate for total financial liabilities was 2.2% (previous year: 2.1%). 95.1% (previous year: 90%) of total financial liabilities have fixed interest rates.

The Management Board assumes that all loans to be negotiated in the 2024 financial year, which are almost entirely denominated in euros, will be refinanced or repaid from existing cash funds.

Based on the presentation in the consolidated cash flow statement, the cash flow for the past financial year developed as follows in summarised form:

in EUR m	2023	2022
Cash flow from operating activities	291.9	133.6
Cash flow from investment activities	117.9	-561.2
Cash flow from financing activities	-529.4	573.5
Effects from currency changes	8.3	-1.3
Cash and cash equivalents at the beginning of the period	238.7	94.1
Cash and cash equivalents at the end of the period	127.4	238.7

The main drivers of operating cash flow are the increase in rental and sales income. In the investment area, the construction and modernisation activities of the past financial year and the acquisition of ROBYG in the previous year are particularly evident. Cash flow from financing activities mainly includes the results from taking out and repaying bank loans.

As at the reporting date, the Group had the following freely available cash and cash equivalents, which are also recognised in this amount in the consolidated cash flow statement:

in EUR m	12/31/2023	12/31/2022
Cash and cash equivalents according to consolidated balance sheet	128.6	240.5
Cash and cash equivalents not available at balance sheet date	-1.2	-1.8
Cash and cash equivalents as per consolidated cash flow statement	127.4	238.7

In addition, credit lines totalling EUR 239.3m (previous year: EUR 149.4m in Germany) were available from various banks as at the reporting date. As at 31 December 2023, these had been utilised in the amount of EUR 9.2m (previous year: EUR 0.0m in Germany).

Overall assessment of the economic situation

In the Management Board's view, TAG was again able to achieve very good operating results in both Germany and Poland in the 2023 financial year. The forecasts for both FFO I and FFO II were met or exceeded.

The leverage ratio (LTV) increased slightly to 47.0% as at the reporting date after 46.7% in the previous year, mainly due to the loss from the property valuation of EUR -705.2m recognised in 2023 (after EUR -64.2m in the previous year). Taking into account the proposed waiver of a dividend payment for the 2023 financial year and the full repayment of the bridge financing from the purchase of the shares in ROBYG S.A. in October 2023, the Management Board believes that TAG has a very solid financial structure. The Group is thus stably financed despite the difficult capital and investment markets due to the rise in interest rates.

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

Fundamentals of the Company

TAG Immobilien AG (hereinafter also referred to as the "Company ") is the Group's parent company. It essentially acts as a management holding company and performs all key centralised 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, net profit under commercial law is also used as a key performance indicator, which is calculated annually as part of the annual financial statements. Adjusted net income for the purposes of the key performance indicator is calculated excluding results from control and profit and loss transfer agreements with subsidiaries, before income taxes and deferred taxes and excluding effects that do not recur annually. Non-recurring annual effects mainly include extraordinary effects from refinancing, results from disposals and valuation effects. The net profit for the year is particularly relevant for the calculation of the distributable balance sheet profit, as it must be ensured that the Company not only has sufficient liquidity, but also sufficient distributable earnings 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 income from business management services for the entire Group. It also collects investment income from its subsidiaries and generates interest income by financing the business operations of its subsidiaries. To this end, funds raised through debt financing and capital increases are passed on to Group companies.

In contrast, the Company's operating property business is not significant. In addition to a boarding house in Leipzig, the property portfolio as at 31 December 2023 still includes 71 flats in Riesa, as in the previous year. The majority of the operating business is conducted by subsidiaries within the Group.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS IN THE ANNUAL FINANCIAL STATEMENTS OF TAG IMMOBILIEN AG

Results of operations

TAG Immobilien AG's earnings position is largely characterised by its holding function and by the centralisation and management of Group-wide resources. The majority of the employment relationships of the German employees are bundled in the parent company and distributed to the subsidiaries via intra-Group cost allocations. This results in both high personnel expenses and high sales revenue. With regard to the Polish subsidiaries, which have their own staff, no revenue is generated in this regard.

The Company generated a net profit of EUR 80.4m in the 2023 financial year after a net loss of EUR 0.5m in the previous year. The increase is mainly due to significantly higher income from profit transfer agreements.

The following table shows the reconciliation of the net profit for the year to the adjusted net profit for the year in terms of the key performance indicator for TAG Immobilien AG as an individual company:

in EUR m	2023	2022
Consolidated net income as reported in the income statement	80.4	-0.5
Income taxes and deferred income taxes	22.2	9.5
Value adjustment other assets	18.0	0.0
Valuation effect purchase price guarantee	1.5	-0.5
Costs of capital increase	0.0	11.0
Expenses relating to bridge financing ROBYG	0.0	3.7
Income relating to investment properties sales	-6.0	0.0
One-offs internal financing	-25.5	0.0
Income from profit transfer agreements	-97.5	-24.7
Result after adjustments	-6.9	-1.5

On this basis, the Company achieved a net loss for the year of EUR -6.9m, which was below the previous year (EUR -1.5m) after adjustment. The forecast made in the previous year for the HGB annual financial statements, which assumed an adjusted net loss for the year of between EUR 4.0m and EUR 7.0m, was therefore met.

Sales increased in the financial year from EUR 43.1m in 2022 to EUR 48.0m, of which EUR 47.4m (previous year: EUR 42.6m) was attributable to the Group's internal cost allocation for personnel and material costs.

Other operating income increased from EUR 2.4m in the previous year to EUR 7.5m. This increase is mainly due to income in connection with the sale of properties, which is recognised under miscellaneous other operating income.

Personnel expenses rose from EUR 38.2m to EUR 40.2m in the financial year. The increase in these expenses is mainly due to the development of wages and salaries in the 2023 financial year.

At EUR 20.9m (previous year: EUR 3.0m), depreciation and amortisation were significantly higher than in the previous year and mainly relate to ERP software and impairment losses on receivables in connection with the sale of properties as well as other impairment losses on receivables.

At EUR 24.9m (previous year: EUR 38.4m), total other operating expenses were significantly lower than in the previous year. This difference is mainly due to the expenses (EUR 11.0m) in connection with the capital increase with subscription rights in the previous year. A significant portion of operating expenses in the financial year consists of legal and consulting costs, including IT consulting costs, totalling EUR 5.3m (previous year: EUR 7.7m) and office space costs of EUR 4.2m (previous year: EUR 3.8m).

The remaining items in other operating expenses mainly relate to expenses for communication costs of EUR 1.8m (previous year: EUR 1.8m), vehicle and travel expenses of EUR 1.8m (previous year: EUR 2.0m) and IT costs of EUR 1.8m (previous year: EUR 1.7m).

TAG Immobilien AG generated income of EUR 97.5m from control and profit transfer agreements in the 2023 financial year (previous year: EUR 24.7m). This significant increase was primarily due to the sale of properties in TAG's subsidiaries in 2023.

Net interest income rose to EUR 36.2m in the reporting year (previous year: EUR 18.9m). Interest income from affiliated companies and investments increased to EUR 95.9m (previous year: EUR 44.8m) as a result of the rise in the interest rate environment and the associated adjustment of the interest rate. Total interest income increased from EUR 44.9m to EUR 96.4m. Interest expenses increased from EUR 25.9m in the 2022 financial year to EUR 60.2m in 2023. In addition to the adjustment of the interest rate for interest expenses to affiliated companies, which resulted in an increase in interest expenses to EUR 35.3m (previous year: EUR 10.5m), the increase in interest expenses is also due to the bridge financing for the acquisition of ROBYG, which was repaid in October 2023 and whose interest rate increased over the course of the year. Current interest expenses of EUR 14.8m (previous year: EUR 11.2m) were attributable to promissory note loans, corporate bonds and convertible bonds in the 2023 financial year.

Financial position and net assets

Total assets decreased slightly by EUR 15.8m to EUR 3,141.7m as at 31 December 2023 (previous year: EUR 3,157.5m). Of the balance sheet total, EUR 628.3m (previous year: EUR 590.1m) is attributable to financial assets. EUR 38.0m of the increase in the reporting year (previous year: EUR 0.0m) is attributable to transfers to the capital reserve at a subsidiary. In addition, EUR 2,481.7m (previous year: EUR 2,434.6m) is attributable to intercompany receivables from loans and cash pooling. Cash and cash equivalents totalled EUR 11.9m at the end of the financial year (previous year: EUR 112.0m).

Equity increased by the net profit for the year from EUR 986.4m to EUR 1,067.3m as at 31 December 2023. No dividend was distributed in the reporting year. The equity ratio increased from 31.2% in the previous year to 34.0% as at 31 December 2023.

Tax provisions totalling EUR 3.9m (previous year: EUR 2.4m) consist exclusively of provisions for income taxes. Other provisions mainly include provisions for purchase price guarantees from the sale of shares in a subsidiary of EUR 3.4m (previous year: EUR 1.9m), for bonuses of EUR 1.0m (previous year: EUR 0.9m), for outstanding invoices of EUR 2.1m (previous year: EUR 1.3m), further provisions for personnel costs of EUR 0.5m (previous year: EUR 0.4m) and for auditing costs of EUR 0.5m (previous year: EUR 0.4m).

Liabilities decreased overall to EUR 2,017.5m (previous year: EUR 2,138.9m) and include the corporate bonds, convertible bonds, commercial papers and promissory note loans issued by the Company. The reduction in liabilities is mainly due to the repayment of the bridge financing taken out in 2022, which was still outstanding at EUR 250.0m at the end of the previous year, as well as a corporate bond for EUR 125.0m and promissory note loans totalling EUR 115.0m. In particular, an increase of liabilities towards affiliated companies from EUR 706.9m to EUR 1,075.2m has an opposing effect.

As at the reporting date, the Company had credit lines totalling EUR 84.4m (previous year: EUR 84.4m) from various banks. As at 31 December 2023, the credit lines were unused, as in the previous year.

Overall statement by the Management Board on the business situation

The Company's earnings position is satisfactory overall. As in previous years, TAG Immobilien AG's financial year 2023 is characterised by one-off effects and the results of the subsidiaries. These results increased from EUR 24.7m in the previous year to EUR 97.5m, resulting in a clearly positive result of EUR 80.4m after a net loss of EUR -0.5m in the previous year.

The Management Board believes that the Company's equity ratio of 34.0% (previous year: EUR 31.2%) remains at a good level. The Company has sufficient liquidity and, in the Management Board's opinion, has stable financing.

FORECAST, OPPORTUNITIES AND RISK REPORT

Forecast

Projected economic conditions

Factors such as rising interest rates, a weakening economy, high inflation and housing deficits are having an impact on both the German and Polish economies, as both countries are still struggling with the economic consequences of the war in Ukraine. At the end of February 2024, the German government forecast economic growth of 0.2% of gross domestic product in the current year compared to the previous year, lowering the previous official expectation of 1.3% from October 2023. The unemployment rate is expected to increase from the current 5.7% to 5.9%, while the growth rate of consumer prices, which rose sharply in 2023 at 5.9% compared to the previous year, is expected to fall to 2.2% in 2024 compared to the previous year (ifo Economic Forecast Winter 2023). A study by the Pestel Institute identified a housing deficit of 700,000 flats at the beginning of 2023, compared to only 260,100 building permits issued for flats in 2023. Due to the decline in residential construction investment in Germany, it can be assumed that there is still a high demand for housing. In terms of rents and vacancy rates, we therefore expect the positive trend of the past financial years to continue. In view of the ongoing inflationary pressure, the ECB's monetary policy is likely to continue its tightening course for the time being before interest rates are cut in the course of 2024.

Gross domestic product growth of 2.7% is forecast for Poland in 2024, the unemployment rate is expected to fall from the current 3.0% to 2.8% and the inflation rate is expected to fall from 11.1% in 2023 to 6.2% (European Economic Forecast, autumn 2023). Following reduced sales in the Polish housing market in 2022, sales figures rose sharply in 2023. This increase suggests that a large number of market participants are convinced that prices will continue to rise in the coming years and that rents will continue to grow.

The realisation of the aforementioned forecast assumptions is itself subject to risks. The potential for further major disruptions triggered by the war in Ukraine and other geopolitical crises still exists. It is therefore difficult to forecast significant factors for the property industry in particular, such as future inflation and interest rate trends in this environment.

Group forecast for the 2024 financial year

The following section should be read in conjunction with the other sections in this Group management report. The forward-looking statements contained in this report on expected developments are based on estimates and conclusions drawn from the information currently available. The statements are based on a number of assumptions relating to future events. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Many of these risks and uncertainties are related to factors that TAG cannot control, influence or 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.

In particular, the specific effects of the ongoing Russian war of aggression against Ukraine on the economy, individual markets and sectors cannot be conclusively assessed at present. In this context, the forecasts presented below are characterised by a high degree of uncertainty.

The following FFO I and FFO II forecasts are made for the 2024 financial year:

- **FFO I: EUR 170–174m** (2023: EUR 170–174m, approx. +/-0% compared to the previous year) or EUR 0.98 per share (2023: EUR 0.98, approx. +/-0% compared to the previous year)
- **FFO II (FFO I plus sales results): EUR 217–223m** (2023: EUR 240–246m, -9% compared to the previous year) or EUR 1.25 per share (2023: EUR 1.38, -9% compared to the previous year).

The number of shares used for the forecast of FFO I and FFO II per share amounts to the current number of shares outstanding (excluding treasury shares) of 175,482,541.

The following figures are assumed for the Group's operating results. The (adjusted) EBITDA for the Rental Germany, Rental Poland and Sales Poland segments is forecast for the first time for the 2024 financial year. This more detailed forecast is intended to further clarify the sources of operating income within the TAG Group.

- **EBITDA (adjusted) Rental Germany: EUR 218–222m**
(forecast 2023: EUR 223–227m, approx. -2% compared to the previous year)
- **EBITDA (adjusted) Rental Poland: EUR 11–13m**
(forecast 2023: EUR 6–8m, approx. 57% compared to the previous year)
- **EBITDA (adjusted) Rental Total: EUR 230–234m**
(forecast 2023: EUR 230–234m, approx. +/- 0% compared to the previous year)
- **EBITDA (adjusted) Sales Poland: EUR 64–70m**
(forecast 2023: EUR 100–106m, approx. -35% compared to the previous year)
- **Adjusted sales result Poland: EUR 46–52m**
(2023: EUR 72–78m, approx. -35% compared to the previous year)

Book gains or book losses from the sale of flats in Germany were not assumed for the purposes of the FFO II forecast.

FFO I is expected to remain constant in 2024 compared to 2023. A slight reduction in operating income from the German rental business, which is mainly due to the sale of flats in the financial year and the previous year, can be offset by increasing operating income from the growing rental portfolio in Poland. While a reduction in interest expenses is expected as a result of the repayment of the bridge financing from the acquisition of ROBYG, this will be offset by slightly higher expected income taxes (mainly due to further utilisation of unused tax losses in Germany), which will reduce earnings.

The expected decline in FFO II results from a forecast lower sales result in Poland. Results from the sale of flats are recognised in the balance sheet when they are handed over. As the majority of sales take place before construction begins or during the construction phase, which lasts a good 18 months, this result essentially reflects the weaker sales figures for 2022. The forecast number of flat handovers in Poland in 2024 is therefore reduced to at least 3,000 flats (2023: 3,500 flats handed over). With regard to sales, at least 3,000 flats are expected to be sold in Poland in 2024 (2023: 2,700 flats sold). In the years from 2025 onwards, more flat handovers and thus higher sales results can be expected again due to the rising sales figures. The adjusted sales result for Poland is calculated from the EBITDA (adjusted) from sales in Poland after interest and taxes and is recognised directly in FFO II.

Total rental growth, i.e. including the effects of vacancy reduction, is assumed to be around 2.2% to 2.7% (2023: 2.3%) p.a. on a like-for-like basis for the German portfolio in 2024. The vacancy rate in the Group's residential units in Germany is expected to fall by around 0.2% to 0.4 percentage points in 2024 (2023: fall of 0.5 percentage points).

Dividend forecast

As in the previous year, the Management Board and Supervisory Board plan to propose to the next Annual General Meeting in May 2024 that the dividend payment for the 2023 financial year be suspended. The liquidity remaining in the Company as a result is to be used to further strengthen the capital base and to finance new high-yield projects in Poland. The dividend payment is to be resumed as soon as the capital and transaction markets have normalised again. A decision on a proposal for the dividend payment for 2024 will not be made until the end of next year at the earliest and will depend on the market conditions prevailing at that time.

Forecast of TAG Immobilien AG as a single entity for the 2024 financial year

We expect TAG Immobilien AG's adjusted net profit for the financial year 2024, excluding results from control and profit transfer agreements with subsidiaries, before taxes and excluding annual non-recurring effects, to be between EUR 27.0m and EUR 33.0m.

OPPORTUNITIES AND RISK REPORT

Risk management

TAG has implemented a centralised risk management system (RMS) to ensure the identification, measurement, management and monitoring of all risks to the Group as a going concern. The aim of this risk management system is to take measures to reduce potential risks, safeguard the portfolio and support the successful further development of the TAG Group. The risk management guidelines are binding for all organisational units of TAG. Updating and refining the risk management system, as well as the compliance management system and the internal control system, is an ongoing, high-priority management task.

TAG's Management Board is responsible for the consistent and appropriate organisation of the risk management process. In order to identify risks, TAG monitors both macroeconomic developments and developments in the real estate and financial sectors. Due to constantly changing conditions and requirements, risk identification is an ongoing task that is integrated into the organisation and work processes. Each organisational unit must identify all potential risks arising from current and future actions. Regular jours fixes, departmental meetings, individual discussions and queries also serve to identify and sensitise to risks.

Central risk management supports the Management Board and the organisational units subject to reporting requirements by managing and implementing the risk management process. The risk managers 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. These risks are then transferred to a "summarised risk report".

Risk identification and valuation

Risk identification involves regularly and systematically analysing internal and external developments and events. The focus here is on risks that jeopardise the Company as a going concern. The risks are valued according to their probability of occurrence and the absolute amount of damage and recorded in the risk questionnaire.

The risk assessment is the quantification of an expected value, which is calculated as the product of the probability of occurrence and the net loss amount (gross loss amount less measures taken) of a risk. With regard to potential damage caused by a risk, the impact on liquidity (cash) is determined and analysed at Group level. The risk can also be qualitative.

The following categorisations were chosen to quantify the loss potential:

Quantitative extent	Value in EUR m				
	> 15.000	medium	high	high	severe
	> 5.000 - ≤ 15.000	low	medium	high	severe
	³ 1.000 - ≤ 5.000	low	low	medium	medium
		rare ≤ 5%	unlikely > 5% – ≤ 25%	possible > 25% – ≤ 50%	probable > 50% – ≤ 75%
					almost certain > 75%
			Probability of occurrence		

All of TAG's risks are categorised in a closed 15-field matrix (risk map) according to their level of damage and probability of occurrence. As part of the reporting process, the reported expected values are summarised and aggregated, taking interdependencies into account.

Risk management

Risk is managed on the basis of measures taken for the identified risks through risk avoidance, risk reduction, risk transfer and risk acceptance. Risk avoidance by foregoing risky transactions is not a generally applicable strategy, as this also means foregoing profit opportunities. Risk management therefore encompasses all measures to minimise or pass on risk.

The monitoring of risk management measures is the decentralised responsibility of the risk managers. The risk manager is responsible for comparing the risk reports and the corresponding measures in terms of their implementation and effectiveness with the 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 objective is to generate continuously growing and reliably predictable cash inflows from the rental of residential real estate. In this respect, risk-bearing capacity is determined on the basis of liquidity. TAG's maximum risk-bearing capacity (risk coverage amount) is determined on a rolling basis within the next twelve months on the basis of the lowest value of "available cash" as derived from monthly liquidity planning. Refinancing measures are only taken into account if they are about to be implemented. A safety margin of 20% is applied to account for further liquidity risks that are not currently recognised. The value calculated in this way is checked for plausibility against the three-year liquidity planning of the last budget. If significant liquidity risks become recognisable in a period of more than one to three years (e.g. expiring loans that cannot be refinanced even from a medium-term perspective), these are also deducted.

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

Risk communication

The risk managers must report regularly to the central risk management department on a quarterly basis or in accordance with the risk-specific reporting cycle agreed. Appropriate software is used for this purpose, as well as for the entire risk management process. Central Risk Management sends the Management Board a consolidated report (risk reporting for the CFO) with an overview of the reported risks in the individual risk categories, the Group's expected value, the risk coverage amount and the resulting risk-bearing capacity and the categorisation of the risks in the risk map. At the same time, a corresponding presentation is prepared for the Supervisory Board, which also contains the Group's expected value, the risk cover amount and the resulting risk-bearing capacity.

The Management Board receives a quarterly summary of the reported risks by risk category from Risk Management as well as an overview with 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 meetings and explained by the Management Board.

If new risks or risks with an expected value of more than EUR 5m that could jeopardise the Company's continued existence arise at short notice outside of the regular survey, these must be reported immediately to the risk manager by the risk managers or their representatives (ad hoc risk reporting). The risk manager or representative receives the reports from the risk owners, 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 audit department that also monitors risk management and compliance with the internal control system. As a process-independent body, it regularly audits the Company's business processes, installed systems and implemented controls.

Compliance management

Compliance means conformity with the rules, i.e. adherence to the laws, regulations and codes relevant to the Company, voluntary commitments and the Company's internal guidelines and organisational measures. To ensure compliance with the rules, TAG has a compliance management system (CMS) in place to organise corresponding internal processes and guidelines, which 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 this. The CMS is not integrated into the RMS; the systems complement each other. The common objectives of the RMS and CMS are to identify and visualise risks and hazards and to minimise these risks and hazards.

The internal control system (ICS), which is also not part of the risk management system, includes the principles, procedures and measures (regulations) 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 regulations applicable to TAG. The ICS is made up of the components control environment, risk assessment, control activities, information and communication as well as monitoring activities, which are essentially integrated into the corporate processes. Through the corresponding regulations, the ICS therefore helps to ensure that the organisation and processes are set up properly and supports the optimal flow of corporate processes. The Management Board examined the risk management system and the ICS in the past financial year and did not identify any objections to the appropriateness and effectiveness of these systems as a whole.¹⁾

¹⁾ unaudited information

Individual risks with regard to their future development

Risk definition

The various individual risks that the Management Board considers to be of material significance for TAG are summarised as follows:

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

Environmental and sector risks

The German property market is dependent on macroeconomic developments and demand for property in Germany. Demand for real estate is influenced in particular by demographic trends, the labour market, private debt levels, mortgage interest rate trends and real income as well as the activity of international investors in Germany and is also dependent on the regional situation. Another key factor is the tax environment, in which tax policy instruments such as special depreciation allowances, income tax exemptions and real estate transfer tax as well as gift and inheritance tax concessions influence demand for property. In 2023, a downward trend in property prices can be expected due to the overall economic development and the continued significant increase in interest rates compared to previous years.

TAG is exposed to intense competition. Particularly in the acquisition and sale of property portfolios, TAG competes with real estate companies, real estate funds and other institutional investors, some of which may have considerable financial resources or other strategic advantages. In this respect, there is a risk that TAG will not be able to hold its own against the competition or will not be able to sufficiently differentiate itself from its competitors and thus will not be able to realise planned acquisitions or sales.

With regard to future maintenance, construction and modernisation measures, there is a risk that the craftsmen and construction industry will not have sufficient capacity and materials to process the corresponding orders in a timely manner. This may lead to delays in the maintenance and modernisation measures planned by TAG, particularly in the area of energy-efficient refurbishment, and, as a result of the high demand, to additional unplanned price increases.

The concentration of TAG's business activities on individual regions within Germany may also lead to dependence on regional market developments and expansion risks. This applies in particular to the eastern German states, where the majority (more than 75%) of TAG's property holdings are located.

TAG's strategic focus on medium-sized cities and large metropolises limits these risks. In addition, selected acquisitions and sales of residential real estate strengthen the focus on a high-yield portfolio. In preparation for acquisition and sales decisions, general and regional market developments are constantly monitored and the properties on offer are analysed in detail with regard to their condition, location and rents. Potential transactions undergo a thorough due diligence process for the valuation of earnings potential, synergies and rental and cost risks. These factors are evaluated in the same way for TAG's entire property portfolio and are also taken into account in potential sales of portfolios.

The individual environmental and industry risks described are considered medium overall, having been classified as low to medium in the previous year. After many years of growth, the German property market in 2023 was characterised by falling property prices and significantly reduced transaction volumes for the second year running, while construction and modernisation costs remained high. Economic development in Germany also continued to decline over the course of 2023.

Even if the probability of occurrence of the risk of delays and higher prices due to capacity bottlenecks in maintenance and modernisation measures is high in our view, TAG's activities in this regard are not very extensive compared to the industry as a whole. In addition, this risk has already been countered for several years by the further expansion of the Group's own craftsmen service. If such risks materialise, this would mean that the expected development described in the forecast report presented above (section "Group forecast for the 2024 financial year"), in particular FFO I, would not be achieved.

In contrast to the German property market, we believe that the competitive situation in Poland is still less intense. In particular, the residential rental market targeted by TAG is currently hardly occupied by institutional investors. In addition to the resulting opportunities, there is also the risk that future market developments will be misjudged and that planned rental or project results cannot be realised to the expected extent. Conventional property development projects, in which flats are built and then sold to private individuals (primarily as owner-occupiers), are being realised by numerous project developers in Poland. Here, too, this is currently leading to rising property prices and bottlenecks in the availability of construction companies and craftsmen. Overall, the environment and sector risks in the Polish market are valued as low to medium.

Regulatory and political risks

TAG is exposed to general risks arising from changes in the framework conditions resulting from legislation or other regulations. In addition to tax law, such regulations can affect general tenancy law in particular, but also construction law, labour law and environmental law.

With regard to future tenancy law in particular, there is a risk of significant disadvantageous changes for landlords, some of which have already been implemented in law. In addition to the tightening of the so-called "rent brake" in accordance with Section 556d of the German Civil Code (BGB) in previous years and the now reduced apportionment for modernisation expenses in accordance with Section 559 BGB, further regulatory measures were implemented in 2023, such as the amendments to the new Buildings Energy Act (GEG) passed by the Bundestag and Bundesrat in September 2023. As a result, heating systems with 65% renewable energy must be installed in new buildings within new development areas from 1 January 2024. From 2026 (e.g. large cities) or 2028 at the latest, the use of at least 65% renewable energy, linked to municipal heating planning, will be mandatory for all new heating systems. Transitional periods apply to new buildings outside new development areas and existing properties. New oil or gas heating systems may continue to be installed until the deadlines for heat planning expire. The risk from the consequences of the GEG, which may have a negative impact on refurbishment costs and cannot be fully passed on to tenants, is considered to be high. Further tightening may occur in the future as a result of the further implementation of the federal government's programme. Furthermore, the CO₂ price has been EUR 45 per tonne since 1 January 2024. From 2025, it is set to rise to EUR 55 per tonne and from 2026 it will be a minimum of EUR 55 and a maximum of EUR 65. From 2027, CO₂ emissions trading for building heating and the transport sector is to be introduced across the EU, which would mean that the CO₂ price would be set on the market from then on.

The risk of unfavourable changes in tenancy law is classified as medium for TAG. Although the probability of occurrence is certainly high, the economic impact for TAG, as far as can be seen at present, is not material, as the Group's investment focus is neither on rent increases due to modernisation levies nor on sharp rent increases in metropolitan areas, which are particularly dependent on the "rent brake" and the development of the rent index. In our view, however, the current discussions are mainly focused on two areas, namely the sharp rise in new rents in major cities in recent years and extensive rent increases as a result of modernisation measures. Many tenants fear that current or future rents will no longer be affordable. This is to be counteracted by stricter rent regulation. However, TAG's investments are not made in Germany's major metropolises, but deliberately in the wider catchment areas of the metropolises and in medium-sized cities. The majority of our residential portfolio is located in Eastern Germany. TAG's largest locations include the cities and regions of Salzgitter, Gera and Erfurt. Modernisation programmes for existing tenants are only carried out to a very limited extent (these contributed only 0.1% to total rental growth in the 2023 financial year (previous year: 0.1%)); the main focus of investments is on vacancy reduction.

Against this backdrop, we do not believe that the debate surrounding stricter regulation (in particular restrictions on rent increases) will have a significant impact on our locations. Nevertheless, there is a risk that in the event of stricter nationwide regulation of rents, TAG will no longer be able to increase its rents, or only to a limited extent. Although this would not jeopardise the Group's portfolio, it could have a significant negative impact on the future development of rents (like-for-like rental growth), FFO I and NTA presented in the forecast.

In contrast to Germany, Poland has no independent tenancy law. Tenancy agreements are only subject to the provisions of general civil law, meaning that there is largely freedom of contract between owners and tenants. Even if regulation of the rental housing market is not currently being discussed and is also unlikely in our view, it cannot be

ruled out that regulatory initiatives will also be launched in Poland in later years if the trend of rising rents observed in recent years continues. In this case, it cannot be ruled out that such regulatory initiatives could have a negative impact on individual earnings components of letting, such as apportionable operating costs or permissible (net) rents. However, these risks are considered to have a low impact on the Polish activities.

All other individual regulatory and political risks are assessed as low to medium, meaning that this risk category is valued as medium overall. Compared to last year, where the overall assessment was low to medium, this category reflects in particular the impact of new legislative initiatives (such as the GEG) and the continuing deterioration of the situation on the rental property market. Corresponding developments could have a negative impact on the expectations presented in the forecast report, particularly with regard to the development of rents and therefore FFO I.

ESG risks

ESG (Environmental Social Governance) issues are increasingly taking centre stage, including in risk management. These topics include, for example, future legal regulations to reduce CO₂ emissions in the housing stock and disclosure requirements on the sustainability of business activities as part of the EU Taxonomy Regulation and the EU Corporate Sustainability Reporting Directive (CSRD), which came into force at the beginning of 2023, the increased demand for needs-based conversions and senior citizen programmes due to demographic changes, as well as ground floor flats and barrier-free and senior citizen-friendly flats. The need for social support services and advice on general issues in residential neighbourhoods is increasing. Other aspects include the rise in consumption costs, especially energy and water consumption, or increased damage caused by heavy rain and storms, resulting in higher insurance costs.

TAG is increasingly offering counselling and social services. Rising energy costs are being countered by continuously renewing the heating systems. Further energy efficiency measures are being successively implemented in the buildings.

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

TAG published its decarbonisation strategy for the German residential portfolio at the beginning of the 2022 financial year. According to this strategy, additional investments (compared to the previous investment level) totalling around EUR 690m, or around EUR 30m p.a., will be required to achieve the goal of a virtually climate-neutral portfolio by 2045. There is a risk that due to cost increases, unavailable capacities or limited financing options, this target can only be achieved with, possibly significantly, higher costs or with a delay. The profitability of the planned measures may also be lower or even significantly lower than expected due to further regulatory intervention, such as more restrictive rent increase options for modernisations in the future.

Overall, the risks are still classified as low, but as increasingly relevant. If modernisation measures and measures in connection with new energy and metrological requirements, which are necessary to reduce CO₂ emissions across the entire German housing stock, cannot be passed on to tenants or only to a lesser extent than expected, this would have a negative impact on rental income and expenses and therefore on FFO I in particular.

Rental risks

A significant vacancy rate and the loss or reduction of rental income can lead to a loss of income and cause additional costs that may not be able to be passed on to tenants. An increase in vacancies may result from lower future demand for housing if, for example, the number of households in individual regions declines due to demographic developments or as a result of large employers in the region moving away or downsizing.

In the area of residential real estate, a standardised credit check is carried out on potential tenants for new lettings. In addition, vacancy reduction is one of TAG's strategic goals, thus reducing vacancy costs while at the same time realising existing rental potential. TAG secures long-term tenancies by actively managing the portfolio and sustainably maintaining existing tenants. In addition, receivables management ensures continuous incoming payments and can promptly counteract possible defaults.

The risk of rent defaults (rental default risk) exists in individual cases, but we currently consider it to be low overall. All in all, there were impairments on rent receivables at Group level in the 2023 financial year, including the impairments recognised separately in the service result, of EUR 6.7m (previous year: EUR 5.9m). In relation to the net actual rent of EUR 350.8m (previous year: EUR 339.9m), this corresponds to a bad debt ratio of 1.9% (previous year: 1.3%). In the separate financial statements of TAG Immobilien AG itself, rent defaults are only of minor significance.

Since 2022, the Ukraine war in particular has had a negative impact on global supply chains and energy prices. Based on data from the German Association of Energy and Water Industries (BDEW), the average price of natural gas for apartment buildings fell to an average of EUR 13.59 ct/kWh in 2023 after peaking at 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 2023 was around 14% higher than the electricity price in the second half of 2022.

Even though there was no significant impact on TAG's operating business in the 2023 financial year, future developments in this area are difficult to predict, and the individual risk assessment therefore remains medium. The development of energy prices is mainly influenced by external effects that are beyond TAG's control. If tenants are unable to adjust their advance payments for operating costs to rising prices in the future or to make additional payments resulting from the annual service charge statement, the risk of bad debt losses from letting could increase significantly and also reduce the potential for future rent increases.

Future rental risks are dependent on both population trends and new construction activity in Germany. They are categorised as low in terms of their probability of occurrence due to the expected continued high demand for residential space. An increase in the vacancy rate would have a negative impact on rents and therefore on FFO I in particular. The expectations presented in this regard in the forecast for the 2023 financial year could not be achieved in such a situation.

In contrast to Germany, the rental property market in Poland is much smaller. The ownership rate in Poland is currently around 80–85%, while in Germany it is only around 45–50%. Against this backdrop, there is a risk for TAG that the flats offered for rent in Poland will not meet with sufficient demand in the future, as the ownership rate will not decrease, even in the large Polish cities targeted by TAG, but will actually increase further. In combination with higher new construction activity, this could lead to an oversupply.

However, this risk is considered to be low. The market for residential lettings in Poland has seen a significant increase in demand in recent years, as can be seen from the steady rise in rents. On the contrary, we believe that the Polish rental housing market is characterised by a supply deficit. It is one of the least saturated housing markets in Europe. In addition, the absolute size of the Polish market with around 38m inhabitants and the favourable demographic trend support the assumption that there will also be growing demand in the future, not only for owner-occupied flats but also for rental flats.

Portfolio valuation risks

Valuations of the fair values recognised in the consolidated financial statements and the properties reported under current assets are generally based on appraisals. These valuations are currently carried out twice a year by independent, recognised experts. The market values are dependent on various factors, some of which are objective factors such as economic developments or interest rates, as well as other external factors that are subject to judgement, such as the development of rent levels and vacancy rates. In addition, contaminated sites in the portfolios, such as lead pipes, can have an influence on the valuation.

In addition, the valuer must also take into account discretionary, qualitative factors, such as the valuation of the location and quality of the properties or the level of achievable rental revenues. As a result, impairments may be recognised in the balance sheet and there is a high degree of volatility in the consolidated result. There is no direct impact on TAG's liquidity.

The assumptions used for the valuation of the properties are made by the independent appraiser on the basis of his professional experience and are subject to uncertainty. For the effects of possible fluctuations in the valuation parameters, without taking into account potential interdependencies between the individual parameters, please refer to the notes to the consolidated financial statements, section "Notes to the balance sheet - Investment properties".

Rising interest rates could result in further losses in value in the portfolio valuation, as in this situation, at least in the medium term, investors' return expectations and thus the capitalisation interest rates used in the valuation model should also rise. Corresponding losses in the portfolio valuation can also occur if rents fall or vacancy rates rise.

In Poland, the risks of an incorrect market assessment of the still relatively young and small market for residential lettings and changes in demand for corresponding properties could also lead to valuation risks. In addition, due to the comparatively recent history of this market, it may only be possible to estimate comparative parameters for the valuation within wider ranges. Overall, the portfolio valuation risks are categorised as medium due to possible negative market developments.

We classify portfolio valuation risks in Germany as medium despite the continued strong demand for flats, coupled with insufficient new construction activity and the expected further increase in rents. This is mainly due to the significant rise in interest rates since the beginning of 2022. If balance sheet losses occur, these will not affect liquidity, but will increase the leverage ratio (LTV). This could make future financing more difficult or impossible or even lead to a breach of financial covenants if substantial further impairments are not expected from today's perspective.

Project development risks

Since the 2020 financial year, TAG has also been active as a project developer on the Polish property market to a significant extent. On the expense side, this can be associated with significant risks if construction projects entail unplanned costs or rising costs for building materials or labour, or if their implementation takes longer than planned. Although this has not been the case for projects in Poland in recent financial years, such cost risks are inherent in the project development business against the backdrop of rising inflation also in Poland. On the income side, there is a risk of incorrect sales price calculations, particularly if the time between planning and completion of the project is longer than planned.

This means that there are completion risks, procurement risks and construction risks within the project development business, which TAG only operates in Poland and not in Germany. Although we consider individual project development risks to be low to medium, we categorise the total sum of project risks as high. As at the reporting date, this had no impact on the valuation of the recognised project developments in Poland. If these risks were to materialise, NTA and FFO II could be negatively impacted and the expectations presented with regard to these key figures may not be achieved.

Liquidity risks

TAG's business activities expose it to various risks of a financial nature, primarily liquidity and interest rate risks. Risk management is performed by the central finance department on the basis of the guidelines adopted by the corporate bodies. Potential default risks in connection with the investment of Group liquidity and the conclusion of derivative financial instruments and other financial transactions are minimised by monitoring counterparty risk and selecting financial institutions with high credit ratings.

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

TAG is also dependent on obtaining debt capital at appropriate conditions to refinance expiring loans or for acquisitions. In the case of unsecured loans (e.g. corporate bonds and promissory notes), it is essential for this financing that TAG continues to have an investment grade rating.

A further crisis on the financial markets could make TAG's debt financing considerably more difficult and lead to liquidity problems. Should this result in problems servicing current loans, lenders could, as a last resort, arrange for the forced realisation of real estate collateral. Such distress sales would lead to considerable financial disadvantages for TAG. In connection with promissory notes and bonds maturing in the next three years, the resulting risk is considered to be medium.

The Group has loan agreements totalling EUR 2,197m (previous year: EUR 2,453.8m) for which the banks have imposed financial covenants with regard to debt service coverage ratios and equity or debt ratios. A breach of these covenants could result in an early repayment obligation if the curing options are not utilised. TAG Immobilien AG itself has EUR 50m (previous year: EUR 300m) in liabilities from bank loans with covenants in its separate financial statements.

Similarly, credit terms have been agreed for the corporate and convertible bonds and promissory note loans issued, non-compliance with which can lead to a liquidity risk. In the event of a breach of credit terms, for example in the event of a change of control, these corporate bonds, as well as the loans mentioned below in the section "Disclosures pursuant to Section 289a HGB and Section 315a HGB", can be cancelled early for repayment.

TAG considers liquidity risks to be medium. Although the Group has sufficient liquidity and a breach of financial covenants is considered very unlikely, there is currently considerable uncertainty on the capital markets as a result of the sharp rise in interest rates over the past two years. There is also a risk that lending banks, which are currently the TAG Group's main source of financing, will have to reduce their financing commitments in the real estate sector or offer them on terms that are less favourable for TAG due to negative economic developments or stricter regulatory requirements.

As of the date of this report, TAG has credit ratings from the rating agencies Moody's (Ba1, stable outlook) and S&P Global (BBB-, negative outlook). Should TAG no longer be rated investment grade by S&P Global in the future, there would be no effects on financial liabilities, with the exception of the 0.5 percentage point increase in the interest rate on promissory note loans with maturities of between three and seven years totalling EUR 74.5 m. In particular, there

are no financing commitments or financial liabilities that are linked to the existence of an investment grade rating. TAG considers the risk of a further downgrade to be low and thus better than in the previous year, when this risk was still valued at medium, not least due to the sustained good business performance.

Interest rate risks

The Group's activities are exposed to financial risks from changes in interest rates. For the most part, bank loans are only concluded with a fixed interest rate, either through a directly agreed fixed interest rate or through a variable interest rate, which is then converted into a fixed interest rate using a derivative financial instrument (usually interest rate swaps). As at the reporting date, bank loans with a fixed interest rate accounted for 95% (previous year: 79%) of the total loan volume. As in the previous year, all corporate and convertible bonds have fixed interest rates. As at the reporting date, there were two promissory note loans for EUR 10m (maturing in mid-2025) and EUR 34.5m (maturing in mid-2027), for which a variable interest rate was agreed. Fixed interest rates accounted for 95% of the Group's total financial liabilities as at the reporting date (previous year: 90%).

Against this backdrop, there is an interest rate risk primarily with regard to future refinancing of expiring loans and in relation to new loans. Rising financing cost rates, particularly in the long-term segment relevant to TAG, would have a negative impact on the profitability of investments and TAG's future earnings and cash flows.

The interest rate risk is assessed as medium to high overall, having been classified as medium in the previous year. Ultimately, this also reflects the persistently high interest rates on the capital markets. The Group concludes long-term fixed-rate loans and in some cases interest rate derivatives (e.g. interest rate swaps) in order to minimise interest rate risks.

Currency risks

TAG's business activities in Poland expose it to currency risks. All of the Group's revenues (sales and rents) in Poland are generated in Polish zloty, which is subject to exchange rate fluctuations against the euro. Financing in Poland is subject to an exchange rate risk compared to sales, insofar as these are denominated in euros. Even if the business model in Poland is geared towards the long term, significant exchange rate losses may occur if assets have to be realised or financial liabilities repaid in the short term. As at the reporting date, the difference from currency translation recognised in equity amounted to EUR 57.8m (previous year: EUR 24.0m).

Overall, this risk is considered to be low and therefore better than in the previous year due to the increased direct financing on the Polish market. If this risk materialises, there may be a corresponding outflow of liquidity.

Legal risks

TAG is party to various legal disputes, the outcome of which is uncertain. These relate to civil and administrative proceedings, in particular disputes with owners' associations over construction defects and disputes with tenants.

Legal risks in Germany also stem from the Company's previous activities in the property development business. As case law often does not consider the acceptance of buildings carried out years ago by purchasers to be effective, claims by purchasers or owners' associations due to any construction defects are still possible years later and after the usual warranty periods of five years have expired. A number of proceedings are pending before the courts in which the completion of construction work dates back more than ten years. In addition, there is a risk of claims arising from contaminated sites, environmental pollution or building pollutants or from warranty claims from the sale of properties, which may go beyond corresponding, enforceable recourse claims. Appropriate provisions have been recognised for these risks from corresponding legal disputes, claims for damages or warranty claims. The property development business in Poland can in principle give rise to legal risks arising from the acceptance of buildings that are inherent to this business. However, these risks are currently considered to be low.

Some legal risks are valued as medium in terms of their probability of occurrence. This valuation is based on the assessment of reported individual risks and is therefore better than in the previous year, when the overall risk was assessed as medium to high. As of the reporting date, provisions totalling EUR 2.9m (previous year: EUR 5.1m) were therefore recognised, which could lead to corresponding outflows of liquidity if the respective risk were to occur. Provisions for legal risks totalling EUR 0.3m (previous year: EUR 0.2m) were recognised in the separate financial statements of TAG Immobilien AG. In addition, if these risks materialise, the NTA could be negatively impacted and the expectations presented with regard to these key figures may not be achieved if the actual utilisation exceeds the provisions recognised.

Tax risks

Some of TAG's tax structures are complex. There are different taxable entities (tax groups and taxation at the level of individual companies) and different legal forms within the Group. In particular, the restrictions on the so-called "interest barrier", the regulations of the so-called "extended trade tax reduction for real estate" and the utilisation of loss carryforwards are of material relevance.

Due to legal uncertainties in connection with the determination of the equity ratio for interest barrier purposes, it cannot be ruled out, for example, that the tax authorities will deny at least a partial deduction of operating expenses for interest expenses. The utilisation of the trade tax deduction for income from long-term property rentals, which is also relevant for many Group companies, is linked to restrictive conditions, some of which are also subject to legal uncertainties and would lead to a trade tax liability for the relevant income in the event of a different treatment by the tax authorities. Furthermore, companies were acquired in the past, some of which had tax loss or interest carryforwards. With regard to the extent of the loss of such carryforwards due to the change in ownership, the tax authorities may have differing opinions. In addition, the tax-neutral transfer of capital gains to reserves (e.g. in accordance with Section 6b of the German Income Tax Act (EStG)) and the possibility of acquiring shares in property companies free of real estate transfer tax were significant for the Group's tax burden in previous financial years.

Tax law in Poland has been characterised by changes in the recent past. There are legal uncertainties regarding many regulations resulting from unclear wording and a lack of pronouncements by the tax authorities on their application.

Within the TAG Group, this may give rise in particular to tax risks from the determination of appropriate transfer prices, the determination of the amount of deductible input tax, as well as wage tax risks.

Provisions totalling EUR 4.1m (previous year: EUR 4.1m) have been recognised as of the reporting date for the individual risks mentioned above, which are classified as medium overall (previous year: low to medium) and could lead to corresponding outflows of liquidity if the respective risk materialises and, if the provisions recognised prove to be insufficient, could jeopardise the ability to achieve the forecasts for FFO I and FFO II or the NTA.

Additional other risks

Other risk areas essentially relate to 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 downtime or is not sufficiently available at peak times and that cyber attacks are not recognised in good time with unforeseeable consequences for the elimination of or damage to the system.

Data quality risks relate to the risk that the data entered in the various IT systems may be falsified, deleted or misinterpreted due to application errors, non-compliance with booking and/or work instructions. This can significantly disrupt operational processes or lead to unfavourable conclusions and decisions.

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

Personnel risk refers to all risks that could lead to additional direct or indirect personnel expenses. Further risks may arise from the risk of not filling positions or not filling them on time, as well as employee absences in departments and the associated disruption to operations.

The Management Board currently considers the other risks described above to be rather low.

Additional risks from the perspective of TAG Immobilien AG as the Group holding company

The shares in affiliated companies recognised in the separate financial statements are largely dependent on the results of the respective subsidiary. The valuation risk in connection with the shares in affiliated companies therefore extends in particular to the property portfolios held by the subsidiaries. Please refer to the section "Portfolio valuation risks" for information on the relevant valuation risks in the property portfolio. There are also valuation risks with regard to receivables from affiliated companies. Risks could also arise from letters of comfort granted or other assumptions of liability (guarantees and loss compensation obligations from control and profit and loss transfer agreements) in favour of affiliated companies.

Overall, the above-mentioned risks are classified as low due to the continued good operating performance of the subsidiaries resulting from the unchanged high demand for flats, coupled with insufficient new construction activities and the expected further increase in rents.

Opportunities for future development

TAG's portfolio in Germany is located in locations where growth potential still exists and can be realised. Due to the decentralised Group structure with its headquarters in Hamburg and major branches in the current ten LIM regions, the Management Board believes that market trends can be identified early on and responded to more quickly than is possible for competitors. In our view, a good mix of flat sizes and micro-locations in detail within the regions and up-to-date, close tenant support enable us to continuously generate attractive returns and increasing cash flows from the existing portfolio. In addition, TAG's core competence is active property management, which in the past has led to a significant reduction in vacancies and thus to an increase in rental income and a reduction in vacancy costs. The basis for further organic value appreciation in the coming years will continue to be the reduction of vacancies and the realisation of potential rent increases within the portfolio.

According to the Management Board's assessment, TAG has a solid financial structure, taking into account the proposed waiver of a dividend payment for the 2023 financial year, which will lead to liquidity savings of around EUR 129m. The Group is thus stably financed despite the unusually difficult capital and investment markets. In our opinion, TAG's business model, especially its active asset management, which is reflected in the continuous reduction of vacancies, is well established with banks and other lenders. All these facts form the basis for the successful implementation of the corporate strategy and, in the Management Board's opinion, will continue to ensure that capital can be raised both on the capital market and from banks in the future.

Concrete opportunities for future development exist in particular if the current high demand for residential real estate in smaller and medium-sized cities and in the vicinity of large metropolises continues in the coming years. In view of the recent positive demographic developments, including in many eastern German cities, and the low number of new builds, there are good prospects for this. In our view, this will also contribute to rising rents and falling vacancy rates in the future. In this respect, the chances of continued good operating performance are classified as medium to high. With regard to the forecasts already presented, there is also an opportunity to exceed the figures planned for the 2024 financial year for rental growth, the decline in vacancy rates and thus also FFO I.

The growing Polish residential property market is the target of a regional expansion of TAG's business model, which also focuses on strong cash returns here. Due to strong economic growth in recent years, increased purchasing power and ongoing urbanisation, Poland has become a sought-after market for investors. The current housing shortage in Poland's major cities has caused both flat prices and rents to rise. Rents in the major cities in particular have risen significantly faster than the corresponding growth rates in other major European markets since 2015.

With the acquisition of Vantage, TAG had already made an entry into the Polish residential property market in late 2019/early 2020, and with the acquisition of the leading Polish project developer ROBYG in 2022, TAG has significantly expanded its platform in this fast-growing market and significantly accelerated its growth potential. TAG is now ideally positioned to become the leading provider in the Polish residential property market, both in the rental and sales segments.

Rental activities in Poland are expected to make a positive contribution to adjusted EBITDA of around EUR 12m in 2024. In addition, high sales from the transfer of at least 3,000 flats and thus a significant contribution to FFO II (adjusted net income from sales in Poland) of EUR 46-52m is also expected in Poland in 2024. The opportunities to generate both attractive returns from the existing sales business and significant income from the rental business in the medium term and thus significant contributions to FFO I and FFO II from business activities in Poland are considered to be high.

Overall assessment by the Management Board

The capital and investment market environment remained difficult in 2023 due to persistently high interest rates. Nevertheless, TAG considers itself financially well positioned. The Management Board believes that TAG's business model, which aims for high cash flow returns in both Germany and Poland, will remain a sustainable and attractive portfolio even in an environment of higher interest rates.

According to current estimates, the Management Board is not aware of any risks that could jeopardise the Company as a going concern. The Company is convinced that it will be able to utilise the opportunities and challenges that arise in the future without having to take unacceptably high risks.

INTERNAL MONITORING AND RISK MANAGEMENT IN CONNECTION WITH GROUP ACCOUNTING

The organisation of the accounting-related internal control system comprises all processes that are geared towards the effectiveness and efficiency of business operations in order to ensure the correctness of accounting and 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 standardised process manual. These processes contain preventive, monitoring and detective security and control measures. These include, for example, measures such as IT-supported and manual approval processes, segregation of duties, access restrictions and authorisation concepts in the IT landscape. The documented processes are updated and developed on an ongoing basis.

Another key component of TAG's internal control system results from the largely centralised organisation of accounting. The Group Accounting department provides standardised rules regarding account assignment, the interpretation of accounting regulations and process steps. The preparation of quarterly and annual financial statements and the assessment of facts are also centrally controlled and quality-assured.

All of the Group's financial statements are prepared by our own employees. Even if parts of accounting are decentralised, for example rental accounting in the Group's own shared service centres, final responsibility remains with the financial accounting department in Group Accounting. With the exception of the Polish companies' accounting, all financial statements are prepared in an ERP system (SAP Promos) across the Group as in the previous year. The data reports of the foreign companies are transferred to the consolidated financial statements in a structured process.

External service providers assist in the preparation of the quarterly and annual financial statements. Independent valuation experts determine the fair values of the properties. The fair values of derivative financial instruments are also calculated with the help of external service providers, and experts also provide support in the calculation of pension provisions. The results of the appraisals are analysed internally and quality assured before being included in the financial statements.

Key property management figures, developments in financing and liquidity as well as the figures in the financial statements of the individual companies and the Group as a whole are reviewed by Controlling and compared with budget targets and previous periods. The most important findings from these figures are presented to the Management Board in a monthly report and also forwarded to the Supervisory Board.

The Internal Audit department, which reports directly to the Management Board, carries out ongoing process-independent audits based on an audit plan. Internal Audit uses a systematic and targeted approach to evaluate the effectiveness of the risk management system and the management and monitoring system, including the controls. In particular, its tasks include the examination, valuation and monitoring of the appropriateness and effectiveness of the internal control system, including the accounting system.

DISCLOSURES IN ACCORDANCE WITH SECTION 289A AND SECTION 315A (1) OF THE GERMAN COMMERCIAL CODE (HGB)

TAG Immobilien AG is a capital market-oriented Company within the meaning of Section 264d of the German Commercial Code (HGB). For this reason, Section 289a HGB and Section 315a (1) HGB require disclosures on equity, the share structure and voting rights. The following disclosures are based on the portfolio as at 31 December 2023.

Composition of share capital

As at the reporting date, the Company's share capital totalled EUR 175,489,025.00 (previous year (after cash capital increase): EUR 175,489,025.00). The share capital is divided into 175,489,025 no-par value shares (previous year: 175,489,025 no-par value shares). The pro rata amount of share capital attributable to each share is calculated at EUR 1.00. All shares grant the same rights. Each share grants one vote and is decisive for the share in profits.

Limitations on voting rights and transfer of shares

Restrictions on the voting rights of the shares may result from the provisions of the German Stock Corporation Act (AktG). Under certain circumstances, shareholders are subject to a voting ban in accordance with Section 136 AktG. In accordance with Section 71b AktG, TAG is not entitled to voting rights from the treasury shares currently totalling 6,484 (previous year: 47,434), which are intended for issue as employee shares and for the long-term variable remuneration of the Management Board. The Company's Articles of Association do not provide for any restrictions on voting rights. The Company's shareholders are not restricted by law or by the Company's articles of association with regard 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 hold an interest in TAG's capital 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

Members of the Management Board are appointed and dismissed on the basis of Sections 84 and 85 AktG and the Company's Articles of Association. Members of the Management Board are appointed by the Supervisory Board for a maximum of five years. Reappointment or extension of the term of office, in each case for a maximum of five years, is permitted.

The Management Board consists of one or more persons. In accordance with the Articles of Association, the Supervisory Board may appoint a Chairman of the Management Board and one or more Deputy Chairmen of the

Management Board. The Supervisory Board may revoke the appointment of a member of the Management Board and the appointment of the Chairman of the Management Board for good cause.

Amendments to the Articles of Association are governed by Sections 179 and 133 AktG 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 Supervisory Board of the Company is authorised in accordance with Section 11 of the Articles of Association to resolve amendments that only affect the wording. Resolutions of the Annual General Meeting – including resolutions to amend the Articles of Association – are passed with a simple majority of the votes cast in accordance with Section 20 of the Articles of Association, unless mandatory statutory provisions provide otherwise. If a capital majority is required, a simple capital majority is sufficient.

Authorisation of the Management Board to issue new shares (authorised and contingent capital) and repurchase shares

By resolution of the Annual General Meeting on 16 May 2023, the Management Board was authorised, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions until 15 May 2026 by a maximum amount of EUR 35,000,000.00 by issuing up to 35,000,000 new no-par value bearer shares in the Company against cash and/or non-cash contributions ("Authorised Capital 2023"). Shareholders' subscription rights may be excluded with the approval of the Supervisory Board. The proportionate amount of the share capital attributable to the new shares for which subscription rights are excluded may not exceed a total of 10% of the share capital either at the time the authorisation becomes effective or at the time it is exercised. The Authorised Capital 2023 was neither partially nor fully utilised in the financial year.

The Company's share capital is conditionally increased by up to EUR 35,000,000.00 by issuing up to 35,000,000 new no-par value bearer shares (Conditional Capital 2023). The conditional capital increase serves to grant shares to the holders of convertible bonds and/or bonds with warrants issued by the Company or by a direct or indirect affiliated Company of the Company in accordance with the authorisations of the Annual General Meetings on 23 May 2018 or 16 May 2023. The new shares will be issued at the conversion or option price to be determined in accordance with the aforementioned authorisation resolutions. The conditional capital increase is only to be carried out to the extent that conversion or option rights are exercised or corresponding obligations are to be fulfilled and to the extent that no other forms of fulfilment are used for servicing. The new shares shall participate in profits from the beginning of the financial year in which they are created; in deviation from this, the new shares shall participate in profits from the beginning of the financial year preceding the financial year in which they are created if, at the time the new shares are created, the Annual 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. No use was made of this authorisation in the 2023 financial year.

The Annual General Meeting on 16 May 2023 also renewed the authorisation to acquire treasury shares and resolved to do so up to a total of 10% of the share capital existing when the authorisation takes effect or – if lower – when the authorisation is exercised until 15 May 2025. This authorisation may not be used by the Company for the purpose of trading in treasury shares. In addition to the usual statutory uses, it also includes the authorisation to grant and transfer the shares to the Company's Management Board members as part of the determination of variable remuneration. The Company has not yet made use of this authorisation.

On the basis of the previous authorisations, the Company acquired a total of 310,000 treasury shares in the 2016, 2018 and 2020 financial years to service the employee share ownership programme and long-term Management Board remuneration. In 2023, the Company transferred 40,950 of these shares to employees as part of the employee share ownership programme (previous year: 50,500 shares). No shares were transferred as part of the long-term Management Board remuneration programme (previous year: 21,330 shares). As of the reporting date, TAG had a portfolio of 6,484 treasury shares (previous year: 47,434), which corresponds to 0.00 % (previous year: 0.03 %) of the share capital. The Company's subscribed capital less treasury shares totalled TEUR 175,483 as of the reporting date (previous year: TEUR 175,442).

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

TAG has credit lines with banks totalling EUR 70.3 m (previous year: EUR 69.4 m), which require the bank's approval for a change in the group of shareholders or could result in the loans falling due in the event of a change of control at the level of TAG Immobilien AG. In addition, numerous provisions on a change of control are also contained in loan agreements and credit lines of the subsidiaries in Germany and Poland and in their general terms and conditions, which primarily only cover the level of the subsidiaries and their change of shareholders. However, it cannot be ruled out that lenders could also assert rights arising from a change of control in the event of a change of indirect shareholder.

The outstanding corporate bond totalling EUR 125.0m (previous year: EUR 250.0m), the promissory note loans issued totalling EUR 263.5m (previous year: EUR 378.5m) and the new bond issued in Poland totalling EUR 24m provide for special change of control provisions; according to these, the Company is obliged to repurchase the bonds or promissory note loans in accordance with the details specified in the terms and conditions. With regard to the convertible bond 2020/2026 issued for EUR 470.0m, there are special conversion options or adjustments to the conversion price for the holders of the convertible bond in the event of a change of control.

The agreements made in the context of the transfers of a total of 10.1% of the shares in a subsidiary to co-investors in 2016 and 2018 also provide for provisions in the event of a change of control within TAG's shareholder structure. In this case, the co-investors are entitled to disposal rights; they can use these rights to terminate their investment in the subsidiary prematurely; any losses in value would have to be compensated by TAG.

Furthermore, in the event that the current majority shareholding in TAG changes, the members of the Management Board have a special right of termination and, if this right is exercised, a compensation payment, the amount of which is based on the remaining term of the employment contract at the time of termination. Reference is made in this respect to the following remuneration report.

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

Beyond the special right of termination 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)¹⁾

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 Management“.

1) unaudited information

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)) ¹⁾

Definition of “granted and owed” withing the meaning of section 162 (1) AktG

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

Remuneration scheme for the Supervisory Board

Overview

The members of the Supervisory Board receive a fixed cash remuneration of TEUR 20 p.a. for each full financial year of their membership of the Supervisory Board. The Deputy Chairman receives 1.5 times this basic remuneration (TEUR 30 p.a.), while the Chairman of the Supervisory Board receives a fixed cash remuneration of TEUR 175 p.a.

In addition, the members of the Audit Committee receive separate remuneration, also in cash. The Chairman receives TEUR 75 p.a. and the other members, with the exception of the Chairman of the Supervisory Board, who does not receive any such remuneration, each receive TEUR 5 p.a. The members of the Personnel Committee receive an attendance fee of EUR 500.00 per meeting, unless they are not invoiced as in the past.

The Company also takes out directors' and officers' liability insurance (D&O insurance) for the members of the Supervisory Board and pays the premium. Expenses incurred in connection with Supervisory Board activities, in particular travelling expenses, are reimbursed by the company.

¹⁾Unaudited information

The remuneration of the Supervisory Board in the past financial year is broken down as follows:

Supervisory Board Member	2023 TEUR	2022 TEUR
Remuneration for Supervisory Board activities		
Olaf Borkers (from 16 May 2023; elected by the Annual General Meeting)	110	0
Rolf Elgeti (until 16 May 2023)	65	175
Dr Philipp K. Wagner	25	20
Prof. Dr Kristin Wellner	20	20
Lothar Lanz (until 16 May 2023)	11	30
Fatma Demirbaga-Zobel (until 16 May 2023)	7	20
Harald Kintzel (until 16 May 2023)	7	20
Eckhard Schultz (from 14 October 2023; court nomination)	6	0
Beate Schulz (from 22 September 2023; election of employee representative)	5	0
Björn Eifler (from 22 September 2023; election of the employee representative)	5	0
Total remuneration for Supervisory Board activities	262	285
Remuneration for committee work		
Lothar Lanz (until 16 May 2023)	28	75
Eckhard Schultz (from 14 October 2023; court nomination)	10	0
Prof. Dr Kristin Wellner	6	5
Olaf Borkers (from 16 May 2023; elected by the Annual General Meeting)	0	0
Total remuneration for committee work	44	80
Total remuneration	306	365

Contribution of remuneration to the promotion of business strategy and long-term development

In accordance with the suggestion in the German Corporate Governance Code, only fixed remuneration components, and not variable remuneration components, are provided for the remuneration of Supervisory Board members. The fixed remuneration strengthens the independence of the Supervisory Board members and thus makes an indirect contribution to the long-term development of the Company.

Remuneration scheme for the Management Board

Dialogue with shareholders on remuneration issues during the financial year

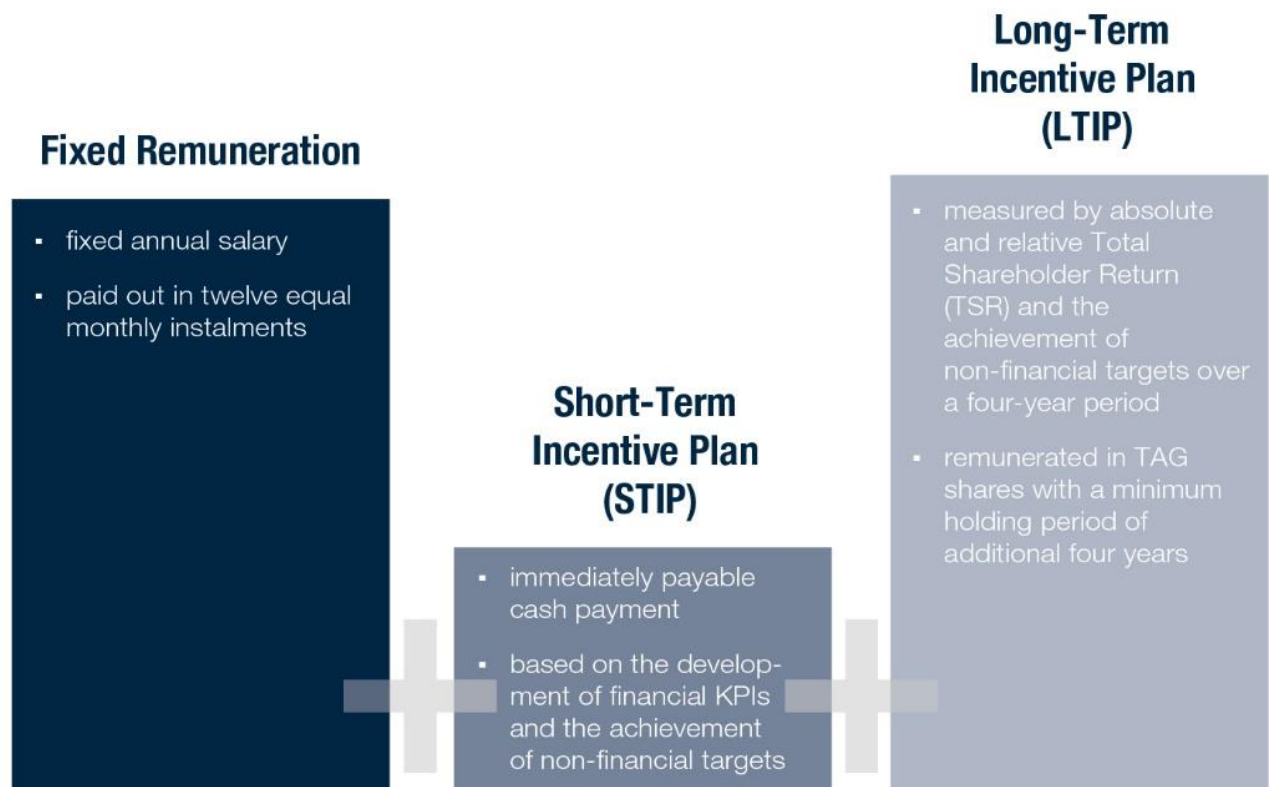
At the Annual General Meeting on 16 May 2023, the resolution to approve the remuneration report for the 2022 financial year prepared in accordance with Section 162 AktG was rejected by the shareholders with 58.1% voting against. In contrast, the previous year, the remuneration report for the 2021 financial year was approved with 83.7% voting in favour. The last resolution on the remuneration system was passed at the Annual General Meeting on 11 May 2021. The approval rate was 99.9% (remuneration system for the Supervisory Board) and 94.4% (remuneration system for the Management Board).

In the 2023 financial year, the Chairman of the Supervisory Board and the Management Board of TAG held numerous discussions with shareholders and proxy advisors on issues relating to the remuneration of the executive bodies. This was also the subject of two virtual corporate governance roadshows in February and December 2023, during which TAG contacted the 25 largest shareholders representing over 60% of the capital. The aim of these discussions was to analyse the reasons for the rejection of the resolution to approve the remuneration report for the 2022 financial year and to understand shareholders' current ideas regarding the remuneration of the executive bodies.

As a result, the content and structure of the remuneration report for the 2023 financial year were fundamentally revised. The new structure and the added overviews are intended to improve the comprehensibility of the remuneration report. Information has also been added to further increase the transparency of the remuneration report. The request expressed by numerous shareholders to include non-financial targets (ESG targets) not only in the Short-Term Incentive Plan (STIP) but also in the Long-Term Incentive Plan (LTIP) was complied with from the 2023 financial year onwards, after this option had already been created as part of the last resolution on the remuneration system in 2021. The corresponding details are presented below.

Overview of the remuneration system

The members of TAG's Management Board receive non-performance-related fixed remuneration and variable remuneration, which is paid partly in cash and partly in the form of TAG shares. The fixed and variable remuneration is paid exclusively by TAG Immobilien AG; no remuneration is paid to subsidiaries. The following chart provides an overview of the main components of Management Board remuneration:



The **fixed remuneration** totalled TEUR 480 p.a. as at the reporting date, compared to TEUR 420 p.a. at the end of the previous year.

The **target remuneration** for the STIP totalled TEUR 150 p.a. in the past financial year (previous year: TEUR 150 p.a.) and was limited to a maximum of TEUR 200 p.a. (previous year: TEUR 200 p.a.).

The **target remuneration** for the LTIP totalled TEUR 250 p.a. in the past financial year (previous year: TEUR 250 p.a.) and was limited to a maximum of TEUR 500 p.a. (previous year: TEUR 500 p.a.).

The **total target remuneration** of a member of the Management Board at the end of the financial year therefore amounted to TEUR 880 p.a. (previous year: TEUR 820 p.a.) plus fringe benefits, such as private use of a car, which may not exceed TEUR 20 p.a. The maximum remuneration per member of the Management Board was TEUR 1,200 p.a. (previous year: TEUR 1,140 p.a.).

Fixed remuneration

The non-performance-related remuneration takes the form of a fixed annual salary, which is paid in twelve equal monthly instalments.

The amounts paid to the members of the Management Board in the reporting year are listed below:

in TEUR

Name	2023	2022	Change (%)
Claudia Hoyer	440	420	4.8
Martin Thiel	440	420	4.8

The fixed remuneration of the two members of the Management Board was increased from TEUR 35 per month to TEUR 40 per month with effect from 1 September 2023. This corresponds to a new fixed annual remuneration of TEUR 480 compared to the previous TEUR 420.

The Supervisory Board decided on this increase in view of the good performance of the two Management Board members, which was reflected, for example, in the successful development of business activities in Poland and the refinancing measures consistently implemented in a difficult market environment. When calculating the amount, in addition to a comparison with other listed property companies with residential real estate in Germany (see also the peer group below), the fact that the last increase in fixed remuneration took place with effect from 1 October 2016 was also taken into account. The increase of TEUR 60 p.a. or 14.3% corresponds to an annual increase of approximately 2% and also corresponds to the development of TAG employees' salaries during this period.

Variable remuneration

Overview

In accordance with Section 87 (1) AktG, the total remuneration of a Management Board member must be commensurate with the duties and performance of the Management Board member and the situation of the company and may not exceed the usual remuneration without special justification. The remuneration structure should be geared towards sustainable corporate development and the long-term development of the Company.

Variable remuneration components must be calculated over several years; a cap must be agreed for extraordinary developments.

The variable remuneration valid since the approval by the Annual General Meeting on 11 May 2021 distinguishes between a Short-Term Incentive Plan (STIP) and a Long-Term Incentive Plan (LTIP).

Contribution of remuneration to the promotion of corporate strategy and long-term development

The variable remuneration components are intended to incentivise the sustainable and long-term development of TAG and the creation of sustainable corporate values along the value chain. They contribute to the long-term commitment of the members of the Management Board. The long-term components of variable Management Board remuneration should exceed the short-term components and reflect the development of the Company 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 targets is taken into account when determining variable remuneration.

Short Term Incentive Plan (STIP)

The STIP is based on the development of financial key performance indicators (KPIs) and the achievement of non-financial and individual targets. The STIP represents cash remuneration payable immediately following the Supervisory Board's resolution on variable remuneration for the respective financial year and is determined on the basis of the criteria listed below.

Financial key performance indicators

- Increase in **EPRA-NTA per share** in the financial year (after elimination of a dividend paid in the financial year): each EUR 0.01 increase in EPRA NTA per share 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

Non-financial targets

- Achievement of the non-financial target based on the **risk assessment by the external ESG rating agency Sustainalytics**:
 - o "Negligible risk": remuneration of TEUR 25
 - o "Low risk": remuneration of TEUR 15
 - o "Medium risk": remuneration of TEUR 5
 - o "High risk" or "Serious risk": no remuneration

Individual targets

- Achievement of the individual targets agreed between the Chairman of the Supervisory Board and the Management Board member, which are to be oriented towards the respective activities of TAG and its business strategy, including sustainable corporate development. Depending on the degree of target achievement, the STIP remuneration determined on the basis of the key financial figures and the non-financial target can be increased by up to 10%, remain unchanged or be reduced by up to 10%.
- In the 2023 financial year, the individual targets related to the implementation of the sales programme in Germany, which led to a total net cash proceed of around EUR 250m, as well as the successful refinancing of the financial liabilities maturing in 2023 and early 2024 (bridge financing from the acquisition of ROBYG S.A.). In the previous year, the individual targets included the merger of the two Polish subsidiaries into a joint organisation, the optimisation of internal structures in property management and also refinancing targets.

Target metrics for 2023

In order to achieve the target remuneration of TEUR 150 p.a., the STIP assumes an average annual increase in EPRA-NTA per share and FFO I per share of around 5%, a "low" risk assessment in the external ESG rating and no further adjustment (+/- 10%) based on the individual targets. This results in the following weighting and the other values shown for the past financial year:

Metric	Weight (%)	Threshold	Target	Maximum
Financial				
EPRA NTA per share	15	20.74 €	21.85 €	0
FFO I per share	75	1.19 €	1.25 €	0
Non-financial				
Risk assessment by an external rating agency	10	(Medium risk)	(Low risk)	(Negligible risk)
Modification				
Individual targets	0	-10%	0%	10%
Total	100			

The threshold values for EPRA-NTA per share and FFO I per share are based on the values of the immediately preceding financial year, as only an increase in these key financial figures compared to the previous year is remunerated. A decrease compared to the previous year or an unchanged value does not result in any remuneration.

The maximum annual remuneration for the STIP (total cap) of TEUR 200 p.a. is not broken down into individual sub-caps with regard to the financial key figures. The overall cap remains in place. In the risk assessment by an external ESG rating agency, the maximum remuneration of TEUR 25 p.a. is achieved by achieving the risk category "negligible risk". As part of the fulfilment of individual targets, the maximum surcharge on the amount previously determined by the achievement of financial and non-financial targets is 10%. However, even after applying this modification, the overall cap for the STIP may not be exceeded.

Target achievement for 2023

The following targets were achieved for the STIP in the past financial year:

Metric	Actual	Compensation (in TEUR)
Financial		
EPRA NTA per share	18.31 €	0
FFO I per share	0.98 €	0
Non-financial		
Risk assessment by an external ESG rating agency	achieved	25
Modification		
Individual metrics	0%	0
Total		25

With regard to a modification due to the fulfilment of personal targets (possible increase or reduction of the STIP remuneration by up to 10%, i.e. for 2023 up to +/- EUR 2,500), it was assumed for the purposes of this remuneration report that, as in the previous year, the Supervisory Board will not make any adjustments for the 2023 financial year.

Long Term Incentive Plan (LTIP)

The LTIP is measured by

- The **total shareholder return (TSR) performance** for shareholders (as the sum of the share price increase and the dividends paid in the respective financial year, **weighting: 80%**) and
- the **achievement of non-financial targets (weighting: 20%)**.

in each case over a period of four years.

Non-financial targets will be taken into account in the LTIP for the first time at the beginning of the 2023 financial year. Previously, the Annual General Meeting on 11 May 2021 had granted a corresponding authorisation for the Supervisory Board as part of the approval of the Management Board remuneration system, which has now been exercised following the specification of TAG's strategic non-financial targets for the 2021 and 2022 financial years. In this respect, the non-financial targets are relevant for the first time for the 2023–2026 LTIP tranche with a weighting of 20% of the LTIP remuneration. For the previous LTIP tranches, which run until the 2025 financial year, only the TSR is relevant (i.e. 100% weighting).

The TAG shares to which the Management Board is entitled under the LTIP are transferred after the Supervisory Board has passed a resolution on the variable remuneration at the end of the respective four-year period. The members of the Management Board may not dispose of the TAG shares granted under the LTIP for a further period of four years, and in particular may not sell them or transfer them in any other way (**further four-year holding obligation**). However, the shares are entitled to dividends and voting rights during this holding period.

The number of TAG shares allocated but not yet available from previous LTIP tranches totalled 7,400 each for both members of the Management Board as at the reporting date, as in the previous year.

The basis for calculating the number of TAG shares to be transferred is the volume-weighted average price (VWAP) of the TAG share over a period of two months before the end of the respective financial year.

The members of the Management Board have the option of requesting a partial conversion of the share remuneration into a cash payment up to a maximum of the amount of income tax (including solidarity surcharge and church tax) from the share allocation. The payment obligation of the members of the Management Board to TAG arising from the payment of the aforementioned tax is then offset against the cash payment claim.

TSR-Performance-Figures

TSR performance is measured according to:

- **Absolute TSR performance:** the performance of the TAG share over a four-year period, which begins anew each year, and
- **Relative TSR performance:** the relative performance of the TAG share in relation to the performance of a selected group of competitors (peer group) over this period.

The basis for measuring the share price performance is the VWAP of the TAG share or the shares of the peer group over a period of two months before the reporting date of the financial year at the beginning and end of the performance period.

The target TSR was set at 40% for the four-year performance period (i.e. approx. **10% target TSR on an annualised basis**) and results in the following remuneration:

- If the actual TSR corresponds to the target TSR, the LTIP share remuneration 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 (e.g. an actual TSR of 20% in a four-year performance period leads to an LTIP share remuneration of $\text{TEUR } 20/40 \times 250 = \text{TEUR } 125$).
- If the actual TSR is negative, the LTIP share remuneration is TEUR 0.

Absolute TSR performance

Target	Payout (in TEUR)
Actual TSR is negative	0
Actual TSR = 40% increase overall	250

The actual TSR is compared with the result of the peer group and, if the actual TSR is at least 2% better or 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.
- If the performance is worse than that of the peer group, a discount of 25% is applied.

Relative TSR performance

Target	Adjustment
Actual TSR = 2% worse than the peer-group average	-25%
Actual TSR = 2% better than the peer-group average	25%

The peer group is made up of listed property companies that hold a significant share of residential real estate in Germany. The peer group currently 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.

Achievement of non-financial targets

The non-financial targets are set by the Supervisory Board each year for the next LTIP period, i.e. for the next four years. The following targets were set for the 2023–2026 LTIP tranche:

Non-financial targets LTIP 2023–2026

Target	Weight within non-financial targets	Target compensation (in TEUR)
Reduction of CO ₂ emissions within the German portfolio by 10%	40%	20
Tenant satisfaction >70%	40%	20
Social projects within TAG foundation of at least TEUR 150 p.a.	20%	10
Total	100%	50

The total target remuneration for the non-financial targets of TEUR 50 p.a. corresponds to 20% of the target remuneration for the entire LTIP of TEUR 250 p.a.

Based on the defined targets, the remuneration is calculated individually for each target on a straight-line basis. For example, if the target of reducing CO₂ emissions within the German portfolio is exceeded by 20%, the remuneration for this target amounts to TEUR 20 x 120% = TEUR 24.

If one of the targets described is not met by more than 10%, no remuneration is paid for this target. The maximum remuneration applies if a target is exceeded by more than 50%.

These non-financial targets ("ESG targets") were selected by the Supervisory Board because they play an important role in connection with TAG's strategic sustainability goals. The decarbonisation of the German portfolio, TAG's predominant real estate asset, is one of the most important environmental ("E") challenges. High tenant satisfaction and continuous neighbourhood involvement through social projects in the regions managed by TAG are key building blocks in the Social ("S") area. The area of governance ("G") is already covered in the STIP by the non-financial objective implemented there.

In the 2023 financial year, the aforementioned non-financial targets were not yet relevant for the LTIP. Even though the corresponding LTIP tranche has already begun, potential remuneration will only arise after the first LTIP tranche 2023–2026 has been completed, i.e. at the beginning of the 2027 financial year.

Target achievement for 2023

For the 2023 financial year, in which the 2020–2023 LTIP tranche ended, no remuneration arose from the LTIP, as the TSR of the TAG share, which was the only relevant factor for this tranche, was negative in the relevant four-year period from 2020 to 2023. Premiums or discounts due to the relative TSR performance were no longer applied due to the negative absolute TSR.

Remuneration of the Management Board in the reporting year

The **remuneration earned** by the members of the Management Board in the past financial year **totalled TEUR 952** (previous year: TEUR 912).

The **remuneration received** by the members of the Management Board in the past financial year (remuneration earned) also **totalled TEUR 952** (previous year: TEUR 1,978). This remuneration included, among other things, the STIP remuneration of TEUR 200 per Management Board member received in 2022 for the 2021 financial year and the remuneration of TEUR 358 per Management Board member for the 2019–2021 LTIP tranche allocated in 2022 (for which a three-year performance period was decisive for the last time).

in TEUR	Claudia Hoyer COO, Co-CEO				Martin Thiel CFO, Co-CEO			
	2022 (Act.)	2023 (Act.)	2023 (Min.)	2023 (Max.)	2022 (Act.)	2023 (Act.)	2023 (Min.)	2023 (Max.)
Granted								
Fixed remuneration	420	440	440	440	420	440	440	440
Ancillary benefits	15	15	15	20	7	7	7	20
Total	435	455	455	460	427	447	447	460
One-year variable remuneration (STIP)	25	25	0	200	25	25	0	200
Multi-year variable remuneration (LTIP)	0	0	0	500	0	0	0	500
Total	25	25	0	700	25	25	0	700
Utility expenses	0	0	0	0	0	0	0	0
Total remuneration	460	480	455	1,160	452	472	447	1,160
Share of fixed remuneration	95%	95%	100%	40%	94%	95%	100%	40%
Share of variable remuneration	5%	5%	0%	60%	6%	5%	0%	60%
Inflow								
Fixed remuneration	420	440	440	440	420	440	440	440
Ancillary benefits	15	15	15	15	7	7	7	7
Total	435	455	455	455	427	447	447	447
One-year variable remuneration (STIP)	200	25	0	25	200	25	0	25
Multi-year variable remuneration	358	0	0	0	358	0	0	0
Total	558	25	0	25	558	25	0	25
Utility expenses	0	0	0	0	0	0	0	0
Total remuneration	993	480	455	480	985	472	447	472
Number of shares	6,673	0	0	0	6,673	0	0	0

The remuneration earned under the STIP in the 2022 and 2023 financial years relates exclusively to the achievement of the non-financial target.

In addition, no LTIP remuneration was earned in the 2022 and 2023 financial years, as the absolute TSR performance for the corresponding four-year period (2019–2022 and 2020–2023) was negative at the end of both years. An amount of TEUR 0 (Previous year: TEUR 236) per Management Board member was recognised in the consolidated income statement for the fair value of potential remuneration from the LTIP, which is determined at the beginning of each financial year and then no longer adjusted to the actual value at the end of the year.

Maximum remuneration

The maximum annual remuneration per member of the Management Board, based on the amounts paid out in a financial year, is therefore calculated as follows:

in TEUR	2024	2023	2022
Gross fixed salary p.a.	480	440	420
Benefits	20	20	20
STIP	200	200	200
LTIP	500	500	400
Total	1,200	1,160	1,040

Other remuneration

Fringe benefits

One member of the Management Board uses a company car, which is taxed accordingly as a non-cash benefit. In addition, the members of the Management Board receive further benefits as other remuneration, some of which are categorised as benefits in kind and taxed accordingly. These include, in particular, allowances for private health and pension insurance, accident and liability insurance, the private use of communication devices and expense allowances for business trips.

Pensions

The contracts with the members of the Management Board do not provide for any pension entitlements. One member of the Management Board still has pension entitlements from a period before taking up his position at TAG. Although these are vested, they do not give rise to any new claims since then.

Management Board members are not entitled to any further bonuses or additional remuneration if they simultaneously hold positions on the Management or Supervisory Boards of other Group companies. All sideline activities are subject to authorisation.

Entitlements upon termination of the employment relationship

In the event of ordinary termination of a Management Board member's service contract, the member is entitled to payment of the unpaid portion of the variable remuneration or the unallocated (available) TAG shares from variable remuneration from previous years.

In the event of a change of control, e.g. due to the acquisition of a majority of voting rights in TAG by a third party, the members of the Management Board have the right to terminate their employment contract with three months' notice to the end of the month (special right of termination). If this special right of termination is exercised, the Company undertakes to pay a gross settlement amount equal to the annual gross salary at the time of termination, provided that

the employment contract still has a remaining term of at least 24 months at the time of termination. If the remaining term at the time of termination of the Management Board contract is shorter, the Management Board member receives a gross severance payment in the amount of the gross salary for the remaining term.

In the event of premature termination of the Management Board contract for other reasons, the contracts contain the provision that the severance payment to be paid is limited to a value of two gross annual salaries and should not exceed the amount for the remaining term of the contract.

Comparative presentation in accordance with Section 162 (1) sentence 2 no. 2 AktG

For the comparative presentation, all operating and central divisions of TAG Immobilien AG were included in the calculation of average employee remuneration. All active employees (excluding trainees) were taken into account as the basis for the average FTEs (Full Time Equivalents). Craftsmen and caretakers are employed exclusively in the service companies and are therefore not included in the comparative presentation of TAG Immobilien AG's earnings performance.

The amounts received in the financial year were used to calculate the remuneration of the members of the Management Board. NAV per share and EBT per share were last calculated for the 2020 financial year.

	2023	2022	2021	2020	2019
Earnings performance					
Net income TAG AG in TEUR	80,461	-525	104,597	34,910	66,375
<i>relative change p.a.</i>	>1000%	-100.50%	199.62%	-47.40%	143.34%
<i>FFO I per share: relative change p.a.:</i>	-17.95%	-3.87%	5.08%	7.27%	10.00%
<i>NAV per share: relative change p.a.:</i>	0.00%	0.00%	0.00%	8.61%	18.07%
<i>NTA per share: relative change p.a.:</i>	-11.73%	-19.57%	17.49%	8.56%	16.54%
<i>EBT per share: relative change p.a.:</i>	0.00%	0.00%	0.00%	24.32%	13.27%
Average employee remuneration					
<i>relative change p.a.</i>	6.67%	6.41%	2.38%	1.59%	1.20%
Management Board remuneration					
<i>Claudia Hoyer relative change p.a.:</i>	-51.66%	-40.25%	119.26%	9.38%	-3.88%
<i>Martin Thiel relative change p.a.:</i>	-52.08%	-40.45%	120.53%	9.49%	-1.15%

Further regulations

Shareholding obligation and possible dilution of shareholders

Each member of the Management Board is obliged to hold TAG shares with a market value of at least one fixed annual salary (factor: 1.0 times the fixed annual salary) for the duration of their employment contract.

The TAG shares earned under the LTIP are fulfilled by the delivery of own TAG shares previously acquired on the market. In this respect, there is no risk of dilution for shareholders from the Management Board remuneration.

Receivables from and liabilities to members of the Management Board and Supervisory Board

As in the previous year, there were no receivables from or liabilities to members of the Management Board and Supervisory Board or their related parties as at the reporting date. No loans were granted to or taken out by these bodies during the year either.

Clawback of variable remuneration in the event of negative performance ("clawback" and "malus")

In the event of objectively ascertainable, serious, grossly negligent or wilful violations of laws or internal compliance regulations in a financial year for which individual members of the Management Board or the Management Board as a whole are responsible, they must repay or reimburse all or part of the variable remuneration for the year in which the violations were committed.

If errors are subsequently identified in the IFRS consolidated financial statements of TAG approved by the Supervisory Board which formed the basis for the measurement of the variable remuneration or which affected the underlying key figures, the obligation to repay or retransfer the variable remuneration in full or in part also applies to the year or years in which the consolidated financial statements were prepared incorrectly. In these cases, the Management Board members are not at fault.

The repayment obligation also exists if the employment relationship with the Management Board has already ended at the time the repayment claim is asserted. Claims after termination of the employment relationship expire 14 months after leaving the Management Board.

CONSOLIDATED BALANCE SHEET

Assets TEUR	Notes	12/31/2023	12/31/2022
Non-current assets			
Investment properties	(1)	5,935,259	6,569,912
Intangible assets	(2)	285,932	266,174
Property, plant and equipment	(3)	36,825	45,231
Rights of use assets	(4)	18,819	12,702
Other financial assets	(5)	66,896	14,737
Derivative financial instruments	(13)	340	5,172
Deferred taxes	(6)	24,773	22,208
		6,368,844	6,936,136
Current assets			
Property held as inventory	(7)	629,635	714,188
Other inventories	(7)	78	95
Trade receivables	(8)	41,195	26,082
Income tax receivables	(6)	9,490	11,785
Derivative financial instruments	(14)	1,315	5,215
Other current assets	(9)	113,105	93,193
Cash and cash equivalents	(10)	128,604	240,493
		923,422	1,091,051
Non-current assets held for sale	(11)	7,524	187,417
		7,299,790	8,214,604

Equity and liabilities TEUR	Notes	12/31/2023	12/31/2022
Equity	(12)		
Subscribed capital		175,483	175,442
Share premium		683,175	682,797
Other reserves		59,057	-24,133
Retained earnings		1,967,454	2,364,372
Attributable to the equity holders of the parent company		2,885,168	3,198,476
Attributable to non-controlling interests		79,325	109,263
		2,964,493	3,307,739
Non-current liabilities			
Liabilities to banks	(13)	2,025,653	2,109,347
Liabilities from corporate bonds and other loans	(13)	410,950	463,226
Liabilities from convertible bonds	(13)	462,441	459,606
Derivative financial instruments	(13)	11,354	4,335
Retirement benefit provisions	(14)	4,066	4,281
Other non-current liabilities	(13)	58,234	43,372
Deferred taxes	(6)	608,399	716,185
		3,581,097	3,800,353
Current liabilities			
Liabilities to banks	(13)	264,619	412,691
Liabilities from corporate bonds and other loans	(13)	112,914	335,391
Liabilities from convertible bonds	(13)	1,022	1,022
Derivative financial instruments	(13)	385	0
Income tax liabilities	(6)	12,442	8,516
Other provisions	(15)	67,003	46,763
Trade payables	(16)	70,804	79,348
Other current liabilities	(17)	225,011	222,782
		754,200	1,106,512
		7,299,790	8,214,604

CONSOLIDATED INCOME STATEMENT

in TEUR	Notes	2023	2022
Rental income		462,286	453,866
Impairment losses		-5,688	-4,933
Rental expense		-175,285	-171,038
Net rental income	(18)	281,314	277,895
Revenues from the sale of real estate		749,458	418,830
Expenses on the sale of real estate		-674,649	-383,441
Sales result	(19)	74,809	35,389
Revenue from Services		118,046	82,206
Impairment losses		-997	-920
Expenses from services		-84,212	-52,696
Services result	(20)	32,837	28,590
Other operating income	(21)	20,276	20,187
Fair value changes in investment properties and valuation of properties held as inventory	(22)	-705,243	-64,241
Personnel expense	(23)	-85,636	-77,711
Depreciation/amortisation	(2,3)	-11,835	-10,625
Other operating expense	(24)	-30,008	-32,651
EBIT		-423,486	176,833
Net income from investments	(25)	-13,655	16,678
Interest income	(25)	6,562	4,733
Interest expense	(25)	-72,583	-54,037
EBT		-503,162	144,207
Income taxes	(6)	92,223	-26,928
Consolidated net income		-410,939	117,279
attributable to non-controlling interests	(12)	-14,022	4,188
attributable to equity holders of the parent company		-396,917	113,091
Earnings per share (in EUR)	(26)		
Basic earnings per share		-2.26	0.71
Diluted earnings per share		-2.26	0.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	Notes	2023	2022
Net income as shown in the income statement		-410,939	117,279
Other comprehensive income:			
Items that will later be classified as expense:			
Currency differences of foreign subsidiaries	(13)	81,940	-10,128
Change in hedge reserve		1,693	-1,439
Deferred taxes on unrealised gains and losses	(6)	-4	999
Other comprehensive income after taxes		83,629	-10,568
Total comprehensive income		-327,309	106,711
attributable to equity holders of the parent company		-313,727	102,924
attributable to non-controlling interests		-13,583	3,787

CONSOLIDATED CASH FLOW STATEMENT

in TEUR	Notes	2023	2022
Consolidated net income		-410,939	117,279
Net interest income / expense through profit and loss	(25)	66,021	49,304
Current income taxes through profit and loss	(6)	27,223	15,975
Depreciation	(2, 3, 4)	11,835	10,625
Other financial Income	(25)	13,655	-16,678
Fair value changes in investment properties and valuation of properties held as inventory	(22)	705,243	64,241
Gains / losses from the disposal of investment properties	(1, 19)	-3,501	-1,619
Gains from the disposal of tangible and intangible assets		-171	-1,805
Impairments accounts receivables	(18, 20)	6,685	5,853
Changes to deferred taxes	(6)	-119,446	10,953
Changes in provisions	(14, 15)	20,025	-8,375
Interest received		5,078	1,879
Interest paid		-59,436	-52,704
Income tax payments and refunds		-21,271	-3,870
Changes in receivables and other assets		75,349	41,376
Changes in payables and other liabilities		-24,411	-98,873
Cash flow from operating activities		291,939	133,561
Payments received from the disposal of investment properties (less selling costs)	(1, 19)	257,306	92,197
Payments made for the purchase of subsidiaries	(1)	0	-401,430
Payments made for foreign currency hedges		0	-12,235
Payments made for investments in investment properties	(1)	-150,156	-234,867
Payments received from other financial assets	(5)	1,118	864
Payments received from the disposal of intangible assets and property, plant and equipment	(2, 3)	16,784	2,880
Payments made for investments in intangible assets and property, plant and equipment	(2, 3)	-7,161	-8,640
Cash flow from investing activities		117,891	-561,231
Proceeds from the issuance of new shares	(12)	419	201,824
Costs related to the issuance of new shares	(12)	0	-10,979
Proceeds from the issuance of treasury shares	(12)	0	333
Payments made for the purchase of minority interests	(12)	0	-2
Payments made for the repayment of corporate bonds and other loans	(13)	-613,159	-88,314
Proceeds from the issuance of corporate bonds and other loans	(13)	330,952	207,596
Dividends paid	(12)	0	-136,153
Distribution to minority investors	(13)	-6,098	-4,016
Proceeds from new bank loans	(13)	456,343	1,138,807
Repayment of bank loans	(13)	-689,079	-732,023
Repayment of lease liabilities	(13)	-8,783	-3,560
Cash flow from financing activities		-529,405	573,513
Net change in cash and cash equivalents		-119,575	145,843
Cash and cash equivalents at the beginning of the period		238,690	94,100
Foreign currency exchange effects		8,283	-1,253
Cash and cash equivalents at the end of the period		127,398	238,690

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

in TEUR	Attributable to owners of the parent							Non- contro lling inter est	Total equity
	Subscri -bed Capital	Share prem -ium	Other reserves			Retained earnings	Total		
			Retain- ed earn- ings	Foreign curren- cy trans- lation	Hedg e reser- ve				
Amount on 01/01/2023	175,442	682,797	1,035	-24,003	-1,166	2,364,372	3,198,476	109,263	3,307,739
Consolidated net income	0	0	0	0	0	-396,917	-396,917	-14,022	-410,939
Other comprehensive income	0	0	0	81,824	1,366	0	83,191	439	83,629
Comprehensive income	0	0	0	81,824	1,366	-396,917	-313,727	-13,583	-327,309
Issuance of new shares	41	378	0	0	0	0	419	0	419
Payments to non-controlling interest	0	0	0	0	0	0	0	-5,008	-5,008
Change in non- controlling interest	0	0	0	0	0	0	0	-11,347	-11,347
Amount on 12/31/2023	175,483	683,175	1,035	57,821	200	1,967,456	2,885,168	79,325	2,964,493
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 income	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

NOTES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of TAG Immobilien AG, Hamburg, as at 31. Dezember 2023 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the commercial law provisions of Section 315e (1) HGB were observed.

TAG Immobilien AG is a property company focused on the residential property sector. It essentially acts as the holding company of the integrated Group and performs all key centralised functions with its employees. The properties of TAG Immobilien AG and its subsidiaries (hereinafter also referred to as "TAG" or the "Group" for short) are spread across various regions in Northern and Eastern Germany and North Rhine-Westphalia, and, since the 2020 financial year, also in Poland. As at 31 December 2023, TAG managed a total of 84,682 (previous year: 86,914) flats in Germany. In Poland, TAG's residential lettings business comprised 2,417 (31 December 2022: around 1,150) completed flats. Another 1,359 (31 December 2022: around 2,200) rental flats are under construction. There is also a land reserve for the future construction of 5,665 (31 December 2022 around 10,100) further flats. In the sales business, as at the reporting date 4,248 flats are under construction (including around 502 completed and not yet sold flats), the land reserve in this business area comprises a further 15,612 (31 December 2022: around 12,600) future flats.

The Company is registered at Hamburg Local Court under HRB 106718 and has its registered office at the following address: Steckelhörn 5, 20457 Hamburg, Germany.

The financial years of the parent company and the consolidated subsidiaries correspond to the calendar year. The annual financial statements of the consolidated companies are based on uniform accounting and valuation methods in

accordance with the applicable IFRS. The consolidated financial statements are prepared in EUR, the functional currency of the parent company. Unless otherwise stated, amounts are shown in thousands of euros (TEUR). Rounding differences may arise from the disclosure in TEUR.

The consolidated income statement is prepared using the nature of expense method. EBIT is defined as earnings before income taxes, interest and other financial results. EBT is defined as earnings before taxes on income.

The consolidated financial statements and the summarised management report of TAG were approved by the Management Board on 11. März 2024 and, subject to approval by the Supervisory Board, released for publication.

SCOPE AND PRINCIPLES OF CONSOLIDATION

As at 31 December 2023 a total of 183 (previous year: 187) companies were included in the consolidated financial statements by way of full consolidation. TAG signed a new joint venture agreement with a financial investor in the reporting period. Together with this partner, investments totalling USD 100m are being sought in property acquisitions, including from external third parties. To implement this transaction, TAG has sold 50% of the shares in a subsidiary in order to realise new residential construction projects primarily in Warsaw and Gdansk. TAG does not exercise control over these companies, but both parties exercise joint management. All major decisions are taken jointly by the two partners. TAG receives separate remuneration for taking over the construction activities, the sale of flats and other services. The partners' loans to the joint ventures bear interest at market rates. A total of four companies, which were previously fully consolidated, are recognised as joint ventures using the equity method.

The list of shareholdings is presented as an appendix and forms an integral part of the notes to the consolidated financial statements. Companies that utilise the exemption provisions pursuant to Section 264 (3) HGB or are exempt pursuant to Section 246b HGB are marked accordingly in the list of shareholdings.

The consolidated financial statements include the financial statements of the parent company and the subsidiaries it controls. Control exists in particular in the case of

- Power of over the subsidiary,
- Participation in variable returns and
- Possibility of influencing the variable returns due to the power of disposal.

In addition to the majority of voting rights, control can also be achieved through the practical possibility of exercising significant influence over a company. The companies are included in the consolidated financial statements from the date on which TAG obtains the possibility of control. They are deconsolidated on the date on which the possibility of control ends.

Company acquisitions within the meaning of IFRS 3 are recognised using the purchase method. Accordingly, the acquisition costs of the company acquisition are allocated to the acquired, individually identifiable assets and liabilities as well as contingent liabilities in accordance with their fair values at the time of acquisition. Any remaining positive difference between the acquisition costs plus non-controlling interests and the net assets is recognised as goodwill; any negative difference is recognised in profit or loss. Incidental acquisition costs are recognised as expenses.

If shares in previously fully consolidated companies are acquired or sold (acquisition or sale of shares without a change in status), the differences between the purchase price and the carrying amount of the net assets acquired or sold are recognised directly in the capital reserve in equity.

The acquisition of property companies that do not constitute a business within the meaning of IFRS 3 is recognised as a direct purchase of properties (asset deal). The acquisition costs of the property company are allocated to the individually identifiable assets and liabilities on the basis of their fair values. Accordingly, the acquisition of property companies does not result in a difference.

Income and expenses as well as receivables and liabilities between fully consolidated companies are eliminated. Intercompany profits from intercompany deliveries and services that are not realised through the provision of services or sale to third parties are also eliminated.

Shares in Group equity and consolidated net income that are not attributable to TAG are recognised in the consolidated balance sheet and the consolidated income statement under "Non-controlling interests". Consolidation entries recognised in profit or loss are also taken into account when calculating the consolidated net income attributable to non-controlling interests.

If a guaranteed dividend is agreed over a non-cancellable minimum contractual term, the present value of future payments is recognised as a liability and the non-controlling interests are reduced accordingly.

If the minority interests are granted a put option as part of a settlement offer, the claims are classified as a financial liability and the non-controlling interests are derecognised. If these options are not exercised during the exercise period, the liability is reclassified back to non-controlling interests in equity.

Associates and joint ventures are accounted for using the equity method. An associate is an entity over which the owner has significant influence. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control exists when decisions about the relevant activities require the unanimous consent of the parties involved in joint control.

CURRENCY TRANSLATION

TAG applies the concept of functional 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 annual financial statements are therefore translated into the reporting currency using the modified closing rate method. Any resulting translation differences are recognised as a separate item in other comprehensive income in the statement of comprehensive income and are recognised in a separate reserve within equity with no effect on profit or loss.

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

The exchange rates of the Polish subsidiaries included in the consolidated financial statements for the financial year 2023 are as follows:

Currency rate (basis: 1 EUR)	Closing rate		Average rate	
	12/31/2023	12/31/2022	01/01 - 12/31/2023	01/01 - 12/31/2022
Polish Złoty	4.3395	4.6808	4.5420	4.6861

NEW STANDARDS AND INTERPRETATIONS

First-time application of new standards in the financial year 2023

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

Standard	Content
IFRS 17	Insurance Contracts including amendments to IFRS 17 — Insurance contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Taxes related to assets and liabilities arising from a single transaction
Änderung an IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules

Minor amendments were made to IFRS 17 as a replacement for IFRS 4 "Insurance Contracts". The measurement model of IFRS 17 is based on the determination of the current fulfilment values of insurance contracts, meaning that their carrying amounts must be adjusted in each reporting period due to changes in estimates. Insurance contracts are generally measured using a "building block approach". The standard grants the option of recognising the effects of changes in discount rates either in profit or loss or directly in equity. The exercise of this option is expected to reflect the way in which insurers recognise their financial assets in accordance with IFRS 9.

IAS 1 clarifies that companies must disclose all material accounting policies. Previously, the standard referred to significant accounting policies. The amendments define what is meant by "significant accounting policies" and how to identify them. They also clarify that immaterial information on accounting policies does not have to be disclosed. In addition to the amendments to IAS 1, IFRS Practice Statement 2 has also been amended to provide guidance to entities on the practical application of the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how to distinguish between changes in accounting policies and accounting estimates. The distinction is important as changes in accounting estimates are to be applied prospectively to future transactions and events, whereas changes in accounting policies are to be applied retrospectively to past transactions and events and the current period.

IAS 12 was amended to the effect that companies are required to recognise deferred taxes for transactions that give rise to taxable and deductible temporary differences of the same amount on initial recognition. The amendments will typically have an impact in connection with leases at the lessee and restoration obligations and lead to the recognition of additional deferred tax assets and liabilities. The amendments are to be applied to transactions that took place on or after the beginning of the earliest comparative period presented in the financial statements. In addition, deferred tax assets (if recoverable) and deferred tax liabilities are recognised at the beginning of the earliest period presented for all deductible and taxable temporary differences in connection with

- right-of-use assets and lease liabilities and
- decommissioning, restoration and similar obligations and the corresponding amounts recognised as part of the cost of the respective asset,

to be recognised. The cumulative effects of the first-time application of the regulation must be recognised in retained earnings (or another component of equity, if appropriate).

The amendments to IFRS 17 add an optional overlay approach to the classification of financial assets recognised in accordance with IFRS 9 to the transition requirements. Accordingly, a company can overlay the classification of financial assets recognised in accordance with IAS 39 (Financial Instruments: Recognition and Measurement) with the classification expected under IFRS 9 for the disclosure of comparative figures when applying IFRS 17 and IFRS 9 simultaneously for the first time. Without this change, mismatches with the accounting of insurance contracts in accordance with IFRS 17 could arise at the time of transition.

The amendments to IAS 12 (International Tax Reform — Pillar 2 Model Rules) relate to rules for global minimum taxation, which are to be transformed into national law by the EU member states in 2023 and applied to financial years beginning on or after 1 January 2024. The amendments introduce a temporary exemption from the recognition of deferred taxes in IAS 12, so that the recognition of deferred taxes is excluded from the scope of the standard due to the structure of supplementary taxes under the Pillar 2 minimum taxation regime. Additional disclosures in the notes will also be required, depending on when the respective national tax law comes into force.

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

New standards not yet applied

The following accounting standards newly issued or amended by the IASB up to the date of these financial statements are only to be applied after the balance sheet date, subject to endorsement by the European Union, and were not voluntarily applied early by the company:

Standard	Content	Initial application
Endorsed by the EU		
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 IAS 7 and IFRS 17	Supplier Finance Arrangements	01.01.2024
Amendments to IAS 21	Lack of Exchangeability	01.01.2025
EU endorsement pending		
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 apply these new accounting standards early. The standards to be applied as at 1 January 2024 will not have any material impact. The Company is currently examining the effects of standard amendments applicable at a later date.

RECOGNITION AND VALUATION PRINCIPLES

Principles

These financial statements are based on the going concern principle. They are predominantly measured on the basis of amortised cost. This does not apply to investment properties, equity investments, non-current assets held for sale as well as derivatives, which are measured at their fair value.

Investment properties

On initial recognition, TAG classifies properties in accordance with their intended use either as investment properties, as inventory properties or as owner-occupied properties under property, plant and equipment. Properties under operating leases with the Group as lessee are classified and recognised as investment properties.

Investment properties include the Group's properties that are held to generate rental income and/or for the purpose of capital appreciation and that are not used for operational purposes or sold in the course of ordinary business activities. In addition to portfolio real estate assets, this also includes undeveloped land and project developments. Properties sold in the course of ordinary business activities are recognised under inventories, while owner-occupied properties are recognised as property, plant and equipment.

With regard to investment properties classified as held for sale after initial recognition in subsequent years, please refer to the comments in the section "Non-current assets held for sale and associated liabilities".

Investment properties are initially recognised at acquisition or production cost including ancillary costs. Borrowing costs incurred in connection with the acquisition or construction of investment properties are capitalised if the conditions for this are met. They are subsequently measured at their fair value, which reflects market conditions on the reporting date. A gain or loss from the change in fair value is recognised in the income statement. Subsequent costs for the extension, conversion or modernisation of the property are taken into account if they contribute to an increase in the fair value of the property.

Operating leases of land and buildings in the form of heritable building rights, in which the Group is the lessee, are classified as financial investments and recognised accordingly as finance leases. They are reported under investment properties by adding the corresponding lease liabilities.

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

Intangible assets and goodwill

Individually acquired intangible assets are initially recognised at acquisition or production cost. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. After initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised on a straight-line basis over their expected useful lives, generally three to eight years, and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at the end of the financial year and any resulting changes are treated as a change in an estimate. There are no intangible assets with indefinite useful lives.

Impairment losses on intangible assets are recognised in the income statement under amortisation of intangible assets and depreciation of property, plant and equipment.

Goodwill is the excess of the cost of the shares in an acquired company over the net assets acquired. The net assets represent the balance of the acquired identifiable assets measured at fair value in accordance with IFRS 3 and the assumed liabilities and contingent liabilities.

Goodwill acquired as part of a business combination is allocated to the cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the combination. A CGU is the lowest level at which goodwill is monitored for corporate management purposes.

Goodwill is not amortised on a scheduled basis. Impairment tests are carried out at least once a year and also on an ad hoc basis if there are indications that the value of goodwill may have decreased. Impairment losses recognised in previous periods are not reversed.

Goodwill is tested for impairment at the level of the CGU or group of cash-generating units to which the goodwill 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. When calculating the value in use, the estimated future cash flows are discounted to their present value. Pre-tax discount rates are used that take into account the current market situation and the specific risks of the respective business segment.

At TAG, the lowest level within the Company at which goodwill is monitored for internal management purposes is the rental business in Poland (CGU Poland Rental) and for sales (CGU Poland Sales). 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 respective CGU is higher than the recoverable amount, the goodwill must first be amortised in the amount of the difference. Any further impairment loss is generally allocated to the other assets allocated to the CGU in proportion to their carrying amounts, whereby the respective fair value less costs to sell may not be less than the recoverable amount.

Property, plant and equipment

Property, plant and equipment is recognised at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised using the straight-line method based on estimated useful lives of generally three to 13 years (operating and office equipment) or 30 to 50 years (owner-occupied property). The depreciation methods and useful lives are reviewed at the end of each financial year and adjusted if necessary.

The carrying amounts of property, plant and equipment are tested for impairment as soon as there are indications that the carrying amount exceeds the recoverable amount. In the case of property, valuation reports by external experts prepared on the basis of the discounted cash flow method serve as the basis for any impairment. Impairment losses on property, plant and equipment are recognised in the income statement under amortisation of intangible assets and depreciation of property, plant and equipment.

Leases

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

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

As a lessee, TAG mainly has leases for business premises, vehicles and operating and office equipment in which the lessor retains beneficial ownership. For these leases, the rights of use to the underlying assets are recognised in the balance sheet. At the same time, a corresponding lease liability is recognised in the amount of the present value of all relevant lease payments. The right-of-use asset is subsequently amortised over the period of use and, if necessary, impairment losses are recognised. The liability is amortised using the effective interest method.

For short-term leases with a term of less than twelve months, use is made of the practical expedients and the payments are recognised directly as an expense in the income statement. In the case of office space rental agreements and vehicle leases that contain both leasing and non-leasing components, use is made of the option not to separate these components. Extension or cancellation options are taken into account when determining the contract terms, provided it is reasonably certain that they will or will not be exercised.

Further information on leases can be found in the following sections:

- Section 1 Investment property (investment properties)
- Section 3 Property, plant and equipment
- Section 4 Rights of use
- Section 13 Financial liabilities
- Section 19 Sales result
- Section 24 Other operating expenses

Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement. Joint control is the contractually agreed, jointly exercised control of an arrangement.

The results, assets and liabilities of joint ventures are included in these financial statements using the at-equity method. Under the at-equity method, shares in joint ventures are recognised in the consolidated balance sheet at cost, adjusted for changes in TAG's share of the joint venture's profit or loss and other comprehensive income.

With the sale of shares in a joint venture, a former subsidiary was deconsolidated. The remaining shares are recognised at fair value, which represents the acquisition cost on initial recognition of the joint venture. Any gain or loss associated with the loss of control that is attributable to the former controlling interest to be recognised.

According to IAS 28, an elimination must be made for an amortised share of the contributed assets and liabilities, whereas IFRS 10 requires full profit realisation. A clarification that full profit realisation is only possible in the event of loss of control over entire business areas and partial profit realisation in the event of the sale or contribution of individual assets was provisionally resolved in amendments to IAS 28. As a result, the IFRS 10 approach or the IAS 28 approach are still described in the literature as alternative options for certain transactions involving the sale/contribution of a subsidiary to a newly formed joint venture. In these financial statements, full profit realisation was applied to the deconsolidated subsidiary.

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 or interest 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 properties that are already intended for sale in the course of ordinary business activities or in the course of a construction or development process for such a sale at the time of acquisition. If the intention to sell is abandoned and the conditions for investment properties are met, the properties are reclassified as investment properties.

Properties held as inventories and other inventories are measured at the lower of acquisition or production cost and net realisable value. Production costs include the costs directly attributable to the development process of the property. Borrowing costs incurred in connection with the acquisition or construction of properties are capitalised if the conditions for this are met. 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 good-will arising from acquisition accounting.

Deferred income tax assets are recognised for all deductible temporary differences and tax losses carried forward 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

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 properties concerned, they are available for immediate sale and the sale is expected to be realised within one year from this date. They are still recognised at fair value.

Other non-current assets or a group of assets held for sale are classified as held for sale if the associated carrying amount is to be realised primarily through a sale transaction and not through continued use, the asset is available for immediate sale and the sale is considered highly probable. They are measured at the lower of the previous carrying amount and fair value less costs to sell.

If a different assessment is made regarding the saleability of these assets at a later date, they are reclassified back to non-current assets.

Non-current assets held for sale and the associated liabilities are recognised separately in 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 under-lying 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.

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 properties concerned, they are available for immediate sale and the sale is expected to be realised within one year from this date. They are still recognised at fair value.

Other non-current assets or a group of assets held for sale are classified as held for sale if the associated carrying amount is to be realised primarily through a sale transaction and not through continued use, the asset is available for immediate sale and the sale is considered highly probable. They are measured at the lower of the previous carrying amount and fair value less costs to sell.

If a different assessment is made regarding the saleability of these assets at a later date, they are reclassified back to non-current assets.

Non-current assets held for sale and the associated liabilities are recognised separately in the balance sheet.

Financial liabilities

Financial liabilities within the meaning of IFRS 9 are measured at amortised cost (AmC) or classified as at fair value through profit or loss (FVTPL). Financial liabilities held for trading purposes are classified as FVTPL, derivatives are classified as FVTPL and those that are opted for are classified as FVTPL. At TAG, only derivative financial instruments are allocated to this category. All other financial liabilities are classified as AmC and measured at amortised cost after initial recognition using the effective interest method.

A financial liability is initially recognised at fair value on the trade date. If classified as AmC, transaction costs are also recognised. Financial liabilities are derecognised when the obligations underlying the liability are discharged, cancelled or expire. They are also derecognised and replaced by a new liability if there is any significant change in the contractual cash flows as a result of a modification of the liability.

If compound financial instruments exist, an embedded derivative must be separated from its host contract if its economic characteristics and risks are not closely related to those of the host contract, if a comparable stand-alone instrument would meet the definition of a derivative and if the compound instrument is not measured at fair value through profit or loss. If an embedded derivative is separated, the components are recognised and measured separately in accordance with the relevant regulations

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 are 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

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, despite uncertainties regarding the amount or timing of utilisation. Other provisions are measured at the amount that would reasonably be expected to be paid to settle the obligation at the reporting date or if the obligation were transferred to a third party at the time of transfer. Provisions with a remaining term of more than one year are discounted if the interest effect is material.

Contingent liabilities

Contingent liabilities include possible obligations based on past events that 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 valid in the past financial year includes the following variable components:

- "Short Term Incentive Plan" (STIP), which is based on the development of key financial figures and the achievement of non-financial targets and is intended as an immediately payable cash payment, as well as the
- "Long Term Incentive Plan" (LTIP), which is based on the "Total Shareholder Return" (TSR, as the sum of share price increase plus dividends paid in the respective financial year) over a four-year performance period and is remunerated in TAG shares.

The STIP has an annual target remuneration of TEUR 150 and a maximum remuneration of TEUR 200.

An annual target remuneration of TEUR 250 is budgeted for the LTIP, with a maximum remuneration of TEUR 500. The remuneration is paid in the form of TAG treasury shares, which were previously acquired by the company on the market. The transferred shares are subject to a restriction on disposal for a four-year lock-up period.

The granting of the multi-year variable remuneration (LTIP) is based on TSR over a four-year period. TSR performance is assessed based on the performance of the TAG share in the respective performance period and relative to the performance of a selected group of competitors (peer group) in this period.

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

The LTIP component of the variable remuneration is measured at fair value; the measurement date is 1 January of each year. The value was determined by an independent expert on the basis of a Monte Carlo simulation. The personnel expenses determined accordingly are recognised directly as an increase in the capital reserve and distributed on a straight-line basis over the vesting period, which corresponds to the respective financial year.

The current personnel expenses recognised in the income statement for the entitlements from the LTIP acquired in the 2023 financial year amounted to TEUR 0 (previous year: TEUR 472) for the two Management Board members combined.

Further details on the remuneration of the Management Board can be found in the section "Remuneration system for the Management Board" in the summarised management report.

(ii) Employee participation programme

For several years, all employees of the TAG Group have been granted the opportunity to purchase TAG shares at a discount once a year, which the Company had previously acquired on the market as treasury shares. The discount granted to employees in the past financial year was 20%, as in the previous year. The basis of assessment in the past

financial year was the volume-weighted average price (VWAP) of the TAG share in Xetra trading over a period of two months prior to the start of the programme. Employees are subject to certain maximum limits at which shares can be acquired at a discount. Once acquired, the shares cannot be sold or encumbered for a period of three years, unless the employment contract of the employee in question ends before then.

The benefit granted to employees from the discounted purchase of shares is also recognised at fair value. The corresponding personnel expenses of TEUR 84 (previous year: TEUR 67) are recognised in full as an increase in the capital reserve. A total of 40,950 (previous year: 50,500) TAG shares were transferred to employees in the past financial year.

MATERIAL JUDGEMENTS AND ESTIMATES

Discretionary decisions

In applying the accounting policies, the Management Board has made the following judgements that have a material effect on the amounts in the consolidated financial statements:

- With regard to the properties held by the Group, the Management Board must decide at each reporting date whether they are held for long-term letting or for capital appreciation as investment properties or for own use or for sale in the ordinary course of business. TAG uses the fair value model in accordance with IAS 40 for the measurement of investment properties; alternatively, the cost model could have been selected. Property, plant and equipment are measured at (amortised) acquisition or production cost, while properties held as inventories are measured at the lower of acquisition or production cost and net realisable value. The effects of the current macroeconomic environment, such as the rise in interest rates and the inflation rate, as well as ESG criteria, were taken into account in the input parameters for the valuation.
- As part of the determination of rental revenue, the services invoiced as operating and ancillary costs must be analysed to determine whether an original provision of services as headmaster or the procurement of a third-party service as agent is present. The indicators for this assessment, which are considered in their entirety and do not have to be fulfilled cumulatively, are the primary responsibility for the fulfilment of the service, the potential inventory risk of not being able to pass on costs and the pricing power for a service. If the provision of services is categorised as headmaster, this results in increased revenue recognition and increased rental expenses in the same amount.
- When acquiring property companies, it is necessary to check whether this acquisition is to be classified as a business combination as defined by IFRS 3 or whether it is to be recognised as an acquisition of individual assets and liabilities. Acquisitions within the meaning of IFRS 3 are recognised using the purchase method. Under this method, the acquisition costs of the business combination are allocated to the acquired, individually identifiable assets and liabilities and contingent liabilities in accordance with their fair values at the acquisition date. Any remaining positive difference between the acquisition costs plus non-controlling interests and the net assets is recognised as goodwill; any negative difference is recognised in profit or loss. Incidental acquisition costs are recognised as expenses. By contrast, the acquisition and sale of property companies that do not constitute a business as defined by IFRS 3 is recognised as a direct purchase or sale of properties (asset deal). In this case, the acquisition costs of the property company are allocated to the individually

identifiable assets and liabilities on the basis of their fair values. Accordingly, the acquisition of property companies does not result in a difference.

- Goodwill accounting requires judgemental decisions to be made regarding the delimitation of groups of cash-generating units and the allocation of goodwill to these groups of cash-generating units. In addition, assumptions regarding future cash flows of the cash-generating unit and the capitalisation interest rates to be used must be made for the goodwill impairment test.

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 book values of assets and liabilities within the next financial year are detailed below. TAG's business activities were not significantly impacted by the Covid-19 pandemic in the year under review. Nevertheless, the estimates made by the Group are currently subject to significantly greater uncertainties 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 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 5,819.2m (previous year: EUR 5,200.0m).
- 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 book value of these properties stood at EUR 102.0m (previous year: EUR 58.5m).
- 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 book value of the goodwill recognised for the first time in 2020 stood at EUR 18.4m as of the reporting date.
- 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 tax losses carried forward 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 book value of EUR 50.6m (previous year: EUR 49.7m).
- 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 27.7m as of the reporting date (previous year: EUR 22.8m).

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	2023	2022
Amount on 1 January	6,569,912	6,540,418
Acquisitions through business combinations	0	124,827
Additions from the purchase of properties	275	12,836
Investments in existing properties	85,866	86,036
Investments in project developments	63,721	137,157
Transfers from property, plant and equipment	0	0
Transfers to property, plant and equipment	-25	0
Transfers from inventory	1,353	345
Transfers to inventory	-41,869	-58,722
Transfers to assets held for sale	-8,264	-219,157
Transfers from assets held for sale	133,397	12,087
Disposals	-204,724	-9,062
Change in market value	-704,815	-51,648
Currency conversion	40,432	-5,474
Amount on 31 December	5,935,259	6,569,912

The carrying amount includes the fair value of the properties. Of this amount, around EUR 151.2m (previous year: around EUR 371.8m) is attributable to leaseholds, which are classified as financial investments and recognised as finance leases. In addition, the value of the lease liabilities recognised as liabilities of EUR 9.4m (previous year: EUR 14.5m) is added to the leasehold rights.

The disposals include transfers recognised directly in equity to the joint venture investments reported under other financial assets in the amount of TEUR 6,920 (previous year: TEUR 0).

Total investments in the property portfolio, taking into account acquisition costs for newly acquired properties as well as construction and modernisation costs, break down as follows:

Modernisation costs in TEUR	2023	2022
Investment in investment properties	149,862	236,029
Investment in property held as inventory	263,744	256,687
Investment in assets held for sale	293	516
Total modernisation costs	413,899	493,232

Within the project developments allocated to the investment properties, directly attributable borrowing costs of EUR 1.5m (previous year: EUR 2.7m) were capitalised.

Investment properties totalling EUR 5.3bn (previous year: EUR 5.7bn) serve as collateral for liabilities to banks, primarily through mortgages and the assignment of rent receivables.

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

Investment properties in TEUR	2023	2022
Rental income (actual net rent) ¹⁾	343,001	328,067
Rental expenses	-67,900	-58,955
Total	275,101	269,112

¹⁾ thereof TEUR 10,584 in the 2023 financial year from the letting of investment properties held as heritable building rights

In rental business, rental contracts are generally subject to a statutory notice period of three months. There are no further claims to minimum lease payments. Long-term rental agreements with commercial tenants are of minor importance.

TAG has its real estate portfolio valued by independent experts as of 30 June and 31 December of each financial year. The independent experts have the appropriate professional qualifications and experience to perform the valuation. The valuation reports are based on:

- Information provided by the Company, e.g. current rents, maintenance and administration costs or the current vacancy rate, and
- Assumptions made by the independent expert based on market data and assessed on the basis of his professional qualifications, e.g. future market rents, standardised maintenance and management costs, structural vacancy rates or discount and capitalisation rates.

The information provided to the independent expert, the assumptions made and the results of the property valuation are analysed by Central Real Estate Controlling department and the Chief Financial Officer.

The fair value of the investment properties is determined using the discounted cash flow method (DCF method) in accordance with the International Valuation Standards. This involves discounting a property's expected future surplus income to the valuation date using a market-based, property-specific discount rate. While the incoming payments generally represent the net rents, the outgoing payments consist in particular of the management costs to be borne by the owners.

The underlying detailed planning period is generally ten years. A potential discounted realisable value (terminal value) of the valuation object is forecast for the end of this period. This reflects the most likely price that can be realised at the end of the detailed planning period. The discounted cash flows of the tenth year are capitalised as a perpetual annuity using the so-called capitalisation rate (exit rate).

The sum of the discounted cash surpluses and the discounted potential realisable value results in the gross capital value of the valuation object. This value is converted into a net capital value by taking into account the transaction costs incurred in the course of an orderly business transaction.

For purchases of investment properties that took place within a period of three months before the respective reporting date and for which the transfer of ownership had already taken place by the reporting date, the acquisition costs are used as the best possible estimate of the fair value.

The valuation of investment properties is generally categorised as a level 3 fair value.

The following overview shows the fair value of the investment properties in Germany by region and the key assumptions used in the valuation technique described:

Segment	Berlin		Chemnitz		Dresden		Rhein-Ruhr		Erfurt	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Market value (in EUR m)	778.3	959.9	368.3	407.9	530.6	628.8	316.6	356.9	669.8	767.8
Net rent p.a. (in EUR m)	41.4	44.4	27.6	27.2	28.9	29.6	17.6	17.3	39.8	39.0
Vacancy (in %)	3.4	3.6	8.3	9.0	1.6	1.3	2.4	2.4	1.9	1.9
Valuation parameters (average)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net rent to market rent (in %)	88	89	95	95	95	94	93	93	94	94
Increase in market rent p. a. (in %)	1.3	1.3	0.7	0.7	1.3	1.3	1.4	1.4	1.3	1.3
Maintenance costs (in EUR / sqm)	11.1	9.6	10.9	9.4	11.2	9.6	11.0	9.5	11.6	10.0
Administration costs (in EUR per unit)	289	242	293	248	303	258	319	274	288	241
Structural vacancy (in %)	3.5	3.4	4.6	4.6	2.6	2.5	1.8	1.8	1.7	1.8
Discount rate (in %)	4.9	4.5	5.1	4.9	4.8	4.6	5.0	4.6	4.9	4.6
Capitalisation rate (in %)	3.6	3.2	4.4	4.2	3.6	3.3	3.6	3.2	3.7	3.3
Segment	Gera		Hamburg		Leipzig		Rostock		Salzgitter	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Market value (in EUR m)	401.9	449.6	521.2	631.5	741.2	782.4	510.5	557.0	512.3	514.6
Net rent p.a. (in EUR m)	34.0	32.7	29.2	28.2	47.8	45.4	29.9	29.8	36.1	33.0
Vacancy (in %)	3.3	5.3	4.3	4.1	8.6	9.3	5.9	5.4	5.7	5.5
Valuation parameters (average)	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Net rent to market rent (in %)	95	95	92	92	92	92	92	93	98	97
Increase in market rent p. a. (in %)	0.8	0.8	1.3	1.3	0.9	0.9	0.9	0.9	0.8	0.8
Maintenance costs (in EUR / sqm)	11.0	9.5	11.0	9.0	11.0	9.5	10.9	9.4	11.0	9.6
Administrative costs (in EUR per unit)	292	248	321	260	291	247	297	254	304	260
Structural vacancy (in %)	4.4	4.8	1.9	1.7	4.2	4.1	3.1	3.3	2.2	2.2
Discount rate (in %)	5.7	5.2	5.1	4.6	4.9	4.6	4.6	4.3	5.2	4.8
Capitalisation rate (in %)	4.9	4.4	3.8	3.2	4.0	3.7	3.7	3.4	4.3	4.0

In addition, TAG's German portfolio includes activities not directly allocated to the regions in the form of serviced flats and commercial real estate with a market value of EUR 16.6m (previous year: EUR 22.0m)

The valuation parameters shown relate to the respective valuation reports as at 31 December of each year. The valuation as at 31 December is based on tenant lists and vacancies as at 30 September. Fluctuations in value up to the respective reporting date are taken into account if there are indications of significant deviations.

The assumptions used to value the properties are made by the independent valuer on the basis of his professional experience and are subject to uncertainty. The effects of possible fluctuations in the valuation parameters on the portfolio in Germany are presented in the form of a sensitivity analysis in the following table:

Sensitivity analysis in EUR m	2023	2022
Market value investment properties	5,368	6,078
Change in market value due to change in parameters		
Market rent (+2.0 / -2.0 %)	97,8 / -109	106 / -120
Increase in market rent (+0.2 / -0.2 %)	451 / -221	432 / -382
Maintenance costs (-10 / +10 %)	145 / -144	145 / -143
Administration costs (-10 / +10 %)	63 / -63	61 / -62
Structural vacancy (-1,0 / +1,0 %)	97 / -93	107 / -102
Discount and capitalisation rate (-1.0 / +1.0 / +2.0)	2.036 / -1.143 / -1.881	2.687 / -1.404 / -2.277

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

The portfolio in Poland allocated to investment properties has a total value of EUR 566,8m (previous year: EUR 491,7m). In addition to the portfolio properties that have been completed and transferred to letting with a value of EUR 295.7m (previous year: EUR 118.8m), project developments in the construction phase with a value of EUR 167.3m (previous year: EUR 133.4m) and other properties totalling EUR 103.8m (previous year: EUR 239.5m) are included.

The portfolio properties are also valued using the DCF method. Project developments in the construction phase are valued using the residual value method. In a first step, the fair value of the completed property is determined on the basis of the DCF method. In a second step, the costs still required for completion and a standardised project developer profit are deducted from this value. The key valuation parameters and their sensitivities are shown in the following table:

Sensitivity analysis Poland	2023	2022
Market value rental properties and projects under construction (in EUR m)	274	252
Net operational income p.a. (in EUR m) ¹⁾	16	19.0
Structural vacancy	4.2%	2.5%
Capitalisation rate	5,5%-6,1%	5.9%
Change in market value due to change in parameters		
Net operational income (+2.0 / -2.0 %)	5 / -5	6 / -6
Structual vacancy (-1,0 / +1,0 %)	3 / -3	4 / -4
Discount and capitalisation rate (-1.0 / +1.0 / +2.0 %)	52 / -40 / -59	63 / -45 / -78

¹⁾ Market rental income less vacancy, administration and maintenance costs

Land for future project developments or with an indefinite future use is recognised at fair value for a maximum period of twelve months after acquisition at cost. Thereafter, measurement is based on the residual value method with a value of EUR 87.1m (previous year: EUR 87.8m) or the comparative value method with a value of EUR 144.5m (previous year: EUR 124.5m). The carrying amount of the Polish investment properties also includes prepayments of EUR 39.4m (previous year: EUR 27.2m) under forward funding contracts, under which ownership is not transferred until a project has been completed.

2. INTANGIBLE ASSETS

The development of intangible assets is shown below:

Intangible assets in TEUR			
Acquisition and production costs	Other intangible assets	Goodwill	Total
Amount on 1 January 2022	17,437	18,253	35,690
Additions	2,513	244,819	247,332
thereof through 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
Additions	1,538	0	1,538
thereof business combinations according to IFRS 3	0	0	0
Disposals	-8,562	0	-8,562
Effects from currency conversion	71	20,549	20,620
Amount on 31 December 2023	12,936	281,814	294,750
Accumulated depreciation			
Amount on 1 January 2022	12,564	0	12,564
Additions	2,470	0	2,470
Disposals	-48	0	-48
Effects from currency conversion	-6	0	-6
Amount on 31 December 2022	14,980	0	14,980
Additions	2,294	0	2,294
Disposals	-8,504	0	-8,504
Effects from currency conversion	48	0	48
Amount on 31 December 2023	8,818	0	8,818
Book value on 31 December 2022	4,909	261,265	266,174
Book value on 31 December 2023	4,118	281,814	285,932

Goodwill amounted to EUR 281.8m as at 31 December 2023 (previous year: EUR 261.3m). The increase compared to the previous year is exclusively due to exchange rate effects of the Polish zloty.

For the impairment test in accordance with IAS 36.19 to test goodwill for potential impairment, the future cash flows of the business activities for 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 calculated in this way were compared with the carrying amount of the respective cash-generating unit including goodwill. The basis for determining the future cash flows for the Poland Sales CGU was the detailed planning approved by the Management Board with a planning horizon of three years (previous year: five years). The period of the detailed planning phase for the Poland Rental CGU was extended by four years and covers the period from 2024 to 2030. The reason for the extension beyond the normally used detailed planning period of years is that, at the current stage of planning, the portfolio of the Poland Rental CGU will not reach a steady state until after the next four years, as individual projects will not be fully completed until later. The fair value measurement of the CGU was categorised as a level 3 fair value based on the input factors of the valuation technique used.

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

DCF parameters as of 12/31/2023	2023	2022
Risk-free interest rate Poland in %	5.5	6.3
Market risk premium Poland in %	4.7	4.9
Unlevered Beta	0.8	0.8
Cost of capital	9.1	10.0
Sustainable planned growth rate in %	2.0	2.0

The change in the market risk premium in Poland compared to the previous year reflects, among other things, the effects of market developments in Poland on the return expectations of Polish market participants. The impairment analyses carried out in the fourth quarter did not result in any impairment of goodwill.

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

EUR m	CGU Poland Rental	CGU Poland Sales
Goodwill on 31 December 2023	19.3	262.5
Fair value less cost to sell	592.8	1,093.1
Book value	581.8	737.9
Sensitivity of growth rate from impairment	0.1%	3.2%
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%

The key assumptions for the presentation of future cash flows are the project developments existing at the time of the analysis and those planned for the future, as well as the investments and realisable sales revenues attributable to them. These values are determined on the basis of the Management Board's estimate of future project development costs and the realisable sales proceeds and rental income.

The assumptions for planning the future cash flows for the Poland Letting CGU are based primarily on the residential portfolio directly attributable to the CGU and intended for letting. As at the reporting date, around 2,400 rental flats have already been completed, while a further 1,000 or so rental flats are under construction and will be completed in the course of 2024. In addition, it was assumed that a further 6,800 or so flats will be completed within the detailed planning period, i.e. within the following six years, meaning that the total rental housing stock will comprise 10,200 flats by the end of the detailed planning phase. The construction of these additional 6,800 or so flats will be fuelled primarily by the existing land reserve, which comprises around 5,700 flats in total. For strategic reasons, this CGU also includes sales of around 3,800 flats during the detailed planning period.

The assumptions for planning the future cash flows for the Poland Sales CGU are based on the handover of around 2,000 flats in the 2024 financial year and around 3,000 flats in subsequent years. For sustainable sales activities, we assume the sale of around 2,900 units per year in the long term, i.e. after the end of the detailed planning phase.

The Management Board's expectations with regard to the realisable proceeds from the sales business reflect the sales prices achieved and costs incurred in the course of business development to date. Rental income planning is based on internal calculations and the findings from the rental agreements concluded to date in Poland, which the Management Board believes take into account future achievable rents based on key influencing factors such as the location and size of the rental properties, cost increases and vacancy trends. Continuous rental growth is assumed for rental income planning against the background of available external information on the development of the still young Polish rental market to date.

3. PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment is shown below:

Property, plant and equipment in TEUR			
	Real Estate	Operating and office equipment	Total
Acquisition and production costs			
Amount on 01/01/2022	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
Rebookings	-295	0	-295
Effects from currency conversion	-23	-5	-28
Amount on 12/31/2022	13,118	56,246	69,364
Additions	305	5,314	5,619
Thereof business combinations according to IFRS 3	0	0	0
Disposals	-10,754	-3,685	-14,439
Reclassifications	0	25	25
Effects from currency conversion	146	103	249
Amount on 12/31/2023	2,815	58,003	60,818

Cumulative depreciation	Real Estate	Operating and office equipment	Total
Amount on 01/01/2022	2,815	17,413	20,228
Additions	474	4,506	4,980
Disposals	-85	-981	-1,066
Effects from currency conversion	-7	-3	-10
Amount on 12/31/2022	3,197	20,935	24,132
Additions	379	4,985	5,364
Disposals	-2,773	-2,827	-5,600
Effects from currency conversion	40	57	97
Amount on 12/31/2023	843	23,150	23,993
Book value on 12/31/2022	9,919	35,312	45,231
Book value on 12/31/2023	1,972	34,853	36,825

The properties recognised under property, plant and equipment mainly relate to the Group's own office properties. The owner-occupied property in Hamburg was sold during the course of the financial year and rented again on a long-term basis.

The remaining properties also serve as collateral for bank liabilities, primarily through mortgages and the assignment of rent receivables, and contain hidden reserves as the difference between the carrying amount and the fair value of EUR 1.2m (previous year: EUR 12.1m).

4. RIGHT-OF-USE ASSETS

The development of the right-of-use assets is shown below:

Right-of-use assets in TEUR

Costs of acquisition	Real estate	Transportation	IT equipment	Total
Amount on 01/01/2022	10,196	5,326	778	16,299
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 translation	-39	-8	0	-47
Amount on 12/31/2022	15,618	6,515	793	22,926
Additions	12,831	1,377	446	14,654
Disposal	-168	-1,230	-696	-2,094
Effects from currency translation	418	59	0	477
Amount on 12/31/2023	28,699	6,721	543	35,963
Cumulative depreciation	Real estate	Transportation	IT equipment	Total
Amount on 01/01/2021	3,779	3,148	657	7,584
Additions	1,796	1,300	107	3,203
disposal	0	-549	0	-549
effects from currency translation	-9	-5	0	-14
Amount on 12/31/2022	5,566	3,894	764	10,224
Additions	7,212	1,580	121	8,913
Depreciation	-168	-1,221	-696	-2,085
Effects from currency conversion	70	22	0	92
Amount on 12/31/2023	12,680	4,275	189	17,144
Book value as of 12/31/2022	10,052	2,621	29	12,702
Book value as of 12/31/2023	16,019	2,446	354	18,819

The Group mainly rents office and warehouse space in the property segment. In some cases, there are renewal options that have not yet been recognised in the relevant lease term. If these options were exercised, additional cash outflows of up to EUR 13.7m (previous year: EUR 7.7m) would have to be recognised in the measurement of right-of-use assets and corresponding lease liabilities. Rental agreements that can be cancelled at short notice were not recognised as right-of-use assets. Operating and ancillary costs were not recognised as variable lease payments.

Vehicles are usually leased for a period of three to five years, as is individual IT equipment, for which an advantageous purchase option is also regularly agreed at the end of the term.

Total cash outflows from leases totalled EUR 4.4m (previous year: EUR 4.4m).

5. OTHER FINANCIAL ASSETS

Other financial assets include, in particular, the shares in Polish joint ventures recognised at equity and loans to them. German minority interests in unlisted property companies and closed-end property funds, which are recognised at fair value, are also reported here. The security deposits relate to security deposits for rented office space.

The item is made up as follows:

Other financial assets in TEUR	2023	2022
Investments	35,139	0
Investments in associates – at equity	22,745	37
Investments in associates – at equity	8,226	9,630
Security deposits	568	528
		4,362
Other	219	179
Total	66,896	14,737

In the 2023 financial year, TAG transferred assets with a carrying amount of EUR 39.4m to two joint ventures established together with a Luxembourg financial investor. The consideration received for this amounts to EUR 36.4m net after taxes and resulted in a loss of EUR 3.0m, which is recognised net within the result from disposals. In addition, a further joint venture was established in the reporting year to realise a newly acquired project. Three previously fully consolidated companies are now recognised as joint ventures due to their contractual structures. A total of six joint ventures are recognised at equity as at the reporting date.

The carrying amounts of the shares in the joint ventures and the development as at 31 December 2023 were composed as follows:

Bookvalue of investments accounted for at equity	2023
Amount on 1 January 2023	37
Additions	21,588
Disposals	-2,554
Group's share of net profit or loss	2,667
Currency conversion	1,007
Amount on 31 December 2023	22,745

The condensed balance sheets of the joint ventures as at 31 December 2023 are as follows:

in mEUR	Inwestycja 2016 Sp. z o.o.	Affane Sp. z o.o.	ZASPA Project Sp. z o.o.	Joint Ventures Popowice
Total current assets	22,504	23,600	26,076	38,868
Thereof cash and cash equivalents	12	3	2	8,668
Total non-current assets	636	282	88	4,296
Total assets	23,140	23,882	26,164	43,164
Total current liability	494	53	0	10,215
Thereof current financial liabilities	0	0	0	0
Total non-current liabilities	18,836	24,915	26,538	887
Thereof non-current financial liabilities	18,722	24,915	26,538	0
Total liabilities	19,330	24,968	26,538	11,102
Net assets	3,810	-1,086	-374	32,062

The combined income statement of the joint ventures for the period from 1 January to 31 December 2023 is as follows:

in mEUR	Inwestycja 2016 Sp. z o.o.	Affane Sp. z o.o.	ZASPA Project Sp. z o.o.	Port Popowice Sp. z o.o.
Revenue from the sale of properties	0	0	0	21,975
Expenses from the sale of properties	0	0	0	-14,680
Other operating expenses	-199	-23	-7	-458
Interest income	23	17	0	187
Interest expense	-867	-1,421	-437	0
Income tax expense or income	200	244	84	-1,334
Other positions	0	145	0	41
Total	-843	-1,038	-360	5,731

The reconciliation of the summarised financial information presented to the carrying amount of the investments in the joint ventures is as follows:

Development of joint ventures in TEUR	
Equity of the joint ventures	34,386
TAG share of equity	22,014
Share of losses offset against loans	731
Carrying amount of the investments	22,745

The dividends received from the joint ventures in the financial year totalled EUR 2.6m (previous year: EUR 0.00).

6. CURRENT AND DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

Deferred income taxes in TEUR	2023		2022		Change
	Active	Passive	Active	Passive	
Unused tax losses (incl. interest carried forward)	33,166	0	38,307	0	-5,141
Investment properties without properties held as inventory	8,388	-591,745	3,385	-693,510	106,768
Property, plant and equipment	2,099	-4,265	2,487	-2,962	-1,691
Other financial assets	390	-1,183	82	-1,775	900
Properties held as inventories	416	-39,199	1,589	-35,284	-5,088
Liabilities	21,073	-6,427	16,058	-2,643	1,231
Provisions	6,431	-2,105	4,480	-2,640	2,486
Liabilities from convertible bonds	0	-11,339	0	-20,224	8,885
Derivative financial instruments	1,241	-567	13	-1,340	2,001
Total	73,204	-656,830	66,401	-760,378	110,351
Offset	-48,431	48,431	-44,193	44,193	-
Deferred income taxes in the balance sheet	24,773	-608,399	22,208	-716,185	-
Change 2023					110,351
Thereof within equity:					-9,095
Thereof within income:					119,446

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

Income taxes in TEUR	2023	2022
Current income tax expense	-27,223	-15,975
Deferred income taxes	119,446	-10,953
Total	92,223	-26,928

Deferred taxes recognised directly in equity mainly comprise exchange rate differences on valuation differences in the Polish part of the Group.

Of the current taxes, TEUR 3,917 (previous year: TEUR 983) is attributable to Germany and TEUR 23,305 (previous year: TEUR 14,993) to Poland. In the case of deferred taxes, tax income of TEUR 111,287 (previous year: tax expense of TEUR 13,352) is attributable to Germany and tax income of TEUR 8,158 (previous year: TEUR 2,399) to Poland.

In addition to tax expenses for the past year totalling TEUR 4,160 (previous year: TEUR 4,654), current income taxes include tax income for previous years in Germany in the amount of TEUR 242 (previous year: EUR 3,672). Tax expenses for the past year in Poland totalled TEUR 23,305 (previous year: TEUR 19,451). Tax expenses for previous years in Poland totalled TEUR 1,534 (previous year: TEUR 1,187).

Current income taxes include TEUR 844 in taxes paid in Germany (previous year: refund of TEUR 15,375) and TEUR 19,720 in taxes paid in Poland (previous year: TEUR 20,894).

In the amount of TEUR 115,492 (previous year: TEUR -38,543), a total change in deferred taxes resulted from the change in temporary differences. The expense from the change in deferred taxes on loss carryforwards amounts to TEUR -5,141 (previous year: income TEUR -7,832).

The income tax refund claims recognised in the consolidated balance sheet mainly include refunds of corporation tax for the year 2022. Income tax liabilities include income taxes for the past financial year in the amount of TEUR 2,556 (previous year: TEUR 777). The other income tax liabilities relate to income taxes for previous years.

Expected and actual net tax expense is reconciled as follows:

Actual net income tax expense in TEUR	2023	2022
Earnings before income taxes (EBT after other taxes)	-503,162	144,207
Expected net tax expense (32.275%)	162,395	-46,543
Reconciled with tax effects from:	0	0
Income and expenses from earlier years	1,040	-5,414
Impairment of deferred income taxes and utilisation of previously unrecognised unused tax losses/interest carried forward	1,127	-7,878
Tax-free returns and non-deductible expenses	-5,678	2,513
Effects of trade tax exemption	-77,375	23,015
Net gains/losses from consolidation	10,889	9,802
Others	-176	-2,423
Actual net income tax expense	92,223	-26,928

The effect of the trade tax exemption results in particular from the so-called "extended reduction" of trade income. Those companies that generate their income exclusively from the management of their own real estate assets have the option of reducing their trade income by this income, so that in these cases only the corporation tax rate plus solidarity surcharge is effectively applied.

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

The theoretical tax rate is calculated as follows:

Theoretical tax rate in %	2023	2022
Corporate tax	15.000	15.000
Solidarity surcharge	0.825	0.825
Trade tax	16.450	16.450
Total	32.275	32.275

The calculated Group tax rate is 18.33% (previous year: 18.67%).

The calculation of deferred tax assets includes tax loss carryforwards for corporation tax of EUR 132m (previous year: EUR 151m) and for trade tax of EUR 399m (previous year: EUR 365m) are not included, as utilisation does not appear likely at the present time.

The total amount of unrecognised temporary differences in connection with investments in subsidiaries and associates amounts to EUR 389m (previous year: EUR 196m). The Group does not expect this to result in a charge as there are currently no plans to sell these shares.

As at the balance sheet date, the BEPS Pillar 2 regulations (MinBestRL-UmsG) were transposed into German law (MinStG) and entered into force on 27 December 2023 upon publication in the Federal Law Gazette. In accordance with Section 101 MinStG, the provisions of the Minimum Tax Act apply for the first time to financial years beginning after 31 December 2023 and are therefore not yet applicable to the reporting year.

The Group generally falls within the scope of these regulations from the 2024 financial year, as the corresponding size criteria are met.

As at the reporting date, the Group carried out an initial indicative analysis to determine the fundamental impact and the jurisdictions from which the Group is exposed to potential effects in connection with a Pillar 2 top-up tax. Based on the preliminary or pro rata data available for the 2023 financial year, it was first examined whether the CbCR safe harbour regulations are relevant on the basis of this data. Based on this indicative analysis, at least one of the three alternative possible CbCR safe harbour regulations can be used in all countries of the Group, meaning that no tax increase would result.

The Group closely monitors the progress of the legislative process in each country in which it operates and adapts the existing reporting and compliance processes with a view to a future local and central determination of the top-up tax burden and with a view to the future submission of the minimum tax report and the corresponding tax returns.

The Group applies the exemptions in IAS 12 Income Taxes published in May 2023, according to which no deferred tax assets and liabilities are recognised in connection with the second pillar ("Pillar Two") income taxes of the OECD and no disclosures are made in this regard.

7. INVENTORY PROPERTIES AND OTHER INVENTORIES

The changes in the past financial year are presented below:

Properties held as inventories in TEUR	2023	2022
Amount on 1 January	714,188	113,758
Additions from Business combinations in accordance with IFRS 3	0	582,537
Other additions	263,744	256,687
Transferred to investment properties	-1,353	-345
Transferred from investment properties	41,869	58,722
Impairment losses	0	-67
Disposals	-434,106	-292,138
Effects from currency translation	45,293	-4,966
Amount on 31 December	629,635	714,188

As at the reporting date, the real estate inventories item mainly comprised project developments. The investments ("Other additions") are attributable to EUR 252.0m (previous year: EUR 236.4m) to project developments in Poland and EUR 11.7m (previous year: EUR 20.3m) to a commercial project development in Germany.

Among other things, this item includes project developments that are not expected to be completed and sold for more than twelve months.

The properties held as inventories include hidden reserves as the difference between the carrying amount and the fair value of EUR 74.5m (previous year: EUR 96.3m).

The disposals include transfers recognised directly in equity to the joint venture investments reported under other financial assets in the amount of TEUR 60,578 (previous year: TEUR 0).

Within the project developments, directly attributable borrowing costs in the amount of TEUR 9,424 (previous year: TEUR 11,309) were capitalised.

Other inventories mainly comprise heating material.

8. TRADE RECEIVABLES

Trade receivables break down as follows:

Trade receivables in TEUR	2023	2022
Rent receivables	28,568	21,387
Receivables from the sale of properties	5,380	432
Receivables from re-charge of ancillary costs from apartments sold	995	1,653
Others	6,251	2,610
Total	41,195	26,082

Rental receivables include an item of EUR 17.3m (previous year: EUR 13.1m) from the netting of gross receivables of EUR 188.8m (previous year: EUR 170.6m) for operating and ancillary costs that have not yet been invoiced and are apportionable with the corresponding advance payments by the tenants. Receivables totalling TEUR 3,117 (previous year: TEUR 2,953) are attributable to operating and ancillary costs that have been invoiced.

The allowance for expected credit losses on trade receivables developed as follows:

Individual impairments in TEUR	2023	2022
Amount on 1 January	12,151	9,211
Utilised	-2,390	-2,689
Reversed	-1,842	-1,593
Additions	7,567	7,223
First-time consolidation	99	-1
Amount on 31 December	15,585	12,151

In the financial year, impairment losses (value adjustments and derecognition) were recognised on trade receivables due to tenants' poor creditworthiness in the amount of TEUR 6,685 (previous year: TEUR 5,853) were recognised in profit or loss.

9. OTHER CURRENT ASSETS

Other current assets break down as follows:

Other current assets in TEUR	2023	2022
Funds received from project development business in Poland	52,720	32,254
Receivables and advances from project development business in Poland	21,454	24,501
Tax receivables	6,131	9,609
Loans to shareholders with non-controlling interests	4,449	4,449
Rechargeable retirement benefit obligations	3,089	3,112
Excess payments to suppliers	3,887	3,914
Receivables from EWSG/EWPBG legislation	6,395	3,701
Security services for general contractors	5,826	2,472
Others	9,155	9,181
Total	113,105	93,193

The advance payments received from the project development business are earmarked payments to escrow accounts of customers for flats under construction in Poland.

The loans to minority shareholders are fully collateralised by pledging shares in property companies.

The receivables from the EWPBG and EWSG are reimbursement claims against the Federal Republic of Germany under the Natural Gas Heat Price Brake Act and the Act on Emergency Aid for End Consumers of Gas and Heat Supplies, which are passed on indirectly to TAG tenants via the operating and ancillary cost statements.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all bank balances due within three months of the balance sheet date and, albeit to a lesser extent, cash in hand. Please refer to the section "Notes on the cash flow statement" for a reconciliation to cash and cash equivalents.

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

Non-current assets held for sale exclusively comprise properties previously recognised as investment properties that are not part of the strategic core portfolio and are to be sold.

Non-current assets held for sale are composed solely of real estate assets previously classified as investment

The following overview shows the development of the item:

Non-current assets held for sale in TEUR	2023	2022
Amount on 1 January	187,417	72,004
Reclassification from investment properties	8,264	219,157
Reclassification to investment properties	-133,397	-12,087
Investments	293	516
Changes in market value	-428	-12,526
Sales	-54,651	-79,639
Effects from currency conversion	25	-8
Amount on 31 December	7,524	187,417

As in the previous year, sales contracts had already been signed for all properties reported here as of the reporting date, for which the transfer of ownership, benefits and encumbrances is expected in the following financial year. For some properties, sales contracts concluded in 2022 were cancelled in the reporting year, meaning that these properties were transferred back to investment properties.

The fair value measurement of the other properties held for sale in Level 3 is based on the valuation by an independent expert. The valuation procedure is described in more detail in the notes on investment properties, as are the main valuation parameters.

12. EQUITY

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

The Company's fully paid-up share capital as at 31 December 2023 amounts to EUR 175,489,025.00 (previous year: EUR 175,489,025.00). The share capital is divided into 175,489,025 (previous year: 175,489,025) no-par value shares with equal voting rights. The shares are bearer shares.

By resolution of the Annual General Meeting on 16 May 2023, the Management Board was authorised, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions until 15 May 2026 by a maximum amount of EUR 35,000,000.00 by issuing up to 35,000,000 new no-par value bearer shares in the Company in return for cash and/or non-cash contributions (Authorised Capital 2023). Shareholders' subscription rights may be excluded with the approval of the Supervisory Board. The proportionate amount of the share capital attributable to the new shares for which subscription rights are excluded may not exceed a total of 10% of the share capital either at the time the authorisation becomes effective or at the time it is exercised. The Authorised Capital 2023 was neither partially nor fully utilised in the financial year.

The Company's share capital is conditionally increased by up to EUR 35,000,000.00 by issuing up to 35,000,000 new no-par value bearer shares (Conditional Capital 2023). The conditional capital increase serves to grant shares to the holders of convertible bonds and/or bonds with warrants issued by the Company or by a direct or indirect affiliated Company of the Company in accordance with the authorisations of the Annual General Meetings on 23 May 2018 or 16 May 2023. The new shares will be issued at the conversion or option price to be determined in accordance with the aforementioned authorisation resolutions. The conditional capital increase is only to be carried out to the extent that conversion or option rights are exercised or corresponding obligations are to be fulfilled and to the extent that no other forms of fulfilment are used for servicing. The new shares participate in profits from the beginning of the financial year in which they are created; notwithstanding this, the new shares participate in profits from the beginning of the financial year preceding the financial year in which they are created if, at the time the new shares are created, the Annual General Meeting has not yet passed a resolution on the appropriation of the net profit for 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. No use was made of this authorisation in the 2023 financial year.

The Annual General Meeting on 16 May 2023 also renewed the authorisation to acquire treasury shares and resolved this up to a total of 10% of the share capital existing when the authorisation takes effect or - if this is lower - when the authorisation is exercised until 15 May 2025. This authorisation may not be used by the Company for the purpose of trading in treasury shares. In addition to the usual, legally prescribed uses, it also includes the authorisation to grant and transfer the shares to the Company's Management Board members as part of the determination of variable remuneration. The Company has not yet made use of this authorisation.

Based on the previous authorisations, the Company acquired a total of 310,000 treasury shares in previous financial years to service the employee share ownership programme and long-term Management Board remuneration. In the 2023 financial year, the Company transferred 40,950 of these shares to employees as part of the employee share ownership programme (previous year: 50,500 shares).

No shares were transferred as part of long-term Management Board remuneration in the past financial year (previous year: 21,330 shares). As of the reporting date, TAG held 6,484 treasury shares (previous year: 47,434), corresponding to 0.00 % (previous year: 0.03 %) of the share capital. The Company's subscribed capital, less treasury shares, totalled TEUR 175,483 as of the reporting date (previous year: TEUR 175,442).

Reserves

The capital reserve mainly results from the premium from capital increases carried out (reserve in accordance with Section 272 (2) No. 1 HGB) and from a capital increase from company funds with a subsequent capital reduction (reserve in accordance with Section 272 (2) No. 4 HGB) from previous years.

Retained earnings relate to the legal reserve in accordance with the provisions of Section 150 AktG and the cumulative effects from the first-time application of IFRS 9.

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

The reserve for hedge accounting includes gains and losses from interest rate hedging instruments (cash flow hedges) after deduction of deferred income tax effects and developed as follows:

Hedge accounting reserve in TEUR	2023	2022
Amount on 1 January	-1,166	0
Unrealised gains and losses	-1,645	457
Reclassified to profit and loss as hedged item affected profit and loss	0	0
Reclassified to profit and loss with cessation of hedge relation	3,365	-617
Deferred income tax effect	-327	273
Effects from currency conversion	-27	0
Amount on 31 December	200	-1,166

Dividend

As in the previous year, TAG's Management Board does not plan to propose a dividend distribution for the 2023 financial year at the Annual General Meeting.

Non-controlling interests

This item relates to minority interests in the equity and net income of consolidated subsidiaries. If these shareholders are entitled to compensation payments in the form of annual guaranteed dividends over a non-cancellable minimum period, these are recognised as other non-current liabilities.

The consolidated net income attributable to the shareholders of the parent company is the difference between the consolidated net income before non-controlling interests and the non-controlling interests recognised in the income statement.

13. FINANCIAL LIABILITIES

The development of financial liabilities is as follows:

Financial liabilities in TEUR	01.01.2023	Cashflow from financing activities	Additions from business combinations	Fair value changes	Non- cash changes	Other		31.12.2023
						Interest expense	Interest paid	
Liabilities to banks	2,522,039	-232,736	0	0	-2,820	47,847	-44,057	2,290,273
Liabilities from corporate bonds and other loans	798,617	-282,207	0	0	3,319	22,600	-18,465	523,864
Liabilities from convertible bonds	460,628	0	0	0	0	5,773	-2,938	463,463
Derivative financial instruments	4,335	0	0	7,404	0	0	0	11,739
Lease liabilities	42,115	-8,783	0	0	11,218	782	0	45,332
Other financial liabilities	5,073	-1,090	0	0	0	164	0	4,147
Total	3,832,807	-524,816	0	7,404	11,717	77,166	-65,460	3,338,817

Financial liabilities in TEUR	01.01.2022	Cashflow from financing activities	Additions from business combinations	Fair value changes	Non- cash changes	Other		31.12.2022
						Interest expense	Interest paid	
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

Liabilities to banks

Liabilities to banks are almost fully collateralised. In Germany, collateral is mainly provided in the form of mortgages and the assignment of rental income; in Poland, bank balances are predominantly pledged and intragroup guarantees are provided. This collateral can only be utilised by the banks after a material breach of the financing agreement (e.g. breach of financial covenants).

Liabilities under corporate bonds and other loans

In the 2018 financial year, TAG placed an unsecured corporate bond for EUR 125.0m. It has a term of seven years and an annual interest rate of 1.75%. Another bond for EUR 125.1m was repaid at maturity in the reporting year.

In addition, three tranches and a further bond in the amount of EUR 24m were placed in Poland as part of a bond programme totalling PLN 360,000. Three bonds totalling PLN 297.1m were repaid as contractually agreed in the reporting year.

Titel	Volume in m PLN	Outstanding Volume in m PLN	Outstanding Volume in EURm	Maturity	Interest as of 31 Dec. 2023
Series PC	100.0	100.0	23.0	12/04/2024	8.8%
Series PD	150.0	150.0	34.6	06/17/2026	8.2%
Series PE	110.0	110.0	25.3	12/22/2025	10.7%
Series AA	n.a.	n.a.	24.0	07/12/2027	6.8%

In Germany, TAG has placed several promissory note loans as part of private placements:

Instrument	Year of issuance	Nominal in EURm	Maturity of tranches	Average Interest as of 31 Dec. 2023
Promissory notes	2019	102.0	5 to 7 years	1.2%
Promissory notes	2020	77.0	3 to 10 years	2.1%
Promissory notes	2022	64.5	3 to 7 years	5.1%

Since the 2018 financial year, short-term bearer bonds of generally up to EUR 50.0m have also been issued as a special form of corporate bond with terms of generally one to six months (so-called "commercial paper"). As at 31 December 2023 a nominal amount of EUR 25.0m (previous year: EUR 25.0m) was outstanding.

Convertible bonds

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

Lease liabilities and other financial liabilities

Other non-current liabilities mainly include liabilities from lease liabilities of TEUR 28,506 (previous year: TEUR 24,808), liabilities from security retentions of TEUR 15,852 (previous year: TEUR 11,081) and from guaranteed dividends to non-controlling shareholders totalling TEUR 2,551 (previous year: TEUR 3,477). Other current liabilities also include lease liabilities and guaranteed dividends due within one year.

Non-cash changes in lease liabilities mainly relate to additions or disposals of leases to be recognised in equity.

The undiscounted lease liabilities as at the reporting date totalled TEUR 49,510 (previous year: TEUR 43,685).

Derivative financial instruments

The financial instruments recognised under derivative financial instruments on the liabilities side include interest rate swaps, conversion rights and purchase price guarantees.

Of the positive market values of the interest rate swaps amounting to TEUR 1,655 (previous year: TEUR 10,388), TEUR 1,368 (previous year: positive market values of TEUR 5,923) are attributable to interest rate hedges, the effective portions of the gains and losses of which are recognised in other comprehensive income. As in the previous year, ineffectiveness results from the relatively short remaining term of the hedging relationships. The remaining portion of TEUR 288 and further negative market values of TEUR 398 (previous year: positive market value of TEUR 4,465) are attributable to stand-alone derivatives, the gains and losses of which are recognised in the financial result.

The fair value of the conversion rights from the convertible bonds amounts to TEUR 3,846 (previous year: TEUR 40). The purchase price guarantees for minority interests in subsidiaries have a fair value of TEUR 7,495 (previous year: TEUR 4,295).

14. RETIREMENT BENEFIT PROVISIONS

The provisions for pensions correspond to the net liability from defined benefit pension plans. The development of this item is as follows:

In TEUR	Liabilities ¹⁾	Reimbursement claim
Recognised on the face of the balance sheet as of 01/01/2022	5,423	4,028
Expenses from the addition	49	0
Reversal within equity (reimbursement claim)	-846	-707
Pension payments	-345	-209
Amount on 12/31/2022	4,281	3,112
Recognised appropriation	-343	0
Reimbursement recognised (within equity)	144	198
Pension payments	-16	-221
Amount on 12/31/2023	4,066	3,089

1) The present value of the defined benefit obligation corresponds to the obligation recognised in the balance sheet.

The reimbursement claim recognised under other current assets relates to claims against a subsidiary acquired in previous years for which there is a right to charge on to the previous shareholder.

Of the pension provisions, an amount of TEUR 341 (previous year: TEUR 351) is due for payment within one year. For reasons of simplification, these amounts are recognised uniformly with the other pension obligations under non-current liabilities.

The change in the financial year mainly includes the compounding effect and actuarial gains or losses. As the corresponding reimbursement claim develops accordingly for part of the obligation, the effects are mainly recognised on a net basis in the income statement. Any additional effects are recognised in interest expense or interest income.

The following overview shows the parameters on which the calculation of pension provisions is based:

Retirement benefit provisions	2023	2022
Interest rate in %	3.94	3.51
Pension adjustment in %	2.50	2.50
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.

15. OTHER PROVISIONS

Other provisions break down as follows:

Other provisions in TEUR	Amount 01/01/2023	Additions from business combination	Used	Reversed	Added	Effects from currency conversion	Amount 12/31/2023
Outstanding invoices	31,017	0	27,041	1,496	50,721	1,287	54,488
Damages and litigation risk	5,057	0	2,346	787	873	75	2,872
Bonus	5,861	0	5,483	10	3,840	235	4,443
Legal, consulting and auditing costs	630	0	634	0	775	15	786
Other	4,198	0	4,327	22	4,381	184	4,414
Total	46,763	0	39,831	2,315	60,590	1,796	67,003

The provisions for outstanding invoices mainly relate to invoices not yet received as at the reporting date for ongoing maintenance and modernisation measures and new construction projects in Poland as well as provisions for energy suppliers that are expected to be utilised in the short term.

16. TRADE PAYABLES

Trade payables include net liabilities of EUR 19.5 (previous year: EUR 9.4m) from the netting of advance payments by tenants of EUR 191.4m (previous year: EUR 168.0m) with the corresponding receivables for apportionable operating and ancillary costs that have not yet been invoiced. They also include security deposits from subcontractors and liabilities from the project development business in Poland.

17. OTHER CURRENT LIABILITIES

This item breaks down as follows:

Other current liabilities in TEUR	2023	2022
Prepayments received from sales	171,646	179,380
Lease liabilities	16,826	17,307
Tax liabilities	11,067	2,637
Tenant credit from advance payments	9,833	9,821
Liability from acquisition of land in Poland	7,980	10,039
Guaranteed dividend	1,596	1,596
Deferrals and accruals	376	449
Others	5,687	1,552
Total	225,011	222,782

The prepayments received from sales mainly relate to advance payments from property purchasers from business activities in Poland, which are paid depending on the progress of construction. The prepayments received will essentially be realised within the next twelve months when the completed flats are handed over.

NOTES TO THE INCOME STATEMENT

18. RENTAL INCOME

The income attributable to the Rental segment is attributable to the rental income to be recognised in accordance with IFRS 16 and the income for third-party operating and ancillary costs to be recognised in accordance with IFRS 15.

Rental income breaks down as follows:

Rental income in TEUR	2023	2022
Net rent	350,832	339,926
Pro rata remuneration of property tax and building insurance	18,138	16,629
Rental income according to IFRS 16	368,970	356,555
External operational- and ancillary-costs re-charged to tenants	88,729	92,772
Pro rata remuneration of property tax and building insurance	4,587	4,538
Costs re-charged to tenants according to IFRS 15	93,316	97,311
Total	462,286	453,866

Together with the revenue recognised in the sales result or in the service result, the revenue from contracts with customers recognised in accordance with IFRS 15 amounts to TEUR 960,821 (previous year: TEUR 598,347).

Rental expenses break down as follows:

Rental expenses incl. Impairment losses in TEUR	2023	2022
Maintenance expenses	39,844	37,508
Non-recoverable charges	14,564	10,299
Ancillary costs of vacant real estate	9,423	9,291
Non-rechargeable expenses	63,830	57,098
Rechargeable costs, taxes and insurance	111,454	113,940
Rental expenses	175,285	171,038
Impairment losses on rent receivables	5,688	4,933
Total	180,972	175,971

19. NET INCOME FROM SALES

Net income from sales breaks down as follows:

Income from sales in TEUR	2023	2022
Revenues from the sale of investment properties	271,219	91,490
Expenses on the sale of investment properties	-267,718	-89,871
Net income from the sale of investment properties	3,501	1,619
Revenues from the sale of properties held as inventory	125	348
Expenses from the sale of inventories	-2,708	-1,677
Net income from the sale of inventories	-2,583	-1,329
Revenues from the sale of properties held as inventory (Poland)	478,114	326,992
Expenses on the sale of inventories (Poland)	-404,222	-291,893
Net income from the sale of inventories (Poland)	73,892	35,099
Total	74,809	35,389

The Group realised income of TEUR 3,036 from the sale of the office building used by TAG itself, which was leased back under a long-term rental agreement.

20. 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	2023	2022
Energy services	72,361	42,611
Facility management	19,025	16,931
Multimedia services	9,334	9,375
Craftsmen services	6,483	5,465
Rechargeable land taxes and building insurance	3,793	3,173
Other	7,051	4,652
Total	118,046	82,206
Impairment losses	-997	-920
Expenditure of property services	-84,212	-52,696
Net income from property services	32,837	28,590

Property taxes and building insurance do not represent services provided by TAG in accordance with IFRS 15 and are only recognised separately to improve the insight into the earnings situation. For these contract components, the agreed consideration is allocated proportionally to the other identified contract components.

Other expenses incurred in the area of services are recognised under the respective items in the income statement (e.g. personnel expenses).

21. OTHER OPERATING INCOME

The table below analyses the main items of other operating income:

Other operating income in TEUR	2023	2022
Capitalised personnel expenses	12,081	11,268
Rental income from interim letting of properties not yet developed	4,970	3,369
Derecognition of liabilities	1,587	3,003
Reversal of provisions	662	415
Government grants	458	49
Income from asset disposals	390	1,942
Other prior-period income	128	140
Total	20,276	20,187

Capitalised personnel expenses include directly attributable costs from project development activities in Poland. An amount of TEUR 10,103 (previous year: TEUR 7,535) is attributable to inventory properties, while the remainder is attributable to own work capitalised for portfolio properties.

22. CHANGES IN THE FAIR VALUE OF INVESTMENT PROPERTIES AND PROPERTY HELD AS INVENTORIES

This item includes gains and losses from the ongoing valuation of investment properties in the portfolio, effects from the valuation of properties held as inventories and the valuation result from properties held for sale. The breakdown is as follows:

Changes in the fair value in TEUR	2023	2022
Investment properties	-704,815	-51,648
Properties held as inventories	0	-67
Non-current assets held for sale	-428	-12,526
Total	-705,243	-64,241

23. PERSONNEL EXPENSES

Personnel expenses break down as follows:

Personnel expenses in TEUR	2023	2022
Employees in operations	44,851	40,805
Administration and central functions	21,017	19,266
Caretakers	15,690	13,835
Craftsmen	4,078	3,806
Total	85,636	77,711

24. OTHER OPERATING EXPENSES

The table below analyses the main items of other operating expenses:

Other operational expenditures in TEUR	2023	2022
Legal, consulting and auditing costs (incl. IT consulting)	7,808	7,778
IT costs	2,761	2,280
Costs of premises	2,672	2,207
Telephone costs, postage, office supplies	2,554	2,455
Advertising costs	2,288	1,768
Travelling expenses (incl. vehicle costs)	1,784	1,727
Ancillary personnel costs	1,767	1,497
Project start-up costs in Poland	1,412	1,165
Insurance	1,215	1,144
Incidental costs of monetary transactions	1,022	1,313
Guaranteed dividends	952	861
Contributions and donations	676	761
Investor relations	137	169
Transaction tax Acquisition ROBYG	0	5,150
Other	2,960	2,376
Total	30,008	32,651

In the past financial year, TEUR 53 (previous year: TEUR 65) was recognised for off-balance sheet short-term rental agreements. The expense for variable lease payments not included in the measurement of lease liabilities totalled TEUR 611 (previous year: TEUR 401).

25. FINANCIAL RESULT

The financial result has the following structure:

Financial result in TEUR	2023	2022
Effect from currency changes through profit and loss	2,373	-578
Investment income	-16,028	17,256
Interest income	6,562	4,733
Interest expense	-72,583	-54,037
Finance income/expense	-79,676	-32,626
Non-cash interest from bonds	3,222	3,363
Premature termination compensation fees and one-offs	2,676	1,234
Other non-cash items (e.g. derivatives)	15,346	-14,718
Net finance income/expense (cash, without one-time invoice)	-58,432	-42,747

The miscellaneous other financial result mainly includes losses from changes in the value of freestanding derivatives totalling TEUR 14,832 (previous year: income of TEUR 13,892), income from ineffective portions of derivatives from hedging relationships amounting to TEUR 50 (previous year: TEUR 1,405), expenses from the termination of hedging relationships amounting to TEUR 3.364 (previous year: income of TEUR 348 thousand), distributions and dividends received totalling TEUR 1,118 (previous year: TEUR 864), income from the Polish joint ventures amounting to TEUR 2,353 (previous year: TEUR 0) and changes in the value of investments designated as FVTPL amounting to TEUR - 1,405 (previous year: TEUR 673).

The currency differences recognised in profit or loss result from the translation of foreign currencies as at the balance sheet date. Interest income and interest expenses relate to interest income calculated using the effective interest method from financial assets and liabilities measured at amortised cost. The other non-cash items mainly include the measurement of derivatives totalling TEUR 18,147 (previous year: TEUR 15,645) and currency differences of TEUR 2,373 (previous year: TEUR -578).

Interest expense breaks down as follows:

Interest expense in TEUR	2023	2022
Interest expense under the effective interest method Financial liabilities recognised at amortised cost	-71,522	-52,829
Other financial expenses	-1,061	-804
Total	72,583	-54,037

26. EARNINGS PER SHARE

Earnings per share break down as follows:

Earnings per share	2023	2022
Consolidated net profit (in TEUR)		
Consolidated net profit excluding non-controlling interest	-396,917	113,091
Interest expense on convertible bonds	8,654	-3,601
Consolidated net profit excluding non-controlling interest (diluted)	-388,263	109,490
Number of shares (in thousands)		
Weighted number of shares outstanding	175,444	158,900
Effect of conversion on convertible bonds	14,711	14,273
Weighted number of shares (diluted)	190,155	173,172
Earnings per share (in EUR)		
Basic	-2.26	0.71
Diluted	-2.26	0.63

Diluted earnings per share result from the potential adjustment of consolidated net income and the number of shares upon exercise of convertible instruments or options. The dilutive effect at TAG results primarily from the "potential shares" from 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	2023	2022
Cash and cash equivalents as reported on the balance sheet	128,604	240,493
Cash at banks subject to drawing restrictions	-1,207	-1,803
Cash and cash equivalents	127,398	238,690

Restricted bank balances relate to temporarily unavailable incoming payments from sales and pledged bank balances. Cash and cash equivalents in the 2022 financial year include EUR 57.9m acquired as part of the acquisition of property companies.

Further information on cash flows and non-cash changes in liabilities from financing activities, including lease liabilities, is presented in section "14. Financial liabilities".

NOTES ON SEGMENT REPORTING

TAG has adjusted its segment reporting in the course of the 2023 financial year due to the increase in letting activities in Poland. In future, letting in Poland will constitute a separate segment alongside sales activities in Poland. The previous "Services" segment, which comprised the business activities attributable to the internal service companies, will be shown as an integral part of the Rental Germany and Rental Poland segments in future. Due to the transition, disclosures for the 2023 reporting period are made on the basis of both the previous and the new segment structure.

TAG pursues regional management of its German residential real estate portfolio and divides its real estate portfolio in the 'Rental Germany' segment into the regions of Berlin, Chemnitz, Dresden, Erfurt, Gera, Hamburg, Leipzig, Rhine-Ruhr, Rostock, Salzgitter and Other. In addition, various commercial properties and serviced flats operated by TAG are let. As part of its letting activities, TAG provides services in the fields of energy management, craftsmen's work and caretaker services. The business activities in these areas are based on letting existing properties to TAG's customers. These business activities are reported at an aggregated level within the Rental segment for the first time as at 31 December 2023.

In addition to letting, the "Rental Poland" segment also includes the development of residential properties intended for letting in the future as well as sales from services provided in connection with letting. Due to the growing importance of this business activity, it is managed separately from the sales business in Poland. The "Sales Poland" segment comprises the sale of flats and the development of properties (new construction activity) for subsequent sale in Poland. The "Other" segment mainly comprises sales activities in Germany, which take place in the context of opportunities.

Segment reporting is based on internal reporting, which generally corresponds to IFRS accounting (with the exceptions contained in the reconciliation of segment earnings to EBT presented below). The earnings of the Rental Germany and Rental Poland segments represent the respective contribution of the segment to FFO I and together make up the FFO I of the Group. The result in the Sales Poland segment represents the FFO II contribution of the Polish sales business, while the contribution to FFO II generated by sales activities in Germany is recognised in "Other". The "Other" segment also includes the sales revenue generated in the rental business from allocable operating costs. The reconciliation of segment earnings to EBT is presented after the segment reporting.

Assets are no longer managed at segment level in the Group, meaning that segment reporting is not presented by segment.

Segment reporting in the form applied for the first time in 2023 is presented below:

Segment report		Rental Germany	Rental Poland	Sales Poland	Other	Total
Segment revenues	2023	453,401	12,958	488,347	375,084	1,329,790
	2022	417,627	2,718	339,359	195,198	954,902
Rental income	2023	339,238	11,594	0	111,454	462,286
	2022	337,208	2,718	0	113,940	453,866
Service income	2023	114,163	1,364	2,519	0	118,046
	2022	80,419	0	1,787	0	82,206
Sales income	2023	0	0	485,828	263,630	749,458
	2022	0	0	337,572	81,258	418,830
Segment expenses	2023	-225,809	-4,157	-387,766	-373,967	-991,699
	2022	-184,150	-2,718	-258,594	-196,622	-642,084
Rental expenses	2023	-68,620	-821	0	-111,454	-180,895
	2022	-61,782	-672	0	-113,940	-176,394
Service costs	2023	-81,295	-972	-2,943	0	-85,210
	2022	-52,519	0	-1,096	0	-53,615
Sales costs	2023	0	0	-412,135	-262,513	-674,648
	2022	0	0	-300,758	-82,682	-383,440
Personnel expenses	2023	-59,741	-3,426	-22,469	0	-85,636
	2022	-55,622	0	-22,089	0	-77,711
Adjustments Sales Result (mostly PPA-Effects)	2023	-16,153	1,062	5,282	0	-9,809
	2022	-14,227	-2,046	11,043	0	-5,230
other income / other costs	2023	0	0	44,499	0	44,499
	2022	0	0	54,306	0	54,306
adjusted EBITDA	2023	227,592	8,801	100,581	1,117	338,091
	2022	233,477	0	80,765	-1,424	312,818
financial result (cash)	2023	-49,180	-10,490	1,238	0	-58,432
	2022	-41,913	0	-3,183	0	-45,096
taxes paid	2023	-3,917	-27	-18,409	0	-22,353
	2022	-982	0	-14,993	0	-15,975
Guaranteed dividend	2023	-1,090	0	-641	0	-1,731
	2022	-1,181	0	-3,326	0	-4,507
segment result	2023	173,405	-1,716	82,769	1,117	255,575
	2022	189,401	0	59,263	-1,424	247,240

The reconciliation of the segment result to EBT according to the income statement is as follows:

Segment earnings in TEUR	2023	2022
Segment earnings	255,575	247,240
Fair value changes in investment properties and valuation of properties held as inventory	-705,243	-64,241
Depreciation	-11,835	-10,625
Financial result, non-cash items	-23,597	12,470
Other adjustments (income taxes paid, guaranteed dividend for minority interests)	-18,062	-40,637
EBT	-503,162	144,207

The segment reporting and the reconciliation to EBT in the previous form are as follows as at 31 December 2023:

Segment report		Rental	Services	Business activities in Poland	Total
Segment revenues	2023	339238	110,370	764,935	1,214,543
	2022	337208	77,246	423,335	837,789
Segment expenses	2023	-95830	-77,502	-679,384	-852,716
	2022	-86316	-49,346	-384,787	-520,449
Rental expenses	2023	-16002	0	0	-16,002
	2022	-12328	0	0	-12,328
Investment costs	2023	-75435	0	0	-75,435
	2022	-69900	0	0	-69,900
Impairment losses on receivables	2023	-5688	-997	0	-6,685
	2022	-4933	-920	0	-5,853
Service expenses	2023	0	-76,505	0	-76,505
	2022	0	-48,426	0	-48,426
Other revenues	2023	1295	0	0	1,295
	2022	845	0	0	845
Segment result I	2023	243408	32,868	85,551	361,827
	2022	250892	27,900	38,548	317,340
Personnel expenses	2023	-11777	-23,025	-25,895	-60,697
	2022	-11293	-20,552	-22,089	-53,934
Other income/other expenses	2023	-3935	3,236	6,344	5,645
	2022	-3911	2,682	8,996	7,767
Segment result II	2023	227696	13,079	66,000	306,775
	2022	235688	10,030	25,455	271,173
Segment assets	2023	5442861	30,797	1,131,529	6,605,187
	2022	6328827	30,566	1,152,608	7,512,001

Segment assets of EUR 6,605m (previous year: EUR 7,512m) plus intangible assets of EUR 285.9m (previous year: EUR 266.2m), cash and cash equivalents including other current assets of EUR 241.7m (previous year: EUR 333.7m) and other unallocated assets of EUR 167.2m (previous year: EUR 102.7m), the Group's total assets as at the balance sheet date totalled EUR 7,299.8m (previous year: EUR 8,214.6m).

Segment earnings in TEUR	2023	2022
Segment earnings II	306,775	271,173
Capitalised investment costs not deducted from segment earnings	35,695	32,791
Non-allocated ancillary costs of vacant real estate	-9,077	-9,271
Fair value changes in investment properties and valuation of properties held as inventory	-705,243	-64,241
Non-allocated personnel expenses	-24,939	-23,777
Depreciation	-11,835	-10,626
Other non-allocated income and expenses	-14,862	-19,217
Net finance expense	-79,676	-32,626
EBT	-503,162	144,207

DISCLOSURES ON FINANCIAL INSTRUMENTS

RISKS FROM 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 the earnings of its stakeholders by optimising the ratio of equity to debt. This ensures that all Group companies can operate under the going concern premise.

As a stock corporation, the Company is subject to the minimum capital requirements of German stock corporation law. In addition, the Group is subject to the usual and sector-specific minimum capital requirements of the banking industry, particularly for the financing of specific property properties. These minimum capital requirements are monitored on an ongoing basis and were met in the financial year as in the previous year.

Risk Management reviews the Group's capital structure on a quarterly basis. The cost of capital and the risk associated with each capital class are taken into account. Accounting ratios are calculated and forecast in order to take account of the credit requirements of external capital requirements. These also include property-specific debt service ratios, loan-to-value ratios and contractually agreed balance sheet and income ratios.

The equity ratio, including non-controlling interests, was as follows at the end of the year:

Equity ratio in TEUR	2023	2022
Equity	2,964,493	3,307,739
Total assets	7,299,790	8,214,604
Equity ratio in %	40.6	40.3

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of assets and liabilities should be determined using input factors that are as close to the market as possible. The measurement hierarchy distinguishes between three levels of input factors, depending on availability:

- Level 1: Quoted prices in active markets for identical assets or liabilities. (unchanged adopted) prices
- Level 2: Inputs factors other than quoted prices included within Level 1 that are, however, observable for the asset or liability, either directly or indirectly (i.e. derived from prices)
- Level 3: Factors not based on observable market data for the measurement of the asset or the liability

If input factors from different levels are used, the fair value is allocated to the lower hierarchy level. There were no transfers between the respective hierarchy levels in the reporting period.

The financial instruments recognised at fair value in the balance sheet are as follows:

Fair values of financial instruments in TEUR		2023	2022
Assets			
Other financial assets	Level 2	4,500	5,558
Other financial assets	Level 3	3,726	4,073
Derivatives with no hedging relationship	Level 2	287	4,465
Derivatives in hedge accounting	Level 2	1,368	5,923
Liabilities			
Derivatives with no hedging relationship	Level 2	-11,739	-4,335

The change in the carrying amount of other financial assets measured at Level 3 fair value results entirely from changes in fair value recognised in profit or loss (previous year: TEUR 120 entirely from changes in fair value recognised in profit or loss).

Other financial assets mainly include unlisted minority interests in property companies and closed-end property funds. The valuation of the investments is based partly on observable market prices (Level 2) and partly on company-specific models such as standard net asset value models, taking into account data that is not observable on the market (Level 3). The input parameters used in these methods include assumptions about future cash flows and the development of property values and are determined as close to the market as possible. A change in the fair value of the properties held by the portfolio companies would have a proportionate effect on the fair value of the investment. There are currently no concrete plans to sell these investments.

Derivative financial instruments are measured on the basis of established valuation models whose key input parameters are derived from active markets. The purchase price guarantees recognised as derivative financial instruments without a hedging relationship are measured on the basis of a Monte Carlo simulation (mark-to-model valuation) using two correlated stochastic processes. The conversion rights from convertible bonds recognised separately as a derivative are measured on the basis of binominal models.

In addition, the following financial instruments are recognised in the consolidated balance sheet at amortised cost and their carrying amounts do not represent an appropriate approximation of fair value:

Financial instruments in TEUR	Valuation	2023		2022	
		Book value	Fair value	Book value	Fair value
Liabilities to banks	Level 2	2,290,273	2,175,778	2,522,039	2,379,129
Liabilities from corporate bonds and other loans	Level 2	441,143	417,754	656,467	622,272
Liabilities from convertible bonds	Level 2	463,463	406,973	460,628	446,500

The fair value of non-current liabilities is determined by discounting future cash flows. Discounting is based on a market interest rate that is congruent with the term and risk.

Trade receivables, other current assets and cash and cash equivalents, which are also classified at amortised cost, have short remaining terms. Their carrying amounts as at the reporting date therefore correspond approximately to their fair values. The same applies to current liabilities to banks, trade payables and other current liabilities.

OBJECTIVES 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 are exposed to financial risks from changes in interest rates. For the most part, long-term bank loans are only concluded with a fixed interest rate; there are a small number of loans with variable interest rates. The corporate or convertible bonds and the promissory note loans taken out essentially have fixed interest rates. Financing in Poland is largely at variable interest rates. In total, there are variable-interest loans and bonds totalling EUR 266.4m (previous year: EUR 531.1m).

The Group enters into derivative financial instruments to the extent necessary to manage the aforementioned interest rate risks. Interest rate swaps are used for this purpose, which minimise the interest rate risk and interest rate sensitivities in the event of rising interest rates. The Group does not contract or trade any financial instruments, including derivative financial instruments, for speculative purposes. Payer swaps represent synthetic fixed interest rate agreements in connection with a variable underlying transaction; accordingly, variable interest rates are swapped for fixed interest rates on the basis of agreed nominal amounts. In this way, the Group ensures long-term independence from money market trends and planning certainty for debt servicing for the hedged tranches.

As at 31 December 2023 there were interest rate derivatives in hedging relationships (mainly payer swaps) with a nominal volume of EUR 23.0m (previous year: EUR 85.4m) and a market value of EUR 1.4m (previous year: EUR 5.9m). They serve to hedge the floating-rate Polish corporate bonds. The effective change in the market value of these transactions totalled EUR 1.6m in the financial year (previous year: EUR 0.5m). In addition, there are interest rate derivatives with a nominal volume of EUR 158.1m (previous year: EUR 125.0m) and a market value of EUR 0.5m (previous year: EUR 4.5m) that are not included in hedging relationships. Interest rate swaps with a nominal volume of EUR 16.1m (previous year: EUR 64.1m) and a market value of EUR -0.3m (previous year: EUR 3.1m) have a term of up to one year. Interest rate swaps with a nominal volume of EUR 165.0m (previous year: EUR 146.3m) and a market value of EUR -1.6m (previous year: EUR 7.2m) have a term of one to five years. The hedged cash flows will essentially occur in equal parts within this term and will be recognised in the result for the period.

Excluding interest rate hedges, a 2.0% increase in interest rates would have a negative impact of EUR 18.7m on net interest income (previous year: EUR 19.9m), while a 2.0% decrease in interest rates would have a positive impact of EUR 9.7m on net interest income (previous year: EUR 24.9m). These effects would have a direct impact on the consolidated result and consolidated equity, taking income taxes into account.

Derivative financial instruments also include the conversion right from the 2020/2026 convertible bond with a fair value of EUR 3.8m (previous year: EUR 0m). In addition, there are recognised purchase price guarantees to minority shareholders of a subsidiary amounting to EUR 7.5m (previous year: EUR 4.3m). In addition to an interest rate risk, these derivatives are also subject to a share price risk. A 2.0% increase or decrease in interest rates would reduce the obligation from these financial instruments by a total of EUR 0.9m (previous year: EUR 1.1m) or increase it by EUR 0.8m (previous year: EUR 1.6m), while a 5% increase or decrease in the TAG share price would reduce the obligation

by EUR 0.4m (previous year: EUR 0.2m) or increase it by EUR 0.3m (previous year: EUR 0.4m). The change would have the same impact on consolidated net income and consolidated equity, taking into account additional deferred tax effects.

CREDIT RISK MANAGEMENT

Overview

Default risk is the risk of loss for the Group if a contracting party fails to fulfil its contractual obligations. The financial assets recognised in the consolidated financial statements less any impairments represent the Group's maximum default risk, without taking collateral into account.

The Group only enters into business relationships with creditworthy contracting parties and, if appropriate, obtains collateral in order to minimise the risk of loss from the non-fulfilment of obligations. Available financial information and the Group's own trading records are used to assess business partners. The Group's risk exposure is monitored on an ongoing basis.

Trade receivables are due from a large number of customers spread across different geographical areas. With regard to the financial status of receivables, incoming payments are monitored on an ongoing basis. Significant other financial assets are mainly due from customers with good credit ratings.

Estimation of expected credit losses

At each reporting date, TAG assesses whether financial assets at amortised cost are credit-impaired. A financial asset is credit-impaired if one or more events with an unfavourable impact on the expected future cash flows of the financial asset occur.

The gross carrying amount of a financial asset is impaired if the Group does not reasonably believe that the financial asset can be realised in full or in part. Impairments of trade receivables are always recognised in the amount of the expected credit loss over the term. The Group uses an impairment matrix to measure the expected losses on trade receivables from rental business, which comprise a very large number of small balances.

TAG values the receivables according to their maturity profile. Deposits are also taken into account. The loss ratios are calculated and regularly reviewed on the basis of historical data from the last three years, taking into account changes in external factors. An average loss rate continues to be calculated for terminated rental agreements. In light of the uncertainties in connection with the energy price crisis, the Company regularly analysed the effects of the generally reduced creditworthiness on the default risk for rent receivables in the previous year. No significant increase in the expected default risk was recognised.

The following table contains information on the estimated default risk for rent receivables.

Credit risk 31 December 2020 in EUR m	Loss rate	Gross book value	Impairment
Existing rental contracts			
Rent receivables not yet due	1.0%	23.1	0.2
≤ 90 Days	34%	3.3	0.9
≤ 180 Days	71%	2.6	1.9
≤ 270 Days	83%	0.8	0.7
> 270 Days	100%	0.2	0.2
Terminated rental contracts	75%	13.3	10.2
Total		43.3	14.1
Credit risk 31 December 2019 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

Trade receivables totalling EUR 12.0m (previous year: EUR 4.0m) are reported in Poland. The value adjustments are recognised with an overdue period of more than 180 days and a loss ratio of 89% (previous year: 97%) or losses of EUR 1.2m (previous year: EUR 1.1m). Further valuation allowances totalling EUR 1.4m (previous year: EUR 1.4m) are recognised on trade receivables that do not originate from the German rental business.

The Group derecognises a financial asset when it is finally assessed as uncollectible. In this assessment, the Group takes into account, for example, asset information or information from court rent collection proceedings.

Impairments of trade receivables

Impairments of trade receivables changed as follows:

Impairments in EUR m	
Balance on 1 January 2022	9.2
Amounts adjusted	-2.7
Net changes over expected term	5.6
Balance on 31 December 2022	12.2
Amounts adjusted	-4.1
Net changes over expected term	7.5
Balance on 31 December 2023	15.6

The gross carrying amount of receivables increased by EUR 11.1m in the financial year (previous year: EUR 3.2m). Significant changes in the gross carrying amount of trade receivables regularly result from changes in the normal course of business. The increase in the financial year is mainly due to business in Poland and operating cost invoices at the end of the year.

Trade receivables with a nominal value as at 31 December 2023 of EUR 9.9m (previous year: EUR 7.8m) are subject to enforcement measures.

Other current assets/cash and cash equivalents

The assessment of expected credit losses for other current assets and cash and cash equivalents is based on valuation ratios and the ratings of external rating agencies. The expected credit losses are still classified as low.

As at the reporting date, the Group had cash and cash equivalents totalling EUR 128.6m (previous year: EUR 240.5m.). Cash and cash equivalents are deposited with banks and financial institutions that exclusively have an investment grade rating. Possible impairments on cash and cash equivalents are calculated on the basis of expected losses within twelve months and thus reflect the short maturities. The Group assumes that its cash and cash equivalents currently have a very low risk based on the external ratings of banks and financial institutions. The Group has therefore not recognised any impairment for reasons of materiality.

As at 31 December 2023 short-term loans granted in the amount of EUR 4.4m (previous year: EUR 4.4m), which are collateralised by the pledging of shares in property companies. Possible impairments of the loans are generally calculated on the basis of expected losses within twelve months. TAG assumes that the default risk of these assets will increase significantly if the underlying LTV in the property companies serving as collateral exceeds 85% or if payment arrears occur.

LIQUIDITY RISK

Responsibility for liquidity risk management lies with the Management Board, which has established an appropriate concept for managing short, medium and long-term financing and liquidity requirements. The Group manages liquidity risks by maintaining appropriate reserves and credit lines with banks and by constantly monitoring forecast and actual cash flows and reconciling the maturity profiles of financial assets and liabilities.

Other financial assets mainly relate to investments with an indefinite term. All other financial assets are due within one year.

The following table shows the contractual, non-discounted interest and amortisation payments for financial liabilities.

Maturities of financial assets and liabilities in TEUR	Book value	Contractual payments		
		less than 1 year	1 to 5 years	more than 5 years
31 December 2023				
Primary financial instruments				
Liabilities to banks	2,290,273	282,707	1,228,417	874,441
Liabilities from corporate bonds and other loans	523,864	122,260	392,611	41,965
Liabilities from convertible bonds	463,463	2,938	478,813	0
Lease liabilities	45,331	16,826	20,102	12,582
Other financial liabilities	4,147	3,744	5,362	3,072
Derivative financial liabilities	11,739	0	11,341	0
Total	3,338,817	428,475	2,136,646	932,060
31 December 2022				
Primary financial instruments				
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

The option rights from the 2020/2026 convertible bond can in principle be exercised at any time until the end of their term in August 2026, whereby TAG has a cash settlement option in the event of conversion requests.

The Group can utilise overdraft facilities. The total amount not yet utilised as at the balance sheet date is EUR 230.1m (previous year: EUR 149.5m). The Group expects to be able to fulfil its liabilities from operating cash flows, the inflow of maturing financial assets and the existing credit lines at all times.

FINANCING RISK

TAG is dependent on obtaining debt capital on reasonable terms to refinance its ongoing business activities or for acquisitions. A crisis on the international financial markets could make TAG's debt financing considerably more difficult and lead to liquidity problems. Should this result in problems in servicing current loans, lenders could be forced to realise real estate collateral, and such distress sales would lead to considerable financial disadvantages for TAG. TAG is continuing to utilise the current market environment to hedge against this risk by restructuring major loans on a long-term basis.

The Group has liabilities to banks and promissory note loans totalling EUR 2,197m (previous year: EUR 2,526m) for which the banks have imposed financial covenants with regard to debt service coverage ratios and equity or debt ratios. A breach of these credit requirements could result in an early repayment obligation.

Similarly, credit terms have been agreed for the corporate bonds in Germany and Poland as well as the convertible bonds, non-compliance with which can lead to a liquidity risk. In the event of a breach of these credit agreements, these bonds and loans can be cancelled (see also the comments in the section "Disclosures in accordance with Section 289a HGB and Section 315a (1) HGB" of the combined management report).

As in the previous year, all significant covenants from loan agreements were complied with as at the reporting date.

COLLATERAL

The Group holds collateral in the form of financial assets (demand deposits and savings deposits) from tenants totalling EUR 53.9m (previous year: EUR 52.8m). The contractual provisions stipulate that rental collateral of up to three times the monthly rent may be provided.

OTHER INFORMATION

OTHER FINANCIAL OBLIGATIONS

Obligations from operating leases are recognised in accordance with the requirements of IFRS 16. In addition, there are financial obligations, in particular from service or licence agreements, of TEUR 3,669 (previous year: TEUR 2,428), of which TEUR 438 (previous year: TEUR 508) are due in one to five years. The remaining amount is due within one year.

AUDITOR'S FEE

Deloitte GmbH Wirtschaftsprüfungsgesellschaft audited the annual and consolidated financial statements of TAG Immobilien AG and the annual financial statements of various German subsidiaries as at 31 December 2023 insofar as they are mandatory audits. In addition, a review of the condensed interim consolidated financial statements and the condensed interim Group management report as at 30 June 2023 was performed. The other assurance services in the past financial year include an audit in accordance with Section 32 of the German Securities Trading Act (WpHG) and in the previous year related to the performance of an audit of pro forma financial information and the preparation of a comfort letter in connection with capital market transactions. The other services relate to various audit-related consulting services.

The fee charged for the financial year within the entire Group for the auditor of the consolidated financial statements totalling TEUR 838 (previous year: TEUR 1,306) includes fees (plus statutory value added tax in each case) for

- Audit services of TEUR 809 (previous year: TEUR 745)
- Other confirmation services of TEUR 9 (previous year: TEUR 554) and for
- Other services of TEUR 21 (previous year: TEUR 7)

TEUR 54 (previous year: TEUR 0) of the audit services relate to recalculations for the previous year.

HEADCOUNT

The average number of employees in the Group for the last two financial years is as follows:

Employees	2023	2022
Operational employees	913	922
Caretakers	499	494
Administration and central area	329	325
Craftsmen	92	92
Total	1,833	1,833

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 their Supervisory Board mandates and memberships in comparable domestic and foreign supervisory bodies in the past financial year are listed below:

- Mr Olaf Borkers, Management Consultant, Hamburg (Chairman), since 16 May 2023
- Mr Rolf Elgeti, business graduate, Potsdam (Chairman), until 16 May 2023
 - Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main (Chairman)
 - NEXR Technologies SE, Berlin (Chairman)
 - Laurus Property Partners GmbH, Munich
 - Creditsheff Aktiengesellschaft, Frankfurt am Main (Chairman)
 - Highlight Event and Entertainment AG, Pratteln, Switzerland (until 27 March 2023)
 - Obotritia Hotel SE, Potsdam (Chairman)
- Mr Eckhard Schultz, business graduate, Starnberg (Deputy Chairman), since 14 October 2023
- Mr Lothar Lanz, business graduate, Munich (Deputy Chairman), until 16 May 2023
 - Home24 SE, Berlin (Chairman)
 - Bauwert AG, Bad Kötzing
 - Dermapharm Holding SE, Grünwald
 - SMG Swiss Marketplace Group AG, Zurich, Switzerland (Chairman of the Board of Directors)
 - HV Capital Manager GmbH, Munich
- Dr Philipp K. Wagner, Attorney-at-Law, Berlin
 - Hevella Capital GmbH & Co KGaA, Potsdam (until 25 May 2023)
- Prof Dr Kristin Wellner, University Professor, Leipzig
- Ms Beate Schulz, employee in the legal department, Berlin, employee representative, since 22 September 2023
- Mr Björn Eifler, Team Leader Real Estate Management, Chemnitz, employee representative, since 22 September 2023
- Mr Harald Kintzel, lawyer, Berlin, employee representative, until 16 May 2023
- Ms Fatma Demirbaga-Zobel, Employee Customer Management, Hamburg, employee representative, until 16 May 2023

The remuneration of the Supervisory Board in the financial year totalled TEUR 306 (previous year: TEUR 365) plus expenses and consists exclusively of short-term benefits.

MANAGEMENT BOARD

The members of the Management Board and their Supervisory Board mandates and memberships in comparable domestic and non-domestic supervisory bodies in the financial year 2023 are as follows:

- Ms Claudia Hoyer, Chief Real Estate Officer (COO, Co-CEO), Potsdam
 - Vantage Development S.A., Wrocław, Poland (Group mandate)
 - ROBYG S.A., Warsaw, Poland (Group mandate)
- Mr Martin Thiel, Chief Financial Officer (CFO, Co-CEO), Hamburg
 - Vantage Development S.A., Wrocław, Poland (Group mandate)
 - ROBYG S.A., Warsaw, Poland (Group mandate)

The remuneration of the Management Board that was paid out in the past financial year is as follows:

Remuneration of the Management Board TEUR	2023	2022
short-term employee benefits	952	1,262
post-employment benefits	-	358
share-based payment	-	716
Total	952	2,336

The post-employment benefits in the 2022 financial year relate to the long-term remuneration paid in the previous year for the Management Board member Dr Harboe Vaagt, who retired on 31 December 2021.

DECLARATION ON THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT

The joint declaration by the Management Board and Supervisory Board on the recommendations of the Government Commission on the German Corporate Governance Code required by Section 161 (1) of the German Stock Corporation Act (AktG) was issued and made available to shareholders on TAG's website.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There were no reportable events after the balance sheet date.

Hamburg, 11 March 2024

Claudia Hoyer
(COO, Co-CEO)

Martin Thiel
(CFO, Co-CEO)

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 (2) OF THE GERMAN COMMERCIAL CODE

Name of company	Registered office	Share in capital %
Parent company		
TAG Immobilien AG	Hamburg	100.0
Fully consolidated companies		
Portfolio Germany		
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 ¹⁾	Hamburg	100.0
TAG Beteiligungs- und Immobilienverwaltungs GmbH	Hamburg	100.0
Energie Wohnen Service GmbH ¹⁾	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 ¹⁾	Hamburg	100.0

TAG Stadthaus am Anger GmbH	Hamburg	100.0
TAG TSA Wohnimmobilien GmbH ¹⁾	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	98.1
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 Müritztal-Immobilien GmbH	Hamburg	94.8
TAG Wohnungsgesellschaft Thüringen mbH	Hamburg	94.0
TAG Portfolio Thüringen GmbH & Co. KG ²⁾	Hamburg	94.0
TAG Wohnungsgesellschaft Gera mbH	Hamburg	94.0
TAG Wohnungsgesellschaft Gera-Debschwitz mbH	Hamburg	94.0
TAG Merseburg-Immobilien GmbH	Hamburg	94.0
TAG Grasmus Immobilien GmbH	Hamburg	84.8
Emersion Grundstücksverwaltungsgesellschaft mbH ¹⁾	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 ²⁾	Hamburg	84.2
TAG Wohnimmobilien Halle GmbH & Co. KG ²⁾	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
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.	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
ROBYG 24 spółka z ograniczoną odpowiedzialnością 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, Poland	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 Zajeżdźnia 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 Zajeżdźnia 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.	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
Krakowska Project Sp. z o.o.	Warsaw, Poland	100.0
ROBYG WPB Sp. z o.o.	Warsaw, Poland	99.8

Name of company	Registered office	Share in capital %
Joint ventures consolidated at equity		
Affane Sp. z o.o.	Warsaw, Poland	50.0
Zaspa Project Sp. z o.o.	Warsaw, Poland	50.0
Inwestycja 2016 Sp. z o.o.	Warsaw, Poland	50.0
Port Popowice Sp. z o.o.	Wrocław, Poland	65.0
Biznes Port Sp. z o.o.	Wrocław, Poland	65.0
Popowice Sp. z o.o.	Wrocław, Poland	65.0

Name of company	Registered office	Share in capital %	Equity TEUR	Consolidated net profit TEUR
Investments, non-consolidated				
IPD Invest sp. z o.o. ³⁾	Wrocław, Poland	50.0	48.0	-7.0
Altstadt Assekuranzvermittlung und Schadensmanagement GmbH ⁴⁾	Hamburg	49.0	434.0	754.0
Texas Gewerbeimmobilien S.à.r.l. i.L. ⁵⁾	Luxemburg	20.0	-3,178.0	181.0

1) Utilisation of the exemption provisions pursuant to Section 264 (3) HGB

2) Exempt according to §264b HGB

3) Figures based on the company's separate financial statements in accordance with Polish GAAP as at 31 December 2022

4) Figures based on the company's separate financial statements in accordance with the German Commercial Code (HGB) as at 31 December 2022

5) Figures based on the company's separate financial statements in accordance with Lux GAAP as at 31 December 2022

INDEPENDENT AUDITORS REPORT

To TAG Immobilien AG, Hamburg/Germany

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of TAG Immobilien AG, Hamburg/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of 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 2023, 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, Hamburg/Germany, for the financial year from 1 January to 31 December 2023. 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 "Sustainability Report and ESG Rating" of the combined management report, of the remuneration report pursuant to Section 162 German Stock Corporation Act (AktG) included 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, of the sections "Sustainable Corporate Development" and "Sustainability Report and ESG Rating" marked as unaudited of the combined management report, of the executive 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 combined management report, and 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, liabilities and financial position of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023, 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 financial 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 contents 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, of the executive directors’ statement on the appropriateness and effectiveness of the entire internal control system and of the risk management system, and of 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 accordance 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 promulgated 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 statements 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 2023. 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 valuation of investment properties, which we have identified in the course of our audit to be a key audit matter.

Our presentation of this key audit matter has been structured as follows:

- a) description (including reference to corresponding information in the consolidated financial statements)
- b) auditor's response

Valuation of investment properties

- a) Investment properties of mEUR 5,935.3 are disclosed in the consolidated financial statements of TAG Immobilien AG as at 31 December 2023. 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 81.3% 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 2023, a loss from the measurement at fair value of the investment properties totalling mEUR 705.2 was recognised in the consolidated income statement. The measurement date was 31 December 2023. The fair value was determined by the accredited external experts CBRE GmbH, Frankfurt am Main/Germany, and Savills 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. Apart from 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 backdrop, and due to the complexity of the valuation models, this matter 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 critically 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 extent 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 experts 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 component 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.

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 report,
- 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 SHA256: 97a0f26ae66d53af76d54d9e2cd684331ebd1e2cab6fd757da4c1be7cf60680a, 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 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express 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 requirements of the IDW Quality Management Standards.

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 16 May 2023. We were engaged by the supervisory board on 25 June 2023. We have been the group auditor of TAG Immobilien AG, Hamburg/Germany, without interruption 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 auditCor'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 documents 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, 11 March 2024

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Signed:

Annika Deutsch

Wirtschaftsprüferin

(German Public Auditor)

Signed:

Maximilian Freiherr v. Perger

Wirtschaftsprüfer

(German Public Auditor)

TRANSLATION

– German version prevails –

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hamburg, 11 March 2024

Claudia Hoyer
(COO, Co-CEO)

Martin Thiel
(CFO, Co-CEO)

TAG FINANCIAL CALENDAR 2024

PUBLICATIONS / EVENTS

12 March 2024	Publication of Annual Report 2023
25 April 2024	Publication of Sustainability Report 2023
14 May 2024	Publication of Interim Statement Q1 2024
28 May 2024	Annual General Meeting
13 August 2024	Publication of Half Year Report 2024
13 November 2024	Publication of Interim Statement Q3 2024

CONFERENCES

15 January 2024	ODDO BHF Forum – Virtual days
16 January 2024	Kepler Cheuvreux 23rd German Corporate Conference (GCC), Frankfurt
07–08 February 2024	Hamburg Investors' Days
14 March 2024	J.P. Morgan 4th Annual Pan-European Small/Mid-Cap CEO Conference, London
21 March 2024	BofA EMEA – Real Estate CEO Conference, London
15 May 2024	Stifel Investment Conference Germany, Frankfurt
22–23 May 2024	Kempen's 22nd European Property Seminar, Amsterdam
05 September 2024	Société Générale – Pan-European Real Estate Conference, London
18 September 2024	EPRA Conference, Berlin
23 September 2024	Berenberg and Goldman Sachs German Corporate Conference 2024, Munich
24 September 2024	13th Baader Investment Conference, Munich
14 November 2024	Kepler Cheuvreux Pan-European Real Estate Conference, London
03–04 December 2024	UBS Global Real Estate CEO/CFO Conference, London



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The English version of the 2023 Annual Report is a translation of the German version.

The German version is legally binding.

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