ANNUAL REPORT 2020

GROWING CASHFLOWS

TAG Immobilien AG

GROUP FINANCIALS

in EUR m

Income statement key figures	2020	2019	2018
Rental income (net rent)	322.5	315.0	302.2
EBITDA (adjusted)	222.3	214.7	206.4
Consolidated net profit	402.6	456.4	488.2
FFO I per share in EUR	1.18	1.10	1.00
FFO I	172.6	160.6	146.5
AFFO per share in EUR	0.69	0.64	0.60
AFFO	100.9	93.9	88.4
Balance sheet key figures	**12/31/2020**	**12/31/2019**	**12/31/2018**
Total assets	6,478.0	5,647.0	5,033.3
Equity	2,681.5	2,394.2	2,048.3
Equity ratio in %	41.4	42.4	40.7
LTV in %	45.1	44.8	47.3
Portfolio data	**12/31/2020**	**12/31/2019**	**12/31/2018**
Units	88,313	84,510	84,426
Units Poland (secured pipeline)	8,742	0	0
Real estate volume	5,834.3	5,302.4	4,815.5
Vacancy in % (total)	5.6	4.9	5.3
Vacancy in % (residential units)	4.5	4.5	4.7
l-f-l rental growth in %	1.4	1.9	2.3
l-f-l rental growth in % (incl. vacancy reduction)	1.5	2.4	2.6
EPRA key figures	**12/31/2020**	**12/31/2019**	**12/31/2018**
EPRA Earnings per share in EUR	1.03	0.96	1.10
EPRA Net Tangible Assets (NTA, fully diluted) per share in EUR	21.95	20.22	17.35
EPRA Net Initial Yields in %	5.1	5.4	5.8
EPRA Vacancy Rate in %	6.0	5.3	4.8
EPRA Cost Ratio (incl. vacancy costs) in %	31.1	31.2	31.7
EPRA Cost Ratio (excl. vacancy costs) in %	28.4	28.7	29.1
Employees	**2020**	**2019**	**2018**
Number of employees	1,354	1,160	993

Capital market data	
Market cap at 12/31/2020 in EUR m	3,789.0
Share capital at 12/31/2020 in EUR	146,498,765
WKN/ISIN	830350/ DE0008303504
Number of shares at 12/31/2020 (issued)	146,498,765
Number of shares at 12/31/2020 (outstanding, without treasury shares)	146,294,881
Free Float in % (without treasury shares)	99.86
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FOREWORD

FOREWORD BY THE MANAGEMENT BOARD

**Dear Shareholders,
Ladies and Gentlemen,**

When we published our 2019 Annual Report a good year ago on February 27, 2020, everything still seemed fine with the world. Coronavirus was already a household term, but no one was thinking of a severe pandemic in Germany and Europe at the time. There was the usual volume of questions and comments from analysts and shareholders around our 2019 figures, none of which concerned Covid-19.

Barely three weeks later, Germany was in lockdown. Nothing was the same as before. Naturally we, too, asked ourselves questions: What does the pandemic mean for our business? How can we maintain our operations without disruption? How can we protect our employees, and what can we do for our tenants?

Fortunately, it quickly emerged that our business model is extremely stable even in this crisis. We feel that especially now, offering affordable housing in neighbourhoods worth living in seems to be the right strategy. Average rent per square metre of under EUR 5.50 offers the kind of housing that is sought after in Germany and is affordable even in a difficult economic time.

So in this respect, we are very satisfied with the course of the 2020 financial year. In November 2020, we were even able to slightly raise our FFO forecast, said to be the best proof of a functioning business model. The FFO we achieved, of EUR 172.6m or EUR 1.18 per share, corresponds to a 7% year-on-year increase. We have sufficient liquidity, including for further growth, and a long-term, diversified financing structure. We therefore consider ourselves to be well positioned.

In contrast to the stable, profitable business, TAG shares suffered significant price declines in 2020 as a result of the pandemic, dipping as low as nearly EUR 14.00. However, the share price then recovered quickly, closing at EUR 25.90 on December 31, 2020, a rise of 17%. Including the dividend paid in May 2020, the overall performance in 2020 was around 21%. This is a development we were very pleased with and follows on from the good overall performance of the last few years, which amounts to nearly 80% for the last three years, e.g. This is a leading result among German residential property shares. This means that we have already been able to repay you, our shareholders, somewhat for the trust you have placed in us for many years now.

At TAG, we have always taken different paths when we were convinced that our decision was the right one. The best example is the decision, taken more than 10 years ago now, to focus our investments in German 'B' and 'C' locations, especially in Eastern Germany. This was not exactly mainstream at the time, but today it is a strategy with proven success. In 2020, a similar step was taken whereby, after the relevant contracts were already signed at the end of 2019, we have now indeed become active in the Polish residential real estate market. Within the next three to five years, we intend to build and let around 8,000 to 10,000 high-quality newly built apartments in Poland's major cities. We have high expectations for this regional expansion of our business, because Poland's growing rental housing market is still at the beginning of its development and has not been institutionalised much so far. Looking at our expected gross yields of 7% to 8%, the attractiveness of this market quickly becomes clear. It is reassuring to see that although the Covid-19 pandemic has had an economic impact in Poland, too, the country – like Germany – has come through the crisis well so far. Therefore, the guidance we published for our result of operations in Poland, which in 2020 still exclusively concerned the sales business, was also achieved at EUR 9.1m despite the difficult framework conditions.

The investments in Poland, which like everything we do are of a long-term nature, will not lead to us being less active in Germany. This is already shown by the nearly 4,600 apartments we acquired in our core markets in Eastern Germany in 2020. But in Germany it is more important than ever to maintain capital discipline. A strategy that focuses on growth in absolute terms would be wrong in our view, given the price levels already reached in some regions. We will continue to opportunistically exploit acquisition opportunities. What counts for us is a good development of FFO and dividends on a per share basis. This can only be guaranteed through discipline in acquisitions, targeted modernisation programmes to reduce vacancy, and an efficient company organisation.

One topic we already addressed a year ago in the foreword to our Annual Report has become even more important in recent months: sustainability, or in slightly different terms, environmental, social, and governance (ESG) matters. For us, sustainable action is nothing new. What is actually new is that there is much more talk about it and that we, too, have intensified our reporting on this topic. After all, social issues in particular are essential for our business. We not only care about having motivated, happy employees, whom we protected as well as possible during the Covid-19 pandemic with flexible work-from-home solutions and a number of hygiene measures. This area also includes the topic of customer relations, i.e.


Claudia Hoyer (COO)


Martin Thiel (CFO)


Harboe Vaagt (CLO)

the relationship with our tenants. In most industries, it is perfectly clear that the main focus is on the customer. Surprisingly, this does not always seem to be the case in the housing industry, where housing shortages and high demand lead to a certain 'landlord power'. The current debate about even stronger regulation of the German housing market shows where such developments can lead. For us, on the other hand, tenant relations have always been of great importance. When you acquire portfolios with an average vacancy rate of more than 20%, as we did in 2020, it quickly becomes clear that we have to actively search for tenants and be attractive as a landlord. Even in the Covid-19 pandemic, we did not focus so much on short-term commercial success, but consistently took a long-term view. The voluntary waiver of rent increases for several months in the last financial year and our further increase in community involvement in our neighbourhoods are just two examples.

Once again, we would like to thank you, our shareholders, for your support and your trust in us. A very special thank you also goes to our employees, both in Germany and in Poland, who have contributed so much to TAG's commercial success in these difficult times through their outstanding work and commitment. With this great team, which we on the Management Board are only a part of, we can look to the future with great optimism.

Yours sincerely,

Claudia Hoyer	**Martin Thiel**	**Dr Harboe Vaagt**
COO	**CFO**	**CLO**

BOARD REPORT

REPORT OF THE SUPERVISORY BOARD FOR 2020

Dear Shareholders,
Ladies and Gentlemen,

2020 was marked for all of us by the particular challenge posed by the Covid-19 pandemic. The measures taken by the government in response to the pandemic also imposed restrictions on business activities in the housing industry and in the TAG Group. Despite this, 2020 was another successful year. The pandemic did not leave any negative traces on operating business or the key financial metrics. TAG's business model as a holder of portfolios of affordable housing thus proved to be resilient, with the Company showing that it was well positioned.

Despite a difficult market environment, nearly 4,600 residential units were acquired in the year under review, widening the Group's portfolio of German residential units to over 88,000 units as of 31 December 2020. The encouraging increase in the share price from EUR 22.16 on 31 December 2019 to EUR 25.90 on 31 December 2020 together with the successful placement of a borrower's note loan for EUR 470 million in August 2020 testifies to the confidence that the capital market continues to place in TAG.

The Supervisory Board wishes to thank all shareholders and investors for their support in 2020.

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

In 2020, the Supervisory Board fulfilled the duties required of it by law, the articles of association, the German Corporate Governance Code (DCGK) and the rules of procedure with great diligence. It regularly advised the Management Board in the discharge of its duties and monitored its activities. It was also directly involved at an early stage in all decisions of fundamental importance for the Company. In accordance with Section 90 Paragraph 1 and Paragraph 2 of the German Stock Corporation Act, the Management Board provided regular, updated and comprehensive information on all matters of relevance for corporate planning, strategic development and, in particular, the acquisitions completed in 2020. As in previous years, the Management Board's reports covered the financial position and profitability of TAG and the Group's companies, its business progress, the risk situation and risk management and compliance. The reports were submitted in writing and orally. The Management Board was in regular contact with the Chairman of the Supervisory Board to

consult on major business matters. Significant events were immediately brought to its attention. In May 2020 in particular, the Management Board and Supervisory Board worked closely together during talks with LEG Immobilien AG concerning a possible merger of the two companies. These negotiations were ultimately broken off as no agreement was reached on an appropriate exchange ratio.

Composition and organisation of the Supervisory Board

The Chairman of the Supervisory Board is Mr Rolf Elgeti. Mr Lothar Lanz is his deputy. Only Mr Elgeti is a former member of the Company's Management Board, having served on it until 31 October 2014. The Supervisory Board believes that all members meet the requirement of independence as defined in the revised version of the German Corporate Governance Code (II. C 6). The members of the Supervisory Board possess the knowledge, skills and professional experience required for the proper exercise of their duties. As the respective areas of expertise held by individual members are mutually complementary, the Supervisory Board in its entirety and diversity is in a position to comprehensively fulfil its tasks. The Supervisory Board assumes that the performance of its supervisory and advisory functions is ensured in accordance with the articles of association, the DCGK and the rules of procedure. The Supervisory Board regularly conducts efficiency audits, which are carried out by means of a written survey of its members.

In order to perform its duties efficiently, the Supervisory Board has formed committees. Specifically, there were two committees during the year under review:

- Audit Committee
- Personnel Committee

The Audit Committee reviews the documents for the year-end financial statements and the consolidated financial statements and prepares the adoption and approval of these documents and of the Management Board's proposal for the appropriation of net profit. The Committee discusses with the Management Board the principles of compliance, risk assessment, risk management and the adequacy of the internal control system. The Audit Committee's duties also include preparing the election of the external auditor by the shareholders at the Annual General Meeting and reviewing the required independence. The members of the Audit Committee possess accounting and auditing expertise. Mr Lanz, as Chairman of the Audit Committee, meets the requirements of Section 100 Paragraph 5 of the German Stock Corporation Act.

The Personnel Committee, which also serves as a Nominating Committee, is responsible for all personnel matters relating to the Supervisory Board and Management Board, the conclusion and content of Management Board contracts and related matters, including remuneration. In addition, the Personnel Committee proposes suitable candidates for the Supervisory Board for its election proposals at the Annual General Meeting and prepares the annual determination of the performance-related variable remuneration of the members of the Management Board.

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

	Supervisory Board	Audit Committee	Personnel Committee
Rolf Elgeti	Chairman	Member	Chairman
Lothar Lanz	Deputy Chairman	Chairman	Member
Prof. Dr Kristin Wellner	Member	Member (from 8 September 2020)	-
Dr Philipp K. Wagner	Member	-	Member
Harald Kintzel	Member (from 21 August 2020)	Member (until 22 May 2020)	-
Marco Schellenberg	Member (until 22 May 2020)	-	-
Katja Gehrmann	Member (from 21 August 2020)	-	-

Impact of the Covid-19 pandemic

The measures and restrictions imposed by the government to contain the Covid-19 pandemic during the reporting period did not affect the work of the Supervisory Board, but did change it. Face-to-face meetings were replaced by video conferences, while ongoing communication was almost exclusively via electronic media.

The Annual General Meeting on 22 May 2020 had to be held as a virtual meeting without the presence of the shareholders due to the government ban on assemblies of people. We took this decision together with the Management Board in the interests of all concerned and in view of our obligation to protect people's health as far as possible.

The election of the employee representatives to the Supervisory Board, which had been initiated at the beginning of the year, was delayed due to the pandemic and could not be completed until August 2020. On 21 August 2020, Mr Harald Kintzel was re-elected, while Ms Katja Gehrmann joined the Supervisory Board for the first time.

In addition, the Management Board kept the Supervisory Board informed of the effects of the pandemic on the Company's figures and operations. Employees increasingly worked from home and not only during the lockdown.

Meetings of the Supervisory Board

At a total of five physical meetings and video conferences, the Supervisory Board was informed of the progress of the Group's business and discussed matters and items requiring its approval together with the Management Board. In urgent matters, resolutions were also adopted outside these sessions by written ballot or in conference calls. The following table shows the attendance record of the Supervisory Board members in the financial year under review:

Meeting attendance by Supervisory Board members in 2020	25 Feb	18 May	13 Aug	8 Sep	11 Dec
Rolf Elgeti	x	x	x	x	x
Lothar Lanz	x	x	x	x	x
Prof. Dr Kristin Wellner	x	x	x	x	x
Dr Philipp K. Wagner	x	x	x	x	x
Harald Kintzel	x	x	N/A	x	x
Marco Schellenberg	x	x	N/A	N/A	N/A
Katja Gehrmann	N/A	N/A	N/A	x	x

Accordingly, all members of the Supervisory Board were present at all meetings held in the year under review.

At the meeting on 25 February 2020 to approve the financial statements, the Supervisory Board dealt in detail with the annual financial statements and the consolidated financial statements for 2019 together with the results of the external audit. The auditor's representatives attended the meeting in person to report on the outcome of the audit. The financial statements were discussed at length with the auditor. At this meeting, the Supervisory Board also dealt with TAG's non-financial declaration ("Sustainability Report") for 2020 pursuant to Sections 289b et seq. and 315b of the German Commercial Code (HGB). The Supervisory Board is aware of the increasing importance of CSR practices and reporting. Non-financial issues and targets were regularly addressed and discussed. The Supervisory Board also adopted the items of the agenda for the Annual General Meeting, which at this stage was still to be executed in a conventional manner. Following this meeting, the members of the Supervisory Board took part in a training event initiated by the Company on the amendments to the Act on the Transposition of the Second Shareholder Rights Directive and the German Corporate Governance Code.

At the meeting on 18 May 2020, the Supervisory Board and Management Board dealt with the preparation of the Annual General Meeting on 22 May 2020 and discussed the economic and organisational impact of the Covid-19 pandemic on business in the context of the Management Board's report on the course of the Company's business. Further acquisitions of land for development in Poland and the establishment of the TAG Miteinander Stiftung ("TAG Together Foundation"), which is to support social projects in the regions addressed by TAG in the future, were presented. Finally, a formal resolution was passed to renew Dr Harboe Vaagt's service contract by 9 months until 31 December 2021 after agreement had previously been reached on this question at the February meeting so as to be suitably prepared for his age-related retirement.

At its meeting of 13 August 2020, the Supervisory Board deliberated on possible capital market transactions to finance the acquisition of a portfolio of approximately 3,300 units and the repurchase of part of the convertible bond 2017/2022. The considerations of the Management Board regarding the issue of a new convertible bond 2020/2026 were discussed. This bond was ultimately issued on 20 August 2020 with a volume of EUR 470 million subject to the exclusion of shareholders' subscription rights.

The meeting on 8 September 2020 dealt, among other things, with initial proposals for adjusting the Management Board remuneration system in the light of the Act on the Transposition of the Second Shareholder Rights Directive and the requirements of the new 2020 version of the German Corporate Governance Code and for revising the present Management Board remuneration. Notwithstanding the fact that their present service contracts were still in force, the members of the Management Board had agreed to adjust the remuneration system to incorporate new requirements effective 1 January 2021 before the expiry of their service contracts. In addition, updated rules of procedure for the Supervisory Board and the Management Board were adopted. It had been necessary to revise them due to the new statutory requirements and the increase in transaction volumes over the last few years. Finally, Prof. Dr Kristin Wellner was appointed to the Audit Committee at this meeting.

At its meeting on 11 December 2020, the Management Board presented the budget for the period from 2021 to 2023 to the Supervisory Board, which the Supervisory Board subsequently approved. The Supervisory Board adopted the declaration of conformity for 2020 together with the Management Board at this meeting. Furthermore, the Supervisory Board adopted at this meeting the new Management Board remuneration system, which had previously been developed and presented by the Personnel Committee.

In addition to the aforementioned Supervisory Board meetings, further resolutions were passed by written circulation.

Work of the committees

During the year under review, the Audit Committee held three meetings in which it dealt with the relevant aspects of the Supervisory Board's activities. Representatives of the auditor attended parts of all of the meetings and reported in this connection on the voluntary limited review of the interim financial statements as at 30 June 2020. The focus of the consultations was again on various aspects of the external audit of the annual financial statements, specifically the initial consolidation of Vantage Development S.A., the review of the accounting-related internal control system and the valuation of the property portfolio. The Audit Committee recommended that the Supervisory Board propose KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor for the 2020 financial year at the Annual General Meeting on 22 May 2020. In addition, the Chairman of the Audit Committee consulted directly with the auditor and was informed in detail of the process and main aspects of the audit.

The Personnel Committee met on 18 November 2020 and prepared its proposal for determining the variable Management Board remuneration, which was then discussed and approved by the full Supervisory Board on 11 December 2020.

External auditor for 2020

The Supervisory Board engaged KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, which had been elected by the shareholders at the Annual General Meeting on 22 May 2020, to audit the annual financial statements and the consolidated financial statements of TAG Immobilien AG for the year ending 31 December 2020.

KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, had audited the annual financial statements and the consolidated financial statements of TAG Immobilien AG for 2012 for the first time. Since 2018, Mr Rainer Thiede WP/StB has performed the engagement as the principal auditor and, together with Mr Achim Bagehorn WP/StB, signed the audit opinion for the annual financial statements and the consolidated financial statements for the year ending 31 December 2020.

Approval of the annual financial statements and the consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, audited the annual financial statements and the management report prepared in accordance with German commercial law, as well as the consolidated financial statements, including the Group management report for 2020, which were prepared in accordance with the International Financial Reporting Standards (IFRS). An unqualified audit opinion was provided in both cases.

The financial statements and audit reports were circulated to all members of the Supervisory Board in a timely manner and discussed in detail at the meeting on 15 March 2021, after the Audit Committee had already dealt with the results in detail and discussed them with the external auditor prior to this meeting and during the audit procedure. Representatives of the external auditor also attended the meeting of 15 March 2021, during which they elaborated on their report and were available to answer any questions of the Supervisory Board. The auditor additionally confirmed that the risk early detection system which had been installed by management was suitable for detecting in good time any developments liable to jeopardise the Company's going-concern status.

The Supervisory Board accepted the external auditor's results and, on the basis of its own review of the annual financial statements and the consolidated financial statements together with the respective management reports, did not raise any objections. The Supervisory Board endorses the Management Board's proposal for the appropriation of net profit for the distribution of a dividend of EUR 0.88 per share. Accordingly, the annual financial statements and the consolidated financial statements prepared by the Management Board were duly approved and accepted by the Supervisory Board.

Corporate governance

As in previous years, the Supervisory Board, and especially the Audit Committee, closely monitor management's compliance with the principles of good corporate governance. There were no conflict of interests with members of the Supervisory Board.

The Company does not fulfil the recommendation enshrined in the German Corporate Governance Code of 7 February 2017 ("GCGC 2017") to appoint a speaker or chairman of the Management Board. The Supervisory Board and Management Board believe that the tasks of the Management Board, which was reduced in size on 1 November 2014, are allocated in a sufficiently detailed and appropriate way in the rules of procedure and business allocation plan and that TAG is represented appropriately in relations with third parties. For these reasons, a speaker or chairman was not appointed.

The Supervisory Board does not comply with the recommendation contained in the German Corporate Governance Code in the version of 16 December 2019 ("GCGC 2020") to limit the number of mandates of the members of the Supervisory Board to no more than two supervisory board mandates and to ban a member of the Supervisory Board from holding a management board mandate in another listed company or chairing the supervisory board of listed non-Group companies. The Chairman of the Supervisory Board of the Company, Mr Rolf Elgeti, exceeds the maximum number of mandates recommended by GCGC 2020. The Company likewise does not comply with the recommendation that the Chairman of the Supervisory Board should be independent from the Company and that the Chairman is not deemed to be independent under the definition in C.7 of the GCGC 2020 if he was a member of the Company's Management Board in the two years prior to his appointment, as Mr Elgeti was a member of the Company's Management Board before being elected to the Supervisory Board.

In 2020, the Company's declaration of conformity was approved at the meeting of the Supervisory Board held in December. Apart from the exceptions stated above, the Company follows all the recommendations of the German Corporate Governance Code in full. Please also refer to the Corporate Governance Report for 2020.

Vote of thanks to the staff

The Supervisory Board would like to commend and thank all employees of the TAG Group, whose strong commitment and dedication made the Group's favourable business performance and continued growth possible in the first place, as well as the Management Board, for their good work under the difficult conditions resulting from the Covid-19 pandemic in the year under review.

Hamburg, March 2021

The Supervisory Board

Rolf Elgeti
Chairman

EPRA

EPRA REPORTING

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

Starting with the 2020 financial year, the European Public Real Estate Association (EPRA) has changed the definition of net asset value (NAV) and now distinguishes between three different indicators, namely

- EPRA Reinstatement Value (EPRA NRV), which is essentially the reconstruction value of the real estate portfolio, including any transaction costs incurred,
- EPRA Net Tangible Assets (EPRA NTA), which excludes intangible assets including any goodwill, and
- EPRA Net Disposal Value (EPRA NDV), which assumes a disposal of the property portfolio and thus also requires a fair value measurement of deferred taxes and derivative financial instruments.

All indicators are calculated on a fully diluted basis, i.e. in TAG's case taking into account the effects of outstanding convertible bonds and potential shares under remuneration programmes. TAG will treat the EPRA NTA as a "leading indicator" and report it on a quarterly basis, unless any alternative best practices emerge in the industry.

EPRA EARNINGS

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

in EUR m	2020	2019
Net income	**399.1**	**456.4**
Fair value changes in investment properties and valuation of properties held as inventory	-327.0	-414.1
Deferred income taxes	64.3	76.7
Revenues from sales	-40.2	0.4
Cash taxes on net revenues from sales	0.3	2.0
Fair value gains and losses on derivative financial instruments	54.7	29.5
Deferred income taxes	-0.4	-9.2
Breakage fees from the early repayment of bank loans	1.8	0.2
Cash dividend payments to minorities	-1.3	-1.3
EPRA Earnings	**151.3**	**140.6**
Deferred income taxes (other than on valuation result)	5.3	16.3
Other non-cash financial results	5.7	2.2
Non-recurring effects	3.6	-1.3
Depreciation/amortisation	7.0	6.8
Cash taxes on net revenues from sales	-0.3	-2.0
Elimination of effects from the first-time application of IFRS 16 („Leases“)	0.0	-2.0
Adjusted EPRA Earnings (FFO I)	**172.6**	**160.6**
Weighted average number of shares (outstanding)	146,287	146,333
EPRA Earnings per share in EUR	**1.03**	**0.96**
Adjusted EPRA Earnings (FFO I) per share in EUR	**1.18**	**1.10**
Interest expense convertible bond	1.2	1.6
EPRA Earnings, diluted*	**152.5**	**142.2**
Weighted average number of shares in TEUR, diluted	157,681	161,151
EPRA Earnings per share in EUR, diluted*	**0.96**	**0.87**

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

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

Since the business activities in Poland do not yet include any rental activities, EPRA Earnings are calculated based on the Group's consolidated EBT in Germany (analogous to FFO I).

EPRA NTA

The calculation of EPRA NTA also in comparison to EPRA NAV, that was primarily communicated until the end of 2019, is as follows as of the reporting date:

in EUR m	12/31/2020 NAV (old)	12/31/2020 NTA	12/31/2019 NAV (old)	12/31/2019 NTA
Equity (before minorities) instruments	2,602.6	2,602.6	2,342.6	2,342.6
Effect from conversion of convertible bond	25.9	25.9	324.2	324.2
Deferred taxes on investment properties and derivative financial instruments	577.8	567.4	492.8	503.6
Fair value of derivative financial instruments	20.1	20.1	6.2	6.2
Difference between fair value and book value for properties valued at cost	40.9	40.9	85.2	85.2
Goodwill	0.0	-18.4	0.0	0.0
Intangible assets (book value)	0.0	-4.3	0.0	-2.6
EPRA NAV/NTA metrics, fully diluted	**3,267.3**	**3,234.2**	**3,251.0**	**3,259.2**
Number of shares, fully diluted (in ‘000)	147,333	147,333	161,191	161,191
EPRA NAV/NTA metrics per share (EUR), fully diluted	**22.18**	**21.95**	**20.17**	**20.22**

Dilution effects from the 2017/2022 convertible bond were taken into account in the calculation of EPRA NTA and EPRA NAV, as the share price exceeds the current conversion price on the reporting date. As this is not the case for the 2020/2026 convertible bond, which was issued in August 2020, no dilution effects were included.

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

	Fair Value	% share of total portfolio	% share of deferred tax corrections
Strategic core portfolio	5,766.0	98%	100%
Other portfolio including properties held for sale	107.1	2%	0%

EPRA NRV, NTA AND NDV

The calculation of EPRA NRV,NTA and NDV is as follows as at the reporting date:

12/31/2020 in EUR m	EPRA NRV Net Asset Value	EPRA NTA Net Tangible Assets	EPRA NDV Net Disposal Value
Equity (before minorities) instruments	2,602.6	2,602.6	2,602.6
Effect from conversion of convertible bond	25.9	25.9	25.9
Difference between fair value and book value for properties valued at cost	40.9	40.9	40.9
Deferred taxes on investment properties and derivative financial instruments	567.4	567.4	0.0
Fair value of derivative financial instruments	20.1	20.1	0.0
Goodwill	0.0	-18.4	-18.4
Intangible assets (book value)	0.0	-4.3	0.0
Difference between fair value and book value of financial liabilities	0.0	0.0	-75.9
Transaction costs (e.g. real estate transfer tax)	482.6	0.0	0.0
EPRA NAV metrics, fully diluted	**3,750.0**	**3,234.2**	**2,575.1**
Number of shares, fully diluted (in ‘000)	147,333	147,333	2,575.1
EPRA NAV metrics per share (EUR), fully diluted	**25.45**	**21.95**	**17.48**

EPRA NET INITIAL YIELD

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

in EUR m	12/31/2020	12/31/2019
Market value of total real estate assets	5,834.3	5,302.4
Transaction costs deducted (acquisition costs)	482.6	441.4
Market value of total real estate assets (gross)	**6,316.9**	**5,743.8**
Annualised net annual rental income on the reporting date	334.2	319.9
Non-rechargeable ancillary expenses	-10.8	-10.3
Rental income after non-rechargeable ancillary expenses	**323.4**	**309.6**
Adjustments for rental incentives (rent-free periods)	0.0	0.0
Rent after non-allocable utility costs and rental incentives	**323.4**	**309.6**
EPRA Net Initial Yield in %	**5.1%**	**5.4%**
EPRA 'topped up' Net Initial Yield in %	**5.1%**	**5.4%**

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	12/31/2020	12/31/2019
Estimated rental income in December	29.3	28.2
Estimated rental income lost as a result of vacancies in December	1.8	1.5
EPRA Vacancy Rate in %	**6.0%**	**5.3%**

EPRA COST RATIO

The EPRA cost ratios measure the ratio between rental and administration expenses (with and without vacancy costs allowing for any opposing operating income and eliminating non-recurring effects) and total rental income for the year in question. This is a key metric to enable meaningful measurement of the changes in a company's operating costs. The cost ratios are a key metric to enable meaningful measurement of the changes in a company's operating costs. Since the first rental income in Poland is not expected to be generated until the completion of the rental projects in the course of 2021, pending which business activity in Poland will continue to comprise almost solely the sale of residential real estate, only expenses for Germany are reported for 2020.

in EUR m	2020	2019
Rental expenses (non-rechargeable)	54.3	51.5
Impairments	4.0	3.9
Net income from property services	-26.1	-21.0
Other operating income	-3.0	-5.6
Personnel expenses	53.6	50.3
Non-recurring effects	21.0	17.9
Non-recurring effects (Provisions for property transfer tax risks)	-3.6	1.3
EPRA costs incl. vacancy costs	**100.2**	**98.3**
Vacancy costs	-8.7	-7.9
EPRA costs excl. vacancy costs	**91.5**	**90.4**
Rental income (net rent)	322.5	315.0
EPRA costs ratio incl. vacancy costs in %	**31.1%**	**31.2%**
EPRA costs ratio excl. vacancy costs in %	**28.4%**	**28.7%**

Investment properties are initially recognised at historical cost including transaction costs. This also includes any trailing extension, conversion or modernisation costs that contribute to an increase in the fair value of the real estate asset. Historical cost includes the costs directly attributable to the real estate asset. In the year under review, expenses of EUR 4.0m (previous year: EUR 3.5m) were capitalised in connection with modernisation expenses carried out by the Group's own employees.

MANAGE MENT REPORT

COMBINED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

FOUNDATIONS OF THE GROUP

Overview and corporate strategy

TAG Immobilien AG („TAG" in the following) is a Hamburg-based property company focused on the German residential real estate sector. The properties owned by TAG Immobilien AG and its subsidiaries (also abbreviated as „TAG" or the „Group" in the following) are located in various regions of Northern and Eastern Germany and North Rhine-Westphalia, and, starting in the 2020 financial year, in Poland. Overall, at 31 December 2020 TAG managed around 88,300 residential units (previous year: around 84,500) and had a contractually secured project pipeline for the construction of approx. 8,700 units in Poland.

TAG Immobilien AG shares are listed in the MDAX of the Frankfurt Stock Exchange; TAG's market capitalisation at 31 December 2020 was EUR 3.8bn (previous year: EUR 3.2bn).

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

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

Besides long-term property management, the Group selectively exploits sales opportunities in order to reinvest the realised capital appreciation and liquidity into new portfolios with higher yields. This strategy of „capital recycling" is TAG's response to the intense competition for German residential real estate, and puts a focus on earnings per share. Growth in absolute orders of magnitude is not at the forefront of the corporate strategy. Instead, the aim is to offer tenants affordable housing through sustained and active portfolio management, and investors growing cash flows through attractive dividends.

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

The growing Polish residential real estate market is the target of a regional expansion of TAG's business model, which will focus on strong cash returns (i.e. FFO returns in relation to the equity invested). The Polish rental housing market is characterised by a supply shortage. It is considered one of the least saturated housing markets in Europe, with an increasing housing shortage that already exceeds 3.5 million units according to OECD database. Furthermore, the absolute size of the Polish market (approx. 38 million inhabitants, sixth-largest EU country in terms of population), coupled with a growing services sector and favourable demographic trends („Generation rent" – a growing preference for rented apartments) supports TAG's market entry in Poland. The Management Board expects that early market entry will give TAG a competitive advantage in terms of scope, market knowledge, market penetration, and market position.

TAG's medium-term growth target, i.e. for the next three to five years, is to build up a portfolio of around 8,000-10,000 residential units in Poland. Capital spending will focus on the construction of new residential units in large cities with favourable population trends, proximity to universities, and a well-developed infrastructure.

Group structure and organisation

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

At Management Board level, responsibilities are distributed as follows:

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

- CFO: Group Accounting, Financing and Treasury, Taxes, Controlling, Investor and Public Relations, ERP/Data Management

- CLO: Human Resources, Legal, Judicial rent collection, IT, Compliance, Internal Audit, Residential Real Estate Management

The Group consists of additional subgroups, operating subsidiaries and property companies, each of which own real estate inventories and are included in TAG’s consolidated statements. At 31 December 2020, following 2020’s acquisition in Poland, the Group consisted of 103 (previous year: 77) fully consolidated subsidiaries. A complete overview of all companies in the Group is shown in the notes to the consolidated financial statements.

The organisational structure of TAG’s operative business is decentralised, has flat hierarchies, and short decision-making paths. In Germany, this organisation centres on the „LIM“ structure (Head of Real Estate Management). Each LIM is assigned a regionally delimited property portfolio, which is managed in a decentralised way and largely autonomously within the approved budget. In sum, the regions correspond to the rental segment presented in the segment reporting.

Key areas of decentralised responsibility include direct customer care and tenant satisfaction, letting, technical support for residential units with regard to maintenance measures and investments in the modernisation of apartments and buildings, as well as receivables management.

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

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

The market entry in Poland added 19 companies to the Group’s subsidiaries in the 2020 financial year. The Polish subsidiaries form a separate subgroup within the Group. The organisational structure of the operating business in Poland - like the rest of the Group - has flat hierarchies and short decision-making paths. Central decisions are made in close consultation with the Management Board of TAG and the operating departments active in Germany.

Management system

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

Operative indicators
The two key operative indicators that are determined and reported to the Management Board are:

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

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

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

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

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

Financial KPIs

Key indicators for Group controlling are funds from operations (FFO) and, since FY 2020, Net Tangible Assets Value (NTA), as a successor to Net Asset Value (NAV), which is calculated monthly.

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

- Net asset value in the form of EPRA NTA (Net Tangible Assets)
  The NTA is calculated in accordance with EPRA Best Practice Recommendations: Equity as a measure of net assets is adjusted for the effects of deferred taxes on the strategic core portfolio within investment properties, and supplemented by the fair value of derivative financial instruments and hidden reserves in the properties measured at cost in property, plant and equipment or inventories. If the convertible bonds issued by the Group are „in the money", i.e. the current market price at the reporting date is above the conversion price then applicable, a fully diluted NTA is calculated, which assumes a notional full conversion of the convertible bonds.

Another supporting indicator used up until and including FY 2020 was Earnings before taxes (EBT), excluding results from fair value changes in investment properties and valuation of portfolio properties, as well as from the valuation of derivative financial instruments. This indicator was determined at least once a year. As this indicator has become much less important in both internal management and external communications in recent years, EBT will no longer be used as a management indicator as of the 2021 financial year.

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

For TAG's business activities in Poland, whose scope the Group does not yet consider to be of material significance, the „contribution to FFO II Poland" is calculated on a quarterly basis as a supporting indicator. This is calculated from the IFRS consolidated net profit after minority interests of the Polish subsidiaries, adjusted for non-cash effects from purchase price allocations, from real estate valuation, and from deferred income taxes, and excluding regularly recurring special effects. In addition, proceeds from disposals are still being monitored as a supporting indicator at this time.

The Group's current liquidity situation is reviewed daily. Each month, a short- to medium-term liquidity plan is compiled, for a period of twelve months. Once a year, a long-term liquidity plan is drawn up for a period of three years. In each case, the „available liquidity" (a supporting indicator) is reviewed, i.e. unrestricted cash and bank balances plus any unused credit lines at banks. These measures safeguard the Group's financial stability. A regular determination of ongoing performance at individual company and at Group level is part of this monitoring process.

The relevant parameters and key figures for the remuneration of the Management Board are presented in the remuneration report.

Social conditions and their influence on the real estate market

Last year, due to the Covid 19 pandemic, the German economy experienced a severe recession comparable to the economic and financial crisis in 2008 and 2009. In 2020, gross domestic product declined by 5.0%. Despite the partial lockdown, the labour market was comparatively stable during the year. The new lockdown since November 2020 is causing a significant slowdown in economic momentum in Germany, and in January 2021 the German government is therefore lowering GDP forecasts for the current year from 4.4% to 3.0% in its Annual Economic Report, while the unemployment rate is forecast to fall slightly from 5.9% to 5.8% in the course of 2021 (BMWi, press release dated 14 Jan 2021).

Against this backdrop, the discussion about state control or political influence on the German residential real estate market in the form of rent regulation continues. To make housing more affordable for the population and to maintain an affordable rent level, measures such as the Mietpreisbremse (rent brake) and Mietendeckel (rent cap) are used in tight housing markets such as Berlin. This could result in landlords having less incentive to invest in maintenance measures or modernising apartments, which has a negative impact on housing quality. A regulated cap on rents also affects the attractiveness of yields and could discourage investors from entering the rental market (Source: OECD 2021 „Building for a better tomorrow: Policies to make housing more affordable", Employment, Labour and Social Affairs Policy Briefs).

The momentum of rental prices in TOP locations has already been slowing somewhat since 2017. Rents for new and existing tenants rose by around 3% in the current year, compared with more than 8% in 2017. The reasons for this are declining population growth in the major cities, the already high level of rents, and higher residential construction activity. Whereas ten years ago around 50,000 apartments were completed per year in Germany, this figure has now tripled (Source: Immobilienmanager, „Study: Real estate market robust overall").

Short-term interest rates are not expected to rise until 2023, which remains beneficial for real estate markets. The central banks are maintaining longer-term low interest rate policies and are engaging in significant asset purchases to keep interest rates at historically low levels. As a result, home prices remain at a stable high level and the attractiveness for investors remains high as financing remains cheap. According to latest EMEA Mid-Year Outlook 2020 Report issued by CBRE, the leading national and international real estate specialist, the pre-crisis investment level is expected to be reached again in 2022.

We believe that regulatory aspects, in particular the resulting risks, continue to be important to the societal conditions that directly influence the residential real estate market. In this connection, please refer to the „Forecast, Opportunity and Risk Report – Regulatory Risks“ section below.

Social conditions in Poland and their influence on the residential property market

Real GDP in Poland has increased by 101% since 2000 (as of 2019). As in all countries, the Covid-19 pandemic has had a significant impact on economic growth in Poland, disrupting this positive trend. Gross domestic product fell by 9.0% in the second quarter of 2020. In the third quarter, the economy is already recovering after the decline, in particular due to a strong increase in private household consumption and a rise in exports. In its winter forecast published in February 2021, the European Commission puts the decline in GDP for 2020 at 2.8%. Unemployment was 6.2% in December 2020 (European Economic Forecast, Winter 2021). So ultimately, Poland is coming through the crisis better than forecast.

The situation is expected to continue to recover, especially from the second half of 2021 onwards, and this will be accompanied by an improvement in investment due to improved business sentiment and low costs of debt, which will support the construction sector in particular.

The positive trend and opportunities in the Polish residential real estate market are supported by persistently low interest rates coupled with rising inflation, stabilisation of construction capacity availability combined with less state investment, and high interest from international investors in the residential real estate sector.

Sustainable corporate development*

Apart from the Covid-19 pandemic, few issues are currently being discussed as intensively as matters of sustainability. Questions about sustainability targets and the impact of business activities on the environment and society are changing the public's view of companies and their investment decisions.

As a large real estate company, TAG bears a special responsibility to society. We want to offer our tenants a secure home and good service in the long term and - as far as we are able as a landlord - to help them in difficult situations, such as those currently caused by the Covid-19 pandemic, and offer flexible solutions. It is also important to protect our employees, who work on behalf of our customers on a daily basis. Community involvement, which we have been practising for years in many of our residential quarters, is more important to us than ever. Our goal is to incorporate sustainability aspects into our corporate strategy across our entire value chain. At the end of the year, we established the TAG Miteinander Stiftung (TAG Together Foundation) to bundle our social activities and promote good living conditions and neighbourhood spirit even more effectively. As a responsible employer, we have broadened the options for flexible and

* unaudited information

remote work, and expanded our occupational health and safety measures. Individual responsibility and shared commitment, along with respectful and transparent treatment of others, are essential contributors to the Company's success.

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

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

To better align our sustainability strategy with our stakeholders' expectations, we are intensifying the dialogue. Our first sustainability survey amongst shareholders, banks and other investors in December 2020 confirms the increased importance of ESG (Environment – Social – Governance) issues.

Sustainability Report and ESG Rating*

Detailed, annual reporting on the topic of sustainability is presented and published in a separate Sustainability Report (available at www.tag-ag.com under „Investor Relations/Sustainability/Sustainability Reports“). The report adheres to the standards of the Global Reporting Initiative (GRI) and the European Public Real Estate Association (EPRA). This allows us to compare our results and targets over time, and to review and present our development according to objective criteria. Our efforts in the area of sustainable corporate development are recognised and rewarded by rating agencies. In a report published on 26 June 2020 by Sustainalytics, a leading company for market research, ratings and data on ESG (environment, social, governance) issues, TAG ranked 41st out of a total of 905 real estate companies analysed worldwide, placing it in the top 5% of all companies in the sector. Our risk is rated 'Low' at 12.6 points (low risk), reflecting a year-on-year improvement of more than ten points and one category. TAG also improved its rating with other renowned ESG rating agencies.

For further details, please see our Sustainability Report. This sustainability report constitutes TAG's non-financial reporting pursuant to Sections 289b et seq. of the German Commercial Code (HGB).

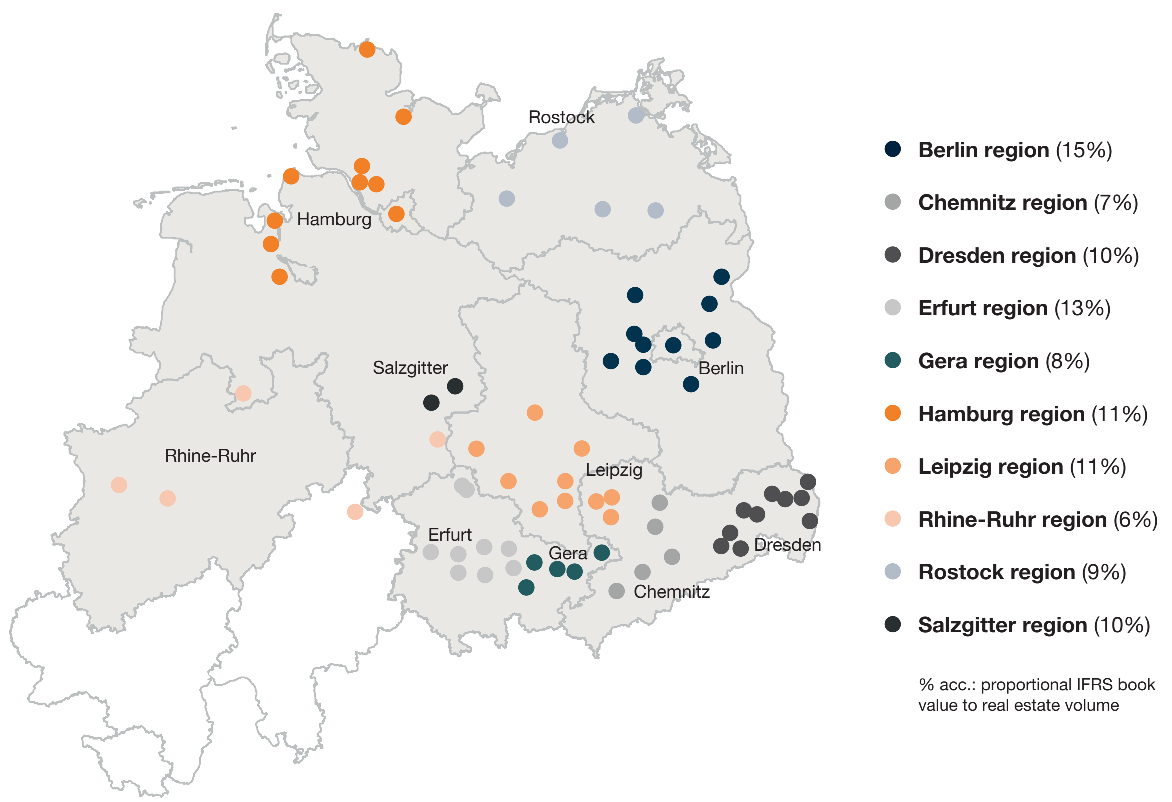
Research and Development

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

* unaudited information

Overview of the portfolio and portfolio strategy

At the end of the 2020 financial year, TAG Group's property portfolio in Germany comprised approx. 88,300 units. The focus is on the management of attractive yet affordable housing, with great awareness of our social responsibility towards our tenants. The regional focus is mainly on Northern and Eastern Germany, distributed as follows .



Portfolio data	12/31/2020	12/31/2019
Units	88,313	84,510
Floor space in sqm	5,302,495	5,094,435
Real estate volume in EURm*	5,834.3	5,302.4
Annualised net actual rent in EURm p.a. (total)	334.2	319.9
Net actual rent in EUR per sqm (total)	5.57	5.51
Net actual rent in EUR per sqm (residential units)**	5.48	5.39
Vacancy in % (total)	5.6	4.9
Vacancy rate in % (residential units)	4.5	4.5
l-f-l rental growth in %	1.4	1.9
l-f-l rental growth in % (incl. vacancy reduction)	1.5	2.4

* EUR 5,984.4m total real estate volume (of which EUR 150.1m properties in Poland)
** excluding acquisitions

In Germany, TAG concentrates resolutely on regions that exhibit positive economic growth and development. We feel the „ABBA strategy“, i.e. investing in A locations in B cities, and B locations in A cities, is working better than ever. Small and medium-sized cities are also benefitting from the disproportionate demand for housing in cities, where affordable living space in particular is scarce. Many people are moving to the outskirts of big cities or to the centres of medium-sized cities to find attractive yet affordable living conditions.

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

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

In contrast, TAG is pursuing a different approach in Poland. Although we will also be concentrating on the rental market for residential real estate here, investments will be made exclusively in new construction projects as well as in the country's major cities, because we see substantial growth opportunities in these products and markets and we feel that – in contrast to Germany – the returns which can be achieved here are very attractive.

BUSINESS REPORT

Development of the German residential real estate market

The analyses of leading real estate service providers such as EY Germany, Savills Deutschland, and Jones Lang LaSalle Germany describe the past year 2020 as a very good year in parts in terms of transaction volume on the German real estate market. According to Savills, total investment was EUR 78.6bn, down 14% from the previous year (due to the 20% decline in the commercial real estate market to EUR 58.8bn), but at around EUR 19.7bn, investment in residential real estate was again at a record level and was the second strongest in terms of revenue since 2015 (transactions of 50 flats or more were counted). This development confirms the unbroken attractiveness of the German property market, especially in residential properties, as these have proven to be crisis-proof and stable against the backdrop of the Covid-19 pandemic, with extremely low rent losses.

With regard to the residential real estate market, investor interest increased for the fifth year in a row, with reported volumes ranging from EUR 19.7bn (Savills Investment Market Germany, January 2021, press release dated 8 Jan 2021), EUR 20.3bn (EY Germany), and EUR 21.7bn (JLL press release dated 7 Jan 2021) – depending on the transaction size count – up between 8% and 12% compared to 2019. The number of residential units traded increased year-on-year to 150,600 (Savills) or 164,500 (JLL) (2019 between 130,500 and 118,000).

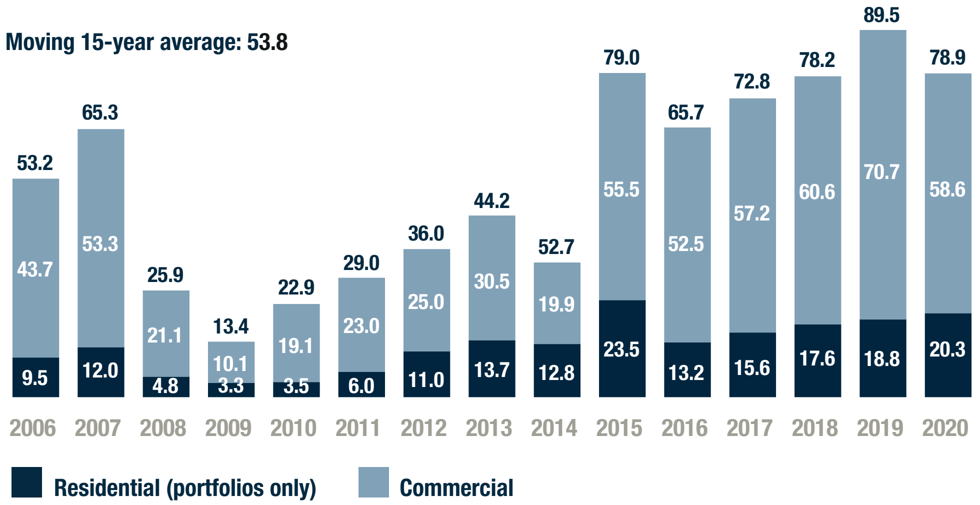
According to Savills’ analysis of the German investment market, there is no way around residential real estate for many investors in search of long-term stable returns. As residential property is likely to have become more important to many occupiers in the wake of the pandemic, demand for residential space could grow structurally. This assumption, in combination with the already proven stability of rental income, should ensure that even more investors focus on residential real estate. Germany, as one of the world’s most liquid and established markets, could attract particularly strong demand. A high transaction volume can therefore be expected again for 2021.

With a share of approx. 80% (90% in the previous year), German investors again dominated the market’s activities, but international buyers, too, focused on investments in the residential sector, not least because of the structural changes in the wake of the pandemic and an expected increased use of home offices going forward.

On the buyer side, JLL states that open-ended special funds (approx. EUR 1.7bn), asset/fund managers (approx. EUR 1.1bn), and municipal, non-profit residential real estate companies (approx. EUR 850m) are particularly noteworthy. Total transaction volume was also significantly dominated by the takeover of Adler Real Estate AG by ADO Properties SE (now trading as „Adler Group S.A.“) with a volume of around EUR 6bn and approx. 58,000 units.

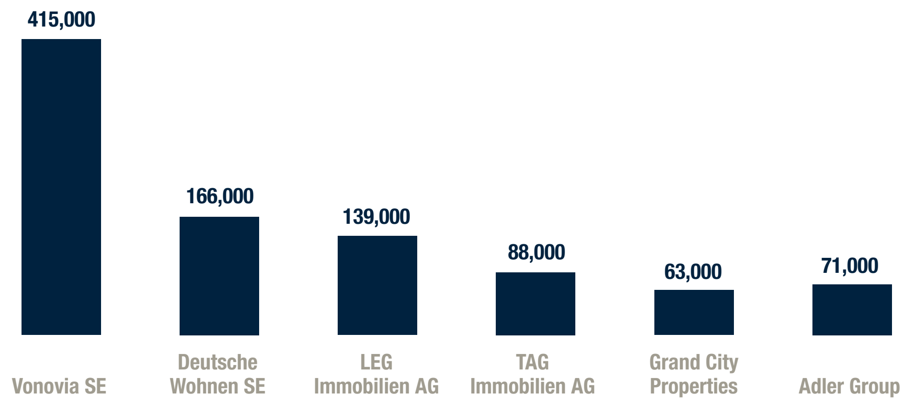
As residential property is a focus for many investors, even in times of crisis, due to its stability in terms of rental income and therefore predictable cash flows, and its long-term growth potential, Savills and JLL expect demand to remain high in the future. Germany, as one of the world’s most liquid markets, will attract particularly strong demand. Demand is therefore expected to be high again in 2021.

Transaction volume in Euro bn in Germany

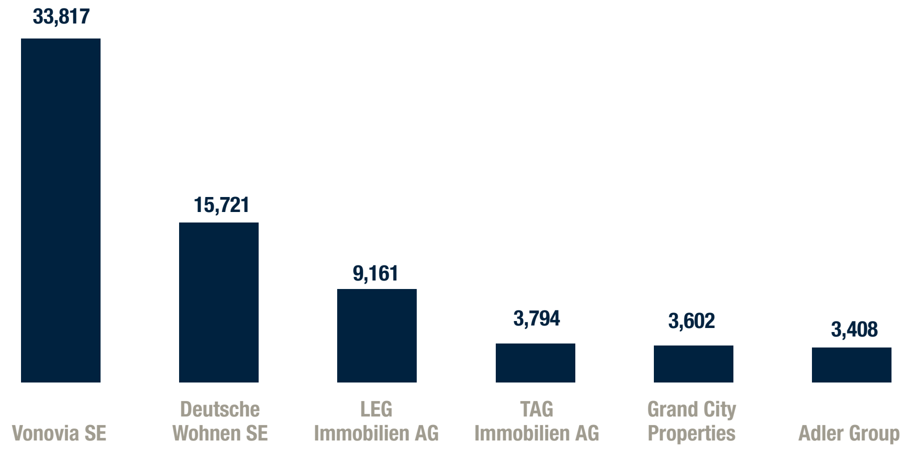


In the peer group of listed residential real estate corporations, the number of apartments (at the time of this report’s publication, rounded to the nearest thousand in each case) and the market capitalisation (at 31 December 2020 in EUR bn) are as follows:

Number of Apartments



Market capitalisation



Development of the Polish residential real-estate market

Historically, the majority of the housing stock is still in the hands of private owners, but this is offset by increasing urbanisation and a growing demand for modern housing, with an estimated shortfall of around 1.5 million flats in the major Polish cities. According to Wüest Partner Germany, the strong demand for residential space is driven by rising population figures, lower unemployment rates, stable inflation rates and rising wages (increase of around 42% between 2010 and 2018). More and more offices and shared service centres in particular are gravitating to the big Polish cities. Universities and colleges are attracting young people in particular. In addition, a professional rental market is currently developing due to initial investment activities by institutional investors in new residential construction.

This is especially true for the metropolis of Warsaw and the big cities Wrocław, Gdańsk, Katowice, Kraków, Łódź and Poznań. On average, rents in these cities have increased by around a quarter since 2014. Continuing urbanisation and rising demand is also countered by a scarce supply of building land, which further increases the attractiveness of modern new-build rental flats in the Polish metropolitan areas.

The Polish residential property market offers attractive investment opportunities in view of the lower construction costs and land prices in relation to other European countries, and given the large surplus demand. This also goes for the rental housing market. Compared to countries in Western Europe, much higher rental yields can be earned on the rental housing market (Ruecker Consult press release).

According to a press release by Jones Lang LaSalle, this positive trend is clearly reflected in the investment market of the first half of 2020. Despite the global pandemic, the positive market developments that had already been observed for some time continued in the first six months. The value of investment transactions in the first half of the year is estimated at almost EUR 2.9bn, the second-highest in the history of the Polish real estate sector. Industrial and office investors were in the forefront. Transactions amounting to almost EUR 430m were made in the retail segment and over EUR 40m were added in the residential segment.

Development of the individual TAG regions

The following data for the period currently available and the data for the comparable prior-year period are based on the municipality and country code research carried out by Wüest Partner Germany and the data provided by the statistical offices of Germany's federal government and federal states.

Northern Germany (Hamburg and Salzgitter region)
Hamburg is one of the most important industrial locations in Germany. As the second-largest city after Berlin, Hamburg is an important economic hub for trade, transport and the aviation industry. Good infrastructure, innovative companies and a skilled workforce are some of the factors contributing to the current growth of its economy. Demand for apartments remains high.

Selected data Hamburg (city)

GDP in EUR bn	Population/ Inhabitants	Unemployment rate	Median quoted rent (portfolio)	Ø Purchase price (portfolio))
123.3 (2019)	1.8 Mio. (2019)	7.7% (2020)	12.72 EUR/m² (Q4 2019-Q3 2020)	4,652 EUR/m² (Q4 2019-Q3 2020)
116.4 (2017)	1.8 Mio. (2018)	6.0% (2019)	12.21 EUR/m² (Q4 2018-Q3 2019)	4,794 EUR/m² (Q4 2018-Q3 2019)

Salzgitter is located in south eastern Lower Saxony and is one of the state's leading industrial hubs. The economic structure is characterised by an above-average proportion of manufacturing. The focus of economic activities is on plastics, wood and metal processing, especially vehicle construction. The service sector with banks, trade, and commercial enterprises is also gaining in importance. For example, the establishment of a branch of the Federal Office for Radiation Protection and the expansion of the University of Applied Sciences, which sports one of the largest institutes for media and communication management in Germany, have strengthened the tertiary sector. International companies that have operations in the region include Salzgitter AG, Volkswagen AG, Alstom, MAN, Robert Bosch Elektronik GmbH, and an IKEA distribution centre.

Selected data Salzgitter (city)

GDP in EUR bn	Population/ Inhabitants	Unemployment rate	Median quoted rent (portfolio)	Ø Purchase price (portfolio))
5.9 (2018)	0.1 Mio. (2019)	9.5% (2020)	5.57 EUR/m² (Q4 2019-Q3 2020)	1,153 EUR/m² (Q4 2019-Q3 2020)
5.6 (2017)	0.1 Mio. (2018)	8.4% (2019)	5.50 EUR/m² (Q4 2018-Q3 2019)	1,182 EUR/m² (Q4 2018-Q3 2019)

Berlin and Brandenburg (Berlin region)

Berlin is a major centre for politics, media, culture, and science in Europe and one of Europe's most visited cities. In 2019, more than six million people were living in the federal states of Berlin and neighbouring Brandenburg (press release from the Office for Statistics). The city's popularity is steadily driving rents up. In particular, there is a lack of affordable housing in the medium-price or even more so in the lower-price segment.

Selected data Berlin (city)

GDP in EUR bn	Population/ Inhabitants	Unemployment rate	Median quoted rent (portfolio)	Ø Purchase price (portfolio))
153.3 (2019)	3.7 Mio. (2019)	10.1%(2020)	13.16 EUR/m² (Q4 2019-Q3 2020)	4,643 EUR/m² (Q4 2019-Q3 2020)
139.7 (2017)	3.6 Mio. (2018)	7.7%(2019)	12.09 EUR/m² (Q4 2018-Q3 2019)	4,485 EUR/m² (Q4 2018-Q3 2019)

Other states in former Eastern Germany (Chemnitz, Dresden, Erfurt, Gera, Leipzig, and Rostock regions)

The German Economic Institute's (IW) IW Report 20/2020 is is a survey of up-and-coming regions of Germany, i.e. regions that have developed above average from a below-average starting level. East German regions were overrepresented in it.

The convergence analysis took into account the following location factors: unemployment rate, purchasing power, average age, broadband expansion, population density and private and municipal debt. Overall, many regions in Eastern Germany show an excellent development, especially with regard to the employment market. The coronavirus crisis may actually be supporting the convergence process. For whereas in Southern Germany, for example, many people work in particularly vulnerable sectors, the sector mix in many Eastern German regions tends to be unremarkable.

Chemnitz is the third-largest city in Saxony and one of Germany's leading industrial and technology hubs. Sectors such as the automotive supply industry and mechanical engineering are growth engines for the economy.

Selected data Chemnitz (city)

GDP in EUR bn	Population/ Inhabitants	Unemployment rate	Median quoted rent (portfolio)	Ø Purchase price (portfolio))
8.9 (2018)	0.2 Mio. (2019)	7.3% (2020)	5.10 EUR/m² (Q4 2019-Q3 2020)	1,047 EUR/m² (Q4 2019-Q3 2020)
8.6 (2017)	0.2 Mio. (2018)	6.3% (2019)	5.07 EUR/m² (Q4 2018-Q3 2019)	1,140 EUR/m² (Q4 2018-Q3 2019)

As the capital of Thuringia, Erfurt offers good infrastructural conditions, which contributes to its attractiveness as a business location, and is home to well-known companies such as Zalando, Siemens and Deutsche Post DHL.

Selected data Erfurt (city)

GDP in EUR bn	Population/ Inhabitants	Unemployment rate	Median quoted rent (portfolio)	Ø Purchase price (portfolio))
8.5 (2018)	0.2 Mio. (2019)	6.4% (2020)	7.54 EUR/m² (Q4 2019-Q3 2020)	2,028 EUR/m² (Q4 2019-Q3 2020)
8.4 (2017)	0.2 Mio. (2018)	5.3% (2019)	7.36 EUR/m² (Q4 2018-Q3 2019)	2,158 EUR/m² (Q4 2018-Q3 2019)

Dresden is one of the leading business hubs in Germany. Its population is growing, and the purchasing power of its households is on the rise. Factors that boost its attractiveness include the university and in business, the renewable energies sector is a main contributor. The city has become a top location in the areas of microelectronics, nanotechnology, new materials and life sciences.

There is now a shortage of apartments in the entire urban area, which is reflected in higher rents.

Selected data Dresden (city)

GDP in EUR bn	Population/ Inhabitants	Unemployment rate	Median quoted rent (portfolio)	Ø Purchase price (portfolio))
22.4 (2018)	0.6 Mio. (2019)	6.2% (2020)	7.70 EUR/m² (Q4 2019-Q3 2020)	2,397 EUR/m² (Q4 2019-Q3 2020)
21.5 (2017)	0.6 Mio. (2018)	5.3% (2019)	7.63 EUR/m² (Q4 2018-Q3 2019)	2,450 EUR/m² (Q4 2018-Q3 2019)

Gera's location in the triangle formed by the three states of Thuringia, Saxony, and Saxony-Anhalt is increasingly an advantage in driving the city's development. Modern technology-driven companies – e.g. in the med-tech, microelectronics, software engineering and optics industries – are among the businesses that have settled here. Reasons include low wages and labour costs, reasonable land and real estate prices, and low utility and waste disposal costs.

Selected data Gera (city)

GDP in EUR bn	Population/ Inhabitants	Unemployment rate	Median quoted rent (portfolio)	Ø Purchase price (portfolio))
2.7 (2018)	0.09 Mio. (2019)	8.2% (2020)	5.13 EUR/m² (Q4 2019-Q3 2020)	860 EUR/m² (Q4 2019-Q3 2020)
2.7 (2017)	0.09 Mio. (2018)	7.9% (2019)	5.06 EUR/m² (Q4 2018-Q3 2019)	786 EUR/m² (Q4 2018-Q3 2019)

Leipzig, Saxony's university and trade fair city, combines a wide range of activities to continually increase the economic efficiency of the city in the medium term. The city's economic strategy focuses on selected emerging industries: the automotive and supply industries, healthcare and biotechnology, energy and environmental technology, logistics, media, and the creative industries. Economically strong sectors, represented among others by BMW and Porsche in the automotive sector, make the location particularly future-proof. Young people in particular appreciate Leipzig's appeal.

Selected data Leipzig (city)

GDP in EUR bn	Population/ Inhabitants	Unemployment rate	Median quoted rent (portfolio)	Ø Purchase price (portfolio))
21.5 (2018)	0.6 Mio. (2019)	7.7% (2020)	7.03 EUR/m² (Q4 2019-Q3 2020)	2,192 EUR/m² (Q4 2019-Q3 2020)
20.7 (2017)	0.6 Mio. (2018)	5.9% (2019)	6.98 EUR/m² (Q4 2018-Q3 2019)	2,200 EUR/m² (Q4 2018-Q3 2019)

With its location on the Baltic Sea and well-developed infrastructure, Mecklenburg-Vorpommern's biggest city Rostock is an attractive business location. The Hanseatic city is regarded as a centre for interregional trade, administration, tradeshows, culture, education, and services, as well as a growing university town. The state of Mecklenburg-Vorpommern created a Digital Innovation Centre (DIZ) in 2019 to further substantiate the economic uptrend by encouraging the establishment of innovative digital companies in the Rostock region.

Selected data Rostock (city)

GDP in EUR bn	Population/ Inhabitants	Unemployment rate	Median quoted rent (portfolio)	Ø Purchase price (portfolio))
7.6 (2018)	0.2 Mio. (2019)	7.7% (2020)	7.11 EUR/m² (Q4 2019-Q3 2020)	2,898 EUR/m² (Q4 2019-Q3 2020)
7.8 (2017)	0.2 Mio. (2018)	6.3% (2019)	6.94 EUR/m² (Q4 2018-Q3 2019)	3,329 EUR/m² (Q4 2018-Q3 2019)

North Rhine-Westphalia (Rhine-Ruhr region)

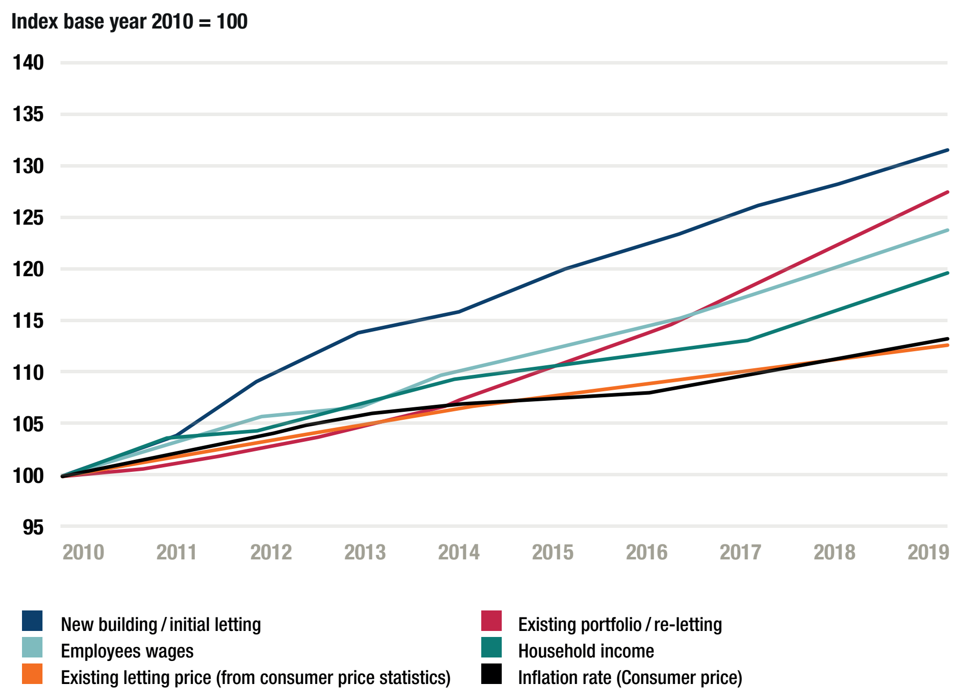
Its volume of production and services makes North Rhine-Westphalia the leading business hub in the German states. As Germany's core industrial region, it is home to international corporations, but also to many SMEs, as well as big-name retail companies such as Aldi, Metro and Rewe.

Steadily rising population and household counts reflect the state's attractiveness and are also evident in the demand for residential real estate.

Selected data NRW (federal state)

GDP in EUR bn	Population/ Inhabitants	Unemployment rate
694.8 (2018)	17.9 Mio. (2019)	7.5% (2020)
685.2 (2017)	17.9 Mio. (2018)	6.4% (2019)

According to the NRW Bank Housing Market Report 2020, the development of rents in comparison with the development of inflation and income in NRW is as follows:



Operative Business Performance and Portfolio Developments

Impact of the Covid19 pandemic on operational business performance

Since January 2020, the coronavirus has been spreading worldwide, prompting the World Health Organization (WHO) to declare an international health emergency on 30 January 2020. On 11 March, the WHO classified the spread of the virus as a pandemic („Covid-19 pandemic"). This development not only affects the health of many people, but also has consequences for the economy and for us as a residential real estate company.

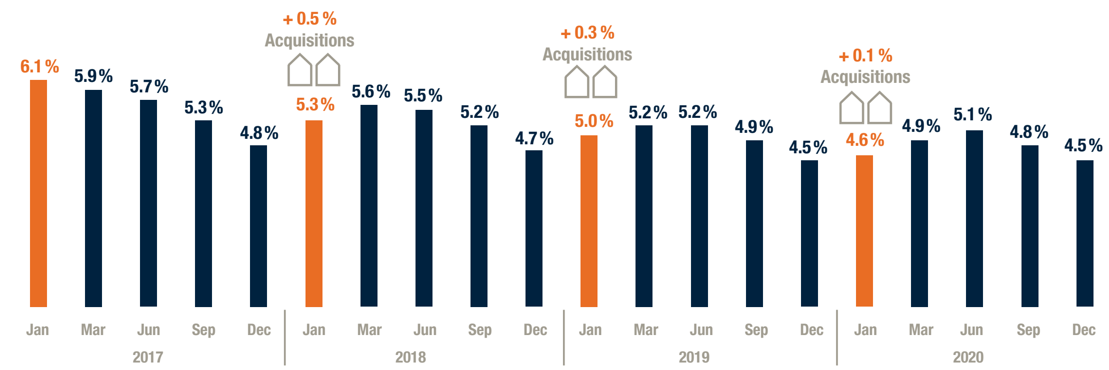
Housing is a basic need. As a large housing company, we are aware of our corporate responsibility. We know that our actions have an impact on society, the environment, and the economy. Providing affordable housing has always been our core business. In this respect, sustainability is traditionally anchored in our corporate actions. The Covid-19 pandemic is a special challenge for all of us, and we as a housing company have a responsibility in this regard. This applies also and especially to our tenants, whom we want to offer a secure home and good service in this difficult situation. Social commitment, which we have practised for years in many of our neighbourhoods, is more important than ever at this time. In the period from March to June 2020, we therefore voluntarily refrained from rent increases based on adjustments to the local comparative rent; from terminations due to loss of income because of the Covid 19 pandemic; and from corresponding evictions from occupied flats. Our receivables management teams have always seen themselves as debt counsellors and aim to help rent debtors in such a way that they can continue to live in their home. They offer instalment payments and deferment agreements during this time as well, and help with applications for state subsidies.

Overall, we did not notice any significant ramifications for our business performance in the 2020 financial year. Our monitoring of the recoverability of receivables - and in connection with this - defaults on receivables, value adjustments, or rental concessions did not result in any significant effects for our business in the reporting year. Wherever effects are relevant for the reporting, we address them separately in the respective chapters.

Vacancy

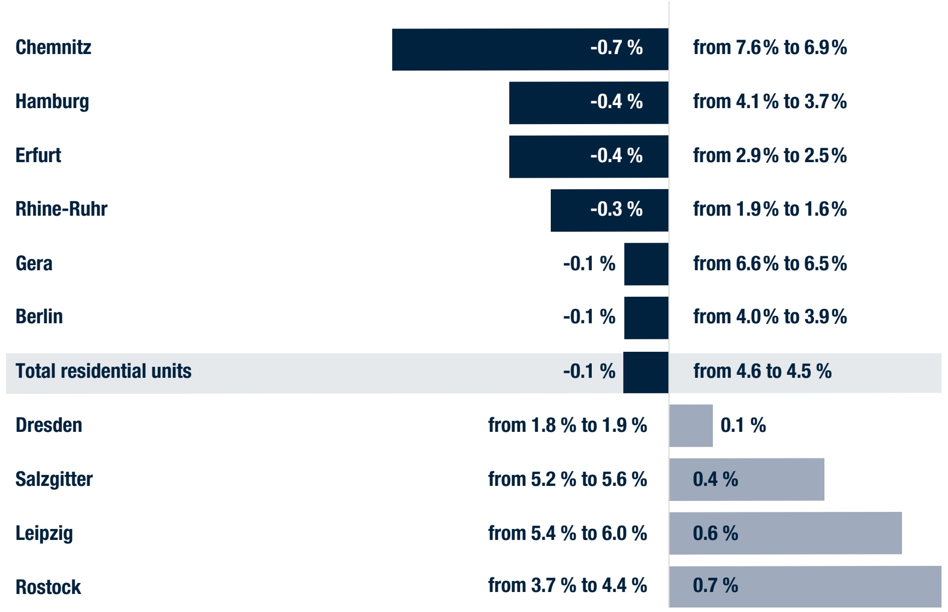
Mainly due to the integration of acquisitions from the previous year, ongoing modernisation programmes to reduce vacancy, and the circumstance that fewer viewings and hence rentals could be carried out at times because of the COVID-19 pandemic, there was a slight rise in vacancy in the first few months of the financial year, from 4.6% at the beginning of the financial year to a peak of 5.1%. However, in the second half of the year, vacancy dropped to 4.5% again, and thus shows a positive trend despite the difficult overall conditions.

The following diagram (unaudited quarterly figures) highlights once again the positive development of vacancy in the Group's residential units in the 2017 to 2020 financial years:



The forecast we made in the previous year, which assumed a vacancy rate in the residential portfolio (excluding major acquisitions and sales) of between 4.3% and 4.5%, was achieved.

The regions managed by TAG contributed to this result as (change in percentage points since beginning of the financial year):



Major vacancy reductions were achieved particularly in the regions of Chemnitz (vacancy reduction by 0.7 percentage points), Hamburg and Erfurt (-0.4 percentage points each). All regions in TAG's real estate portfolio now have vacancy rates of under 7% as of 31 December 2020.

As of 1 January 2021, i.e. including the acquisitions that became effective by 31 December 2020 and which had higher vacancy rates on average than the rest of the Group, vacancy in the residential units was 5.3%.

In the overall portfolio, which also includes several commercial units within the residential portfolio, vacancy stood at 5.6% on 31 December 2020, after 4.9% in the previous year. This increase is mainly attributable to the acquisitions made in financial 2020.

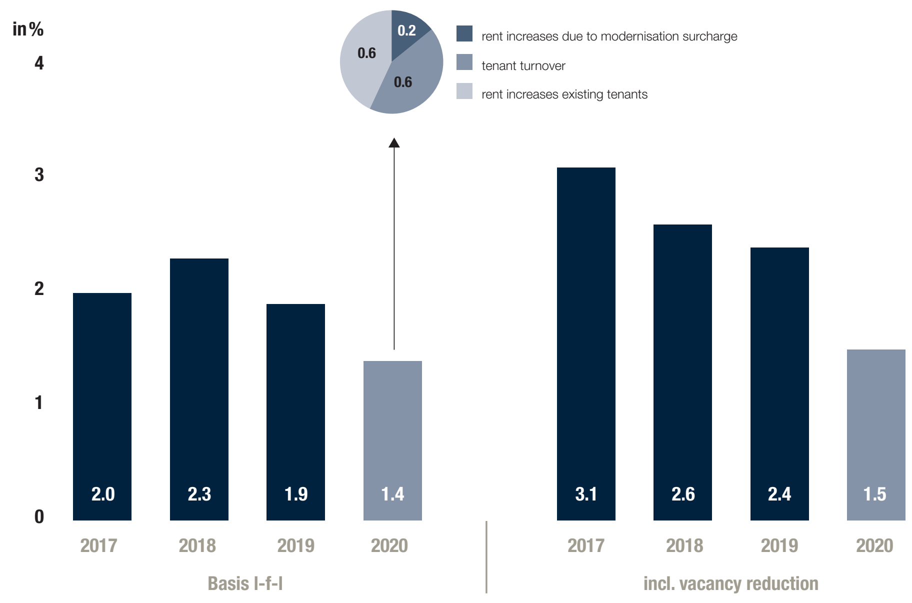
Growth in rents

Growth in rents from the Group's residential units amounted to 1.4% on a like-for-like basis (i.e. not including acquisitions and sales of the previous twelve months), after 1.9% in the previous year.

This 1.4% growth in rents consisted of ongoing rent increases for existing tenants (0.6% after 0.8% in the previous year), rent increases in connection with a change of tenant (0.6% after 1.0% in the previous year), and rent increases due to modernisation allocations (0.2% after 0.1% in the previous year).

Including the effects of vacancy reduction, total growth in rents on a like-for-like basis was 1.5% (2.4% in the 2019 financial year). So with regard to growth in rents, the previous year's forecast of total rental growth on a like-for-like basis including the effects of vacancy reduction of between 2.0% and 2.5% was not achieved. The lower growth in the year under review compared to the previous year is also related to the effects of the Covid 19 pandemic. Besides the lower rate of vacancy reduction as compared with the previous year, the fact that TAG voluntarily did not increase rents by adjusting them to the local comparative rent in the period from March to June 2020, along with lower tenant turnover (and thus fewer rent increases when re-letting) also contributed to this development

The following diagram shows the development of growth in rents in the financial years 2017 to 2020:



Average rent in the portfolio's residential units increased from EUR 5.39 per sqm to EUR 5.48 per sqm in 2020. New lettings were made at an average of EUR 5.77 per sqm in FY 2020. This, too, reflects an increase over the previous year (EUR 5.64 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 12/31/2020	In-place yield	Vacancy Dec. 2020 %	Vacancy Dec. 2019** %	Current net rent EUR / sqm	Reletting rent EUR / sqm	I-f-I rental growth (y-o-y)	Total I-f-I rental growth*** (y-o-y)	Maintenance EUR / sqm	Capex EUR / sqm
Berlin	10,370	596,681	851.3	4.7%	3.9%	4.0%	5.84	6.39	1.4%	1.6%	6.74	21.48
Chemnitz	7,486	438,590	367.2	6.7%	6.9%	7.7%	5.00	5.08	1.5%	2.3%	7.18	28.48
Dresden	6,098	394,811	575.2	4.8%	1.9%	2.1%	5.90	6.20	1.4%	1.4%	4.08	9.63
Erfurt	10,780	606,473	706.4	5.3%	2.5%	2.5%	5.32	5.61	1.6%	2.0%	6.14	12.00
Gera	9,475	550,021	444.7	7.1%	6.5%	7.0%	5.09	5.33	1.1%	1.2%	4.79	8.74
Hamburg	7,033	432,484	588.5	5.0%	3.7%	4.2%	5.88	6.17	2.1%	2.7%	9.13	18.53
Leipzig	10,009	589,909	611.0	5.8%	6.0%	5.4%	5.37	5.76	1.6%	1.0%	6.78	7.76
Rhine-Ruhr	4,187	266,374	346.5	5.1%	1.6%	2.0%	5.57	5.73	1.7%	2.2%	10.21	5.60
Rostock	7,927	448,855	504.9	5.7%	4.4%	3.6%	5.58	6.01	1.3%	0.5%	9.26	20.73
Salzgitter	9,180	563,122	563.1	6.2%	5.6%	5.2%	5.43	5.61	0.8%	0.4%	7.21	11.97
Total residential units	**82,545**	**4,887,319**	**5,558.8**	**5.5%**	**4.5%**	**4.5%**	**5.48**	**5.77**	**1.4%**	**1.5%**	**6.96**	**14.59**
Acquisitions	4,456	250,359	188.2	6.2%	21.6%	7.8%	4.92	-	-	-	-	-
Commercial units within resi. portfolio	1,156	144,632	-	-	16.1%	16.3%	8.53	-	-	-	-	-
Total residential portfolio	**88,157**	**5,282,310**	**5,747.0**	**5.8%**	**5.6%**	**4.9%**	**5.54**	**5.73**	**-**	**-**	**-**	**-**
Other*	156	20,185	87.3	4.8%	6.3%	8.1%	13.08	-	-	-	-	-
Grand total	**88,313**	**5,302,495**	**5,834.3**	**5.8%**	**5.6%**	**4.9%**	**5.57**	**5.73**	**-**	**-**	**-**	**-**

* Incl. commercial properties and serviced apartments. Incl. EUR 24.8m book value of project developments
** Excl. acquisitionen 2019
*** Incl. effects from vacancy reduction

Revaluation of the portfolio in the financial year under review

As in the previous years, in the 2020 financial year two valuations were carried out by CBRE GmbH as an independent appraiser. The appraisals were once again carried out as at 30 June and 31 December of the year.

The overall valuation result for the 2020 financial year was a gain of EUR 327.0m for the portfolio in Germany. Of this, around EUR 50.4m or approx. 15% (previous year: approx. EUR 110.2 or 27%) is attributable to a better operating performance than projected in the previous valuation, and around EUR 276.6m or approx. 85% (previous year: EUR 303.9m or approx. 73%) to „yield compression.

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

Region (in EUR m)	12/31/2020 Fair value (IFRS)	12/31/2020 Fair value (EUR/sqm)	12/31/2020 Implied multiple	FY 2020 Valuation result	Share of operational performance/other market developments	Share of Yield compression	12/31/2019 Fair value (IFRS)	12/31/2019 Fair value (EUR/sqm)	12/31/2019 Implied multiple
Berlin	851.3	1,355.6	20.1	59.1	1.3	57.8	779.6	1,240.9	18.6
Chemnitz	367.2	814.6	14.6	7.6	3.2	4.4	347.9	764.9	14.2
Dresden	575.2	1,416.7	20.3	43.6	6.6	36.9	532.7	1,266.4	18.7
Erfurt	706.4	1,121.7	17.6	33.9	14.6	19.4	660.9	1,069.8	17.1
Gera	444.7	772.5	13.6	14.9	4.2	10.7	431.2	734.2	13.2
Hamburg	588.5	1,331.3	19.2	39.5	3.0	36.5	543.6	1,224.0	18.1
Leipzig	611.0	1,018.5	16.6	39.2	9.3	29.9	568.1	946.4	15.6
Rhine-Ruhr	346.5	1,249.3	18.7	27.1	7.4	19.7	318.0	1,146.3	17.5
Rostock	504.9	1,102.8	17.1	24.4	-0.3	24.7	446.4	1,027.7	16.2
Salzgitter	563.1	997.3	16.0	31.2	3.3	27.9	525.1	930.1	14.9
Total residential units	**5,558.8**	**1,104.7**	**17.4**	**320.5**	**52.6**	**267.9**	**5,153.5**	**1,024.6**	**16.4**
Acquisitions	188.2	751.7	15.9	1.7	0.0	1.7	36.8	835.5	12.3
Total residential units	**5,747.0**	**1,088.0**	**17.4**	**322.2**	**52.6**	**269.6**	**5,190.2**	**1,023.0**	**16.4**
Other*	87.3	3,094.6**	21.0**	4.7	-2.2	7.0	112.2	2,780.5	17.4
Grand total	**5,834.3**	**1,095.6****	**17.4****	**327.0**	**50.4**	**276.6**	**5,302.4**	**1,030.2**	**16.4**

* incl. book value of project developments of EUR 24.8m
** excl. project developments

The valuation multiplier of the portfolio (as a relation of the IFRS book value to net actual rent) increased from 16.4 at the end of 2019 to 17.4 at 31 December 2020. This corresponds to a gross initial yield of 5.7% (previous year: 6.1%). In price per square metre, the total portfolio now has a value of around EUR 1,100 after around EUR 1,030 at 31 December 2019.

The valuation of the units in Poland intended for rent and accounted for as investment properties resulted in a valuation result of EUR 1.4 million as of 31 December 2020.

Acquisitions in Germany in the 2020 financial year

In the 2020 financial year, purchase contracts for 4,578 (previous year: 1,331) residential units were signed, for a total purchase price of EUR 174.7m (previous year: 50.1m). The average purchase multiplier (ratio between the purchase price excluding transaction costs and the current annual net actual rent) of 14.7 (previous year: 12.1) achieved here is to be seen as very attractive given the stiff competition in the residential property market, and corresponds to an annual gross initial yield of 6.8% (previous year: 8.2%). Vacancy in the acquired portfolios averaged 21.1% (previous year: 11.0%), and therefore again offers development opportunities for active asset management within the Group.

The following overview shows the acquisitions in Germany in the course of the 2020 financial year:

Signing	2020	2019
Units	4,578	1,331
Current net cold rent EUR/sqm/month	4.93	5.81
Vacancy	21.1%	11.0%
Purchase price in EUR m	174.7	50.1
Current net cold rent EUR m p. a.	11.9	4.1
Location	Saxony, Thuringia, Saxony-Anhalt: Merseburg, Plauen, Gotha, Magdeburg, Dessau, Döbeln u.a.	Thuringia, Mecklenburg-Vorpommern, Sachsen-Anhalt
Closing	2020/2021	2019 / Q1 2020
Multiples	14.7	12.1

Sales in Germany in the 2020 financial year

TAG is primarily a long-term portfolio holder. However, sales of smaller residential portfolios are also part of our strategy, whether to optimise the overall portfolio or to capitalise on favourable market opportunities. At the same time, a high degree of capital discipline is becoming increasingly important, especially in the current market environment. Why? Because in some segments and regions, purchase prices have already reached levels where long-term-oriented management is no longer attractive in relation to the equity capital costs. That is why we seize sales opportunities in locations where purchase prices for residential properties are growing much faster than rents – though only after a meticulous, expert review of each project, of course. The equity released by sales enables us to reinvest in properties in TAG's core regions with a higher initial yield. This is the principle of capital recycling.

In 2020, as in previous years, the sale of non-core assets formed a primary focus of sales. These properties are not part of TAG's core portfolio due to their geographical location, type of use, or structural condition.

A total of 1,009 (previous year: 568) residential units were sold in Germany over the course of the past financial year, at a total purchase price of EUR 55.3m (previous year: EUR 18.2m). The average factor based on current annual net cold rent for the residential real estate was 17.3 times (previous year: 12.1 times), which corresponds to an annual gross initial yield of 5.8% (previous year: 8.3%). Net cash inflow, i.e. the purchase price remaining after deduction of the loans to be repaid, amounted to around EUR 54.3m in the 2020 financial year (previous year: around EUR 17.9m). The sales resulted in a book gain of EUR 4.0m (previous year: EUR 0.8m).

The following table provides an overview of sales signed in the 2020 financial year:

Signing	Berlin, Kiel	non-core assets	Total 2020	Total 2019
Units	213	796	1,009	568
Current net rent EUR/sqm/month	6.56	5.00	5.38	4.05
Vacancy	4%	22%	18%	19%
Purchase price in EUR m	25.5	29.8	55.3	18.2
Current net rent EUR m p. a.	0.98	2.23	3.21	1.51
Net cash proceeds EUR m	25.0	29.3	54.3	17.9
Book profit in EUR m	-0.1	4.1	4.0	0.8
Location	Berlin, Kiel	diverse	-	-
Closing	2020/2021	2020/2021	-	-
Multiples	26.1	13.4	17.3	12.1

Furthermore, the sale of one of two shareholdings in a commercial project development in Munich, which was already signed in December 2019, closed in December 2020. The parties have agreed not to disclose details of the contract, in particular with regard to the agreed purchase price. This sale led to pro rata net cash inflow for TAG of around EUR 45m, and the repayment of shareholder loans granted by TAG of around EUR 23m.

Development of the business activities in Poland

Based on an average exchange rate of the Polish złoty (PLN) to the euro of 4.4430:1 in the 2020 financial year, revenue from property sales by Vantage amounted to EUR 73.4m. With production costs of EUR 67.1m (including effects from the purchase price allocation of EUR 9.3m), the result from sales was EUR 6.3m. In total, sales of 509 flats were signed in the 2020 financial year and 719 flats were handed over to the buyers. These transfers led to the aforementioned sales revenue. As of 31 March 2020, a forecast for the 2020 financial year was published for the first time for the business activities in Poland. The forecast revenue from the sale of investment properties of EUR 80m to 85m was not achieved in the financial year. The main reason for this is that transfers are currently delayed due to the pandemic.

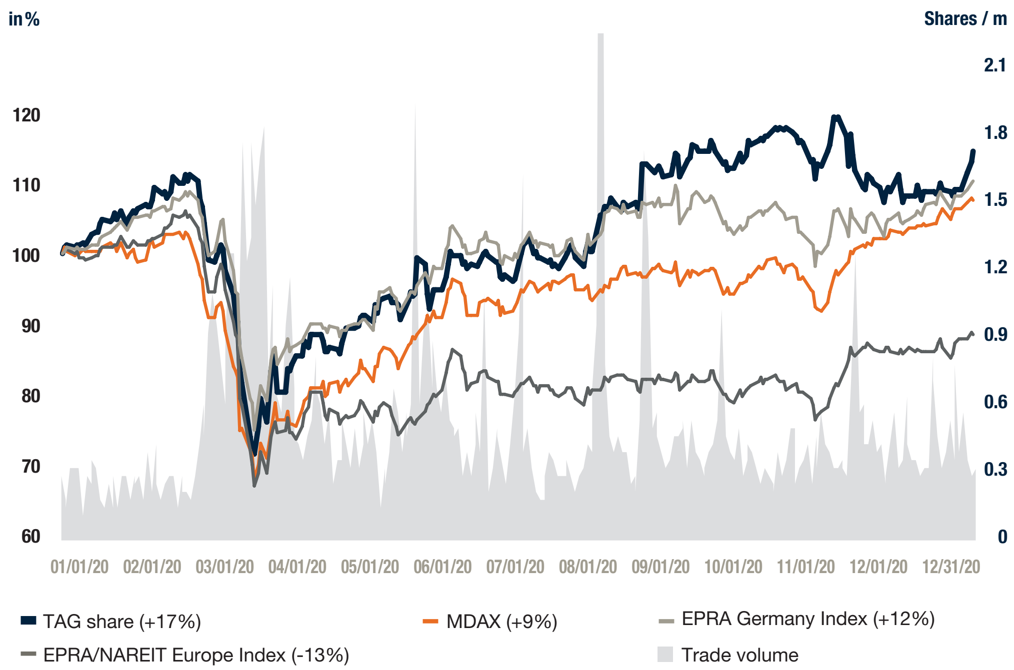
As of 31 December 2020, the contractually secured pipeline for the construction of flats comprises a total of 8,742 units, of which 5,140 are in Wrocław, 2,662 units in Poznań, and 940 units in Łódź. So compared to the situation at the end of Q3 2020 (7,644 units, of which 5,039 units in Wrocław, 2,015 units in Poznań and 590 units in Łódź), this pipeline was expanded by 101 flats in Wrocław, 1,075 flats in Poznań, and 350 units in Łódź.

According to current planning, of the total of 8,742 flats around 3,039 flats are intended for sale, while around 5,703 are to be let after completion, thus forming the basis for the approximately 8,000 to 10,000 flats that are to be built up as a rental portfolio in Poland within a period of three to five years. The first rental income in Poland is expected with the completion of the first letting projects in the course of the 2021 financial year. Until then, business activity in Poland will continue to consist almost exclusively of flat sales.

The TAG share and the capital market

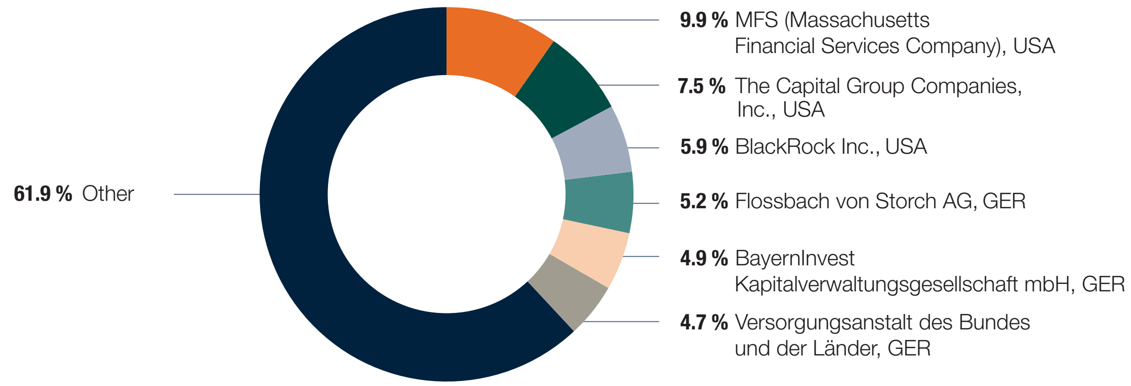
The price of the MDAX-listed TAG share fluctuated strongly in FY 2020 due to the Covid-19 pandemic's market impact during the first two quarters, and rose steadily over the course of the financial year. After a share price of 22.16 at the end of 2019, the stock traded at highs of EUR 27–28 in November 2020 and lows of EUR 14–15 in March 2020, respectively. As of 31 December 2020, the share price stood at EUR 25.90, representing an increase of 17% compared to the beginning of the year (previous year: 11%). Additionally taking into account the dividend of EUR 0.82 per share paid out in May 2020, the overall performance of the TAG share in 2020 is +21% (previous year: +15%).

The EPRA index, comprised of various European real estate companies listed on international stock exchanges, recorded a 13% decline (previous year: 25% increase). At the national level, the MDAX rose by 9% following 31% in the previous year, while the EPRA Germany, the index that groups the key German real estate stocks, rose by 12% (previous year: 10%), as shown in the diagram below:



TAG's market capitalisation was EUR 3.8bn on 31 December 2020, compared to EUR 3.2bn on 31 December 2019. The share capital and number of shares at 31 December 2020 were EUR 146,498,765.00 and 146,498,765 shares, the same as in the previous year.
Free float at the reporting date was 99.89% of the share capital; 0.14% of the share capital (203,884 shares at 31 December 2020 after 161,815 at 31 December 2019) are held by TAG as treasury shares for purposes of Management Board and employee compensation.

As before, national and international investors with a predominantly long-term investment strategy make up the majority of TAG shareholders, as the following diagram (as at 31 December 2020) shows:



The highest closing price of the TAG share in 2020 was EUR 27.14 on 6 November 2020 (previous year: EUR 22.68) , the lowest closing price was EUR 14.93 in March 2020 (previous year EUR 19.83). The average daily trading volume on XETRA in 2020 was approximately 543,000 (previous year: approx. 453,200) shares.

TAG lets its shareholders participate substantially in the Company's success by paying an attractive dividend that reflects a pay-out ratio of 75% of FFO I. At last year's Annual General Meeting, which took place on 22 May 2020 in Hamburg, a dividend of EUR 0.82 per share, after EUR 0.75 per share for the 2019 financial year, was approved and subsequently paid out. For the 2020 and 2021 financial years, we plan to again pay out increased dividends of approx. EUR 0.88 per share and EUR 0.92 per share, respectively, which in both cases corresponds to a pay-out ratio of 75% of FFO I.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSET POSITION

PRELIMINARY REMARKS

By way of a contract dated 8 November 2019, TAG acquired all shares in Vantage Development S.A., based in Wrocław, Poland. The acquisition became legally effective on 13 January 2020. Since this date, Vantage has been fully consolidated in TAG's consolidated financial statements.

The initial consolidation resulted in goodwill of EUR 19.8m, which was reduced to EUR 18.4m as at 31 December 2020 due to currency translation effects. This calculation is based on an allocation of the cash purchase price for the shares of EUR 131.9m to the fair values of the acquired assets and liabilities.

Apart from the recognition of this goodwill, the first-time consolidation of Vantage did not have any material impact on TAG's net assets, financial position, and results of operations. The contributions of Vantage and the business activities in Poland to TAG's consolidated earnings and the contribution to the TAG Group's FFO II in the 2020 financial year are as follows:

in EUR m	2020
Net income from Poland	3.6
Non-recurring set-up costs rental business	0.5
Result of effects from purchase price allocation	6.8
Valuation result investment properties Poland	-1.4
Deferred taxes	0.3
Minority interests	-0.7
Result operations Poland (contribution to FFO II)	**9.1**

A forecast for business operations in Poland was published for the first time as at 31 March 2020. An FFO II contribution of EUR 9m to 11m or EUR 0.07 per share was forecast for financial year 2020. In absolute terms, this forecast was achieved with an FFO II contribution of EUR 9.1m or EUR 0.06 per share.

Results of operations

Rental revenues and rental income (net rent)
The 2020 financial year once again saw a positive development in rental revenues. Although overall rental growth, at 1.5% p.a. was down year on year in 2020 (2.4% p.a. in 2019), the portfolio taken over at the end of FY 2019 and over the course of FY 2020 contributed to the rise in rental income. In all, net actual rent increased from EUR 315.0m to EUR 322.5m (2.4% increase). The lower rental growth in the financial year compared to the previous year was also related to the effects of the Covid-19 pandemic. For example, in the period from March to June 2020, TAG voluntarily did not increase rents by adjusting them to the local comparative rent. In addition, lower tenant turnover (and thus lower rent increases in re-letting) contributed to this development. Including the additional income to be reported under rental revenues (mainly third-party operating and utility costs), total rental revenues increased to EUR 426.4m after 405.5m in the previous year.

As a result of the increased net actual rent, the Group's rental profit – i.e. revenues net of expenses for property management from continuing operations – also improved from EUR 259.6m in the previous year to EUR 264.1m in 2020.

For the Rental segment, the segment result II, after deduction of operating costs and directly attributable personnel and material costs, is EUR 220.5m (previous year: EUR 213.6m).

The market entry in Poland in FY 2020 did not yet have any impact on the rental business in the past financial year. We expect to start seeing rental income here in the 2021 financial year.

Results from sales of investment properties and properties held as inventories
At EUR 198.6m, revenues from the sale of inventory and investment properties were well above the previous year's EUR 41.7m. Revenues generated in Poland from the sale of investment properties amounted to EUR 73.4m (cf. also the comments in 'Operating performance and development of the portfolio' in the section on „Development of business activities in Poland").

In Germany, besides the ongoing, smaller-scale sales of individual apartments and multi-family buildings, revenues from sales also related to a larger portfolio in the Brandenburg region and the sale of the first construction phase of a property development project in Munich. Overall, this resulted in a sales result of EUR 46.5m in 2020, compared to EUR -0.4m in the previous year.

Besides the book profits, the sales results also include commission expenses for ongoing sales, allocations to accruals for compensation risks and litigation costs from building projects and sales from previous years, and other selling costs. The total expenses amount to EUR 3.1m (previous year: EUR 0.8m).

Revenues from services and net service income
The revenues from services, totalling EUR 56.2m (previous year: EUR 51.2m) are generated exclusively in Germany and relate to the business fields of energy management, multimedia, small repair services, in-house caretaker and maintenance services, and homeowner association management. Of this, EUR 1.9m (previous year: EUR 1.7m) relates to proportionately attributable property tax and insurance charges. After deducting the directly attributable purchase and material costs, net income from services amounts to EUR 26.1m (previous year: EUR 21.0m).

Segment result II for the Services segment, after deduction of directly attributable purchasing and material costs and directly attributable personnel and non-personnel costs, amounted to EUR 10.7m (previous year: EUR 8.0m).

Other operating income
Other operating income increased to EUR 6.2m in FY 2020 (previous year: EUR 5.6m), mainly attributable to capitalisation of personnel expenses in connection with project developments in Poland, as well as the derecognition of liabilities and the reversal of other provisions.

Valuation results

The revaluation (fair value change) of investment properties and effects from the valuation of inventory properties resulted in a once again very positive overall valuation result of EUR 328.4m in 2019 (previous year: EUR 414.1m; cf. also the „Operating performance and development of the portfolio – Revaluation of the portfolio in the past financial year“ section above).

Personnel expenses

Due in particular to the first-time inclusion of Vantage in TAG's consolidated financial statements, personnel expenses increased to EUR 58.6m in the reporting period (prior-year period: EUR 50.3m). As per 31 December 2020, TAG employed 1,354 employees including the employees in Poland, compared to 1,160 employees at the end of 2019 financial year.

In this connection, a total of EUR 36.0m (previous year: EUR 32.7m) in personnel expenses is allocated to individual segments. Of this, EUR 18.3m (previous year: EUR 17.5m) relates to the Rental segment and EUR 17.6m (previous year: EUR 15.2m) to the Services segment.

Other operating expenses

At EUR 22.2m, other operating expenses were above the previous year's level of EUR 17.9m. This includes a special effect of EUR 3.6m from payments to the „TAG Miteinander Stiftung“ (TAG Together Foundation), which was newly established in the 2020 financial year with the aim of further expanding TAG's corporate social responsibility activities in the regions it manages. The other items mainly refer to legal, consulting and audit costs, as well as costs for business premises and costs of communications and are close to the level of the previous year.

A total of EUR 1.4m (previous year: EUR 0.9m) in directly allocable expenditure (and income) is assigned to the individual segments. Of this, EUR 3.6m (previous year: EUR 3.1m) is attributable to the rental segment, while the Services segment accounts for income of EUR 2.2m (previous year: EUR 2.2m).

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

The amortisation of intangible assets and property, plant and equipment of EUR 7.2m (previous year: EUR 6.8m) relate exclusively to scheduled depreciation, mainly to IT software and the Group's own owner-occupied office properties, which are to be accounted for at amortised cost according to IFRS, to business equipment, and to rights of use within the meaning of IFRS 16.

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

The total financial result, i.e. the result of investment income, income from associated companies, depreciation on financial assets, interest income, and interest expenditure, was down to EUR -107.0m (previous year: EUR -77.6m), mainly due to valuation effects from derivatives. Eliminating non-recurring effects as well as non-cash gains or losses e.g. from derivatives (here mostly the equity option of convertible bonds issued), leads to a P&L cash financial result excluding special items of EUR -45.1m for the 2020 financial year after EUR -45.6m in FY 2019; this amount is included in the calculation of the FFO.

This development clearly shows the further, continual improvement in financing costs achieved in 2020. The average interest rate on bank loans was reduced to 1.76% on 31 December 2020 (previous year: 1.99%); the total average liabilities to banks at the reporting date was 1.49% after 1.73% at the end of the previous year.

At EUR -0.7m, the income from investments, equity earnings from associated companies, and impairment of financial assets were not material, as in the previous year (EUR 1.4 m).

EBT

The Group had forecast earnings before taxes (EBT) of EUR 164m to EUR 166m or EUR 1.13 per share for the 2020 financial year (excluding fair value changes in investment properties and valuation of portfolio properties, and also excluding results from derivative financial instruments and excluding dilution effects).

In the 2020 financial year, TAG generated EBT – calculated in this way – of EUR 202.5m (previous year: EUR 162.7m), or EUR 1.38 (previous year: EUR 1.11) per share. The main reason for the EBT forecast being exceeded was a better rental result, which is mainly due to the significantly increased and unplanned sales result in the reporting year.

Taxes on income

Taxes on income and earnings amounted to EUR 73.6m in 2020, after EUR 91.0m in 2019. The proportion of actual tax expenses in 2020 was EUR 6.9m (previous year: EUR 7.2 m), the remaining expenses of EUR 66.7m (previous year: EUR 83.8m) relate to non-cash deferred taxes, primarily from the valuation of investment properties and from the activation of or value adjustments to deferred taxes on tax loss carry-forwards.

Consolidated net profit

Overall, in the 2020 financial year TAG achieved consolidated net profit of EUR 402.6m (previous year: 456.4m). The main reason for the EUR 53.8m decline in consolidated net income was a EUR 85.7m decline in the valuation result and a EUR 27.7m increase in interest expenses, which was, however, largely attributable to non-cash valuation losses on derivatives. In particular, a EUR 46.9m higher sales result and EUR 17.4m lower expenses from (mainly deferred) income taxes had a positive effect

Adjusted EBITDA

For the rental business in Germany, this results in the following adjusted EBITDA and adjusted EBITDA margin as the ratio of adjusted EBITDA to net actual rent (not including results of sales) for the 2020 financial year:

in EUR m	2020	2019
EBIT	**578.8**	**624.9**
Revaluations	-327.0	-414.1
Elimination IFRS 16	0.0	-2.0
Depreciation	7.0	6.8
One-off's (provisions for real estate transfer tax risks; acquisitions)	3.6	-1.3
Valuation result	-40.2	0.4
EBITDA (adjusted)	**222.3**	**214.7**
Rental income (net rent)	322.5	315.0
EBITDA Margin (adjusted)	**68.9%**	**68.2%**

The increase in adjusted EBITDA can mainly be attributed to the rise in rental income. At 68.9%, the EBITDA margin is again up year-on-year. The special effects relate to payments in the amount of EUR 3.6m to the TAG Miteinander Stiftung, a new charitable foundation established in the financial year 2020 (previous year: reversal of provisions of EUR 2.3m for potential real estate transfer tax risks, and EUR 1.0m in expenses pertaining to the acquisition of Vantage Development S.A).

Funds from Operations (FFO)

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

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

in EUR m	01/01 - 12/31/2020	01/01 - 12/31/2019
Net income	**402.6**	**456.4**
Elimination net income Poland	-3.6	0.0
Net income Germany	**399.1**	**456.4**
Taxes	72.5	91.0
Financial result	107.2	77.6
EBIT	**578.8**	**625.0**
Adjustments		
Valuation result	-327.0	-414.1
Depreciation	7.0	6.8
One-off's	3.6	-1.3
Elimination of IFRS 16 effects	0.0	-2.0
Sales result	-40.2	0.4
EBITDA (adjusted)	**222.3**	**214.8**
Rental income (net rent)	322.5	315.0
EBITDA (adjusted)	**68.9%**	**68.2%**
NNet finance income (cash, without one-time invoice)	-45.1	-45.6
Income taxes (cash)	-3.3	-7.2
Guaranted dividend minorities	-1.3	-1.3
FFO I	**172.6**	**160.6**
Capitalised maintenance	-17.2	-15.3
AFFO before modernisation capex	**155.4**	**145.3**
Modernisation capex	-54.5	-51.4
AFFO	**100.9**	**93.9**
Net income from sales Germany	40.2	-0.4
Result operations Poland	9.1	0.0
FFO II (FFO I + net revenues from sales and result operations Poland)	**221.9**	**160.2**
Weighted average number of shares outstanding (in 000)	146,288	146,333
FFO I per share (in EUR)	**1.18**	**1.10**
AFFO per share (in EUR)	**0.69**	**0.64**
Weighted average number of shares fully diluted (in 000)	157,681	161,151
FFO I per share (in EUR)	**1.09**	**1.01**
AFFO per share (in EUR)	**0.64**	**0.59**

FFO I increased significantly year-on-year in 2019, both in absolute terms (from EUR 160.6m to EUR 172.6m) and on a per-share basis (from EUR 1.10 to EUR 1.18, without dilution effects), or about 7.5% in each case.

In the previous year, the Group had forecast an FFO I of EUR 1.16 per share for FY 2020, which corresponds in absolute terms to an FFO I of EUR 168m to EUR 170m. Towards the end of the 2020 financial year, this forecast was increased again to EUR 170m to 173m or EUR 1.17 per share. With FFO I of EUR 172.6m and FFO I per share of EUR 1.18 for the 2020 financial year, this increased forecast was met or, in the case of FFO I per share, exceeded, albeit only slightly.

Assets position

Assets

Assets at 31 December 2020 totalled EUR 6.5bn after EUR 5.6bn at 31 December 2019. In addition to investment properties of EUR 5,819.2m (previous year: EUR 5,200.0m), the Group's total real estate assets also include properties reported under property, plant and equipment totalling EUR 9.4m (previous year: EUR 9.4 m), as well as inventories of EUR 102.0m (previous year: EUR 58.5m). Beyond this, real estate of EUR 53.9m (previous year: EUR 34.5m) is reported under non-current assets held for sale. At 31 December 2020, total real estate assets amounted to EUR 5,984.4m, as compared to EUR 5,302.4m at the end of the previous year, of which EUR 5,834.3m (previous year: EUR 5,302.4m) is attributable to German properties and EUR 150.1m (previous year: EUR 0.0m) to properties in Poland.

Cash and cash equivalents at 31 December 2020 totalled EUR 324.3m compared to EUR 91.3m at 31 December 2019.

Investments and Capex reporting

In the 2020 financial year, TAG further expanded its residential real estate portfolio with acquisitions, and signed contracts for the acquisition of 4,578units (previous year: approximately 1,330) for a total purchase price of EUR 174.7m (previous year: EUR 50.1m). A total of EUR 35.0m was spent on maintenance recognised as expenses (previous year:33.3m), and EUR 71.3m on capitalisable investment (previous year: EUR 66.5m), broken down as follows:

in EUR m	2020	2019
Large-scale measures (e.g. modernisation of entire residential complexes)	38.8	35.1
Modernisation of apartments		
Previously vacant apartments	15.6	16.1
Change of tenants	16.9	15.3
Total modernisation costs like-for-like portfolio	**71.3**	**66.5**

Total investments (ongoing maintenance recognised in profit and loss and capitalised renovation and modernisation) in the Group's like-for-like portfolio amounted to 21.56 per sqm in 2020, after EUR 20.45 per sqm in the previous year, and to EUR 20.13 per sqm across the whole portfolio (previous year: EUR 19.65 per sqm).

Broken down into acquisitions, project developments and residential portfolio including the acquisitions of the financial year, total refurbishment expenses are as follows:

in EUR m	2020	2019
Acquisitions in the financial year[1]	187.0	39.9
- Modernisation expenses	0.4	0.2
Project developments[2]	121.2	7.9
- thereof Germany	30.8	7.9
- thereof Poland	90.4	0.0
like-for-like Portfolio Germany[3]	71.3	66.5
Other[4]	0.0	0.0
Investment total portfolio	**379.5**	**114.3**

1 Investments in investment properties EUR 186.9m (previous year: EUR 39.7m), in inventory properties EUR 0.0m (previous year: EUR 0.0m), in properties held for sale EUR 0.1m (previous year: EUR 0.2m).
2 Investments in investment properties EUR 46.0m (previous year: EUR 0.0m), in properties held as inventories EUR 75.2m (previous year: EUR 7.7m), in properties held for sale EUR 0.0m (previous year: EUR 0.2m)
3 Modernisation expenses in investment properties EUR 71.2m (previous year: EUR 66.5m), in properties held as inventories EUR 0.0m (previous year: EUR 0.0m), in properties held for sale EUR 0.1m (previous year: EUR 0.0m). Total modernisation expenses for acquisitions and the like-for-like portfolio in Germany amounted to EUR 71.7m (previous year: EUR 66.7m).
4 The item „Other“ relates to rent-free periods for tenants as a result of modernisation work performed by the tenant themselves, but is of minor importance with a total volume of approx. TEUR 20 p.a.; information on modernisation expenses in connection with joint ventures is omitted as TAG does not hold any interests in joint ventures.

Expenses for project developments in Germany relate primarily to a commercial property development in Munich, which is being constructed in two stages of construction.

A total of EUR 90.4m was invested in project developments in Poland in the reporting year, of which EUR 46.0m was invested in projects intended to build up the rental business.

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

The Group's segment reporting shows maintenance expenses and investment costs totalling EUR 65.2m (previous year: EUR 66.1m). This amount, which follows the internal reporting methodology, does not include some items that are capitalised in IFRS accounting, such as in the area of apartment modernisation.

Financial position

Equity

In the 2020 financial year, the equity base was increased by EUR402.6m (previous year: EUR 456.4m) as a result of the Group's ongoing performance. In May 2020, a dividend payment in the amount of EUR 119.9m (previous year: EUR 109.8m) was made for the 2019 financial year. As of the balance sheet date, Group equity totalled EUR 2,681.5m (31 December 2019: EUR 2,394.2m). The equity ratio at the end of the 2020 financial year was 41.4%, compared with 42.4% at the end of the previous year.

EPRA Net Tangible Assets (NTA)

The following table shows the calculation of NTA and of EPRA Net Asset Value (NAV), which was determined as a leading indicator until the end of FY 2019, for the entire portfolio:

		12/31/2020		12/31/2019
in EUR m	NAV (old)	NTA	NAV (old)	NTA
Equity (before minorities)	2,602.6	2,602.6	2,342.6	2,342.6
Effect from conversion of convertible bond	25.9	25.9	324.2	324.2
Deferred taxes on investment properties and derivative financial instruments	577.8	567.4	492.8	503.6
Fair value of derivative financial instruments	20.1	20.1	6.2	6.2
Difference between fair value and book value for properties valued at cost	40.9	40.9	85.2	85.2
Goodwill	0.0	-18.4	0.0	0.0
Intangible assets (book value)	0.0	-4.3	0.0	-2.6
EPRA NAV/NTA metrics, fully diluted	**3,267.3**	**3,234.2**	**3,251.0**	**3,259.2**
Number of shares, fully diluted (in 000)	147,333	147,333	161,191	161,191
EPRA NAV/NTA metrics per share (EUR), fully diluted	**22.18**	**21.95**	**20.17**	**20.22**

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

	Fair Value	% share of total portfolio	% share of deferred tax corrections
Strategic core portfolio	5,766.0	98%	100%
Other portfolio including properties held for sale	107.1	2%	0%

The Group had forecast NAV on an undiluted basis of between EUR 20.60 and EUR 20.80 per share for the 2020 financial year. With NAV on an undiluted basis at EUR 22.21 per share, this forecast was clearly exceeded. However, the forecast does not regularly take into account results from fair value changes of investment properties and from the valuation of inventory properties as well as from the valuation of financial derivatives, and no deferred tax effects from the use of tax loss carryforwards. Adjusted for these effects, NAV was EUR 20.60 per share, which is also in line with the forecast.

Financing and liquidity

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

in EUR m	12/31/2020	12/31/2019
Liabilities to banks	1,977.9	1,901.2
Liabilities from corporate bonds and other loans	495.9	403.0
Liabilities from convertible bonds	565.4	258.9
Cash and cash equivalents	-324.3	-91.3
Net financial debt	**2,714.9**	**2,471.8**
Investment properties	5,819.2	5,200.0
Property reported under tangible assets	9.4	9.4
Property held as inventory	102.0	58.5
Property reported under non-current assets held for sale	53.9	34.5
Real estate volume (book value)	**5,984.5**	**5,302.4**
Book value of property for which purchase prices have already been paid in advance	-8.0	130.4
Difference between fair value and book value for properties valued at cost	40.9	85.2
Relevant real estate volume for LTV calculation	**6,017.4**	**5,518.0**
LTV	**45.1%**	**44.8%**

The TAG Group's LTV as at 31 December 2020 was 45.1%, almost unchanged from the previous year's 44.8%. TAG bases its funding on various pillars. In addition to bank loans secured by land / property in its subsidiaries, the Company also uses capital market-based financing, such as corporate bonds, convertible bonds and, albeit to a lesser extent, usually to a maximum of EUR 50m, short-term bearer bonds with maturities of generally one to six months as a special form of corporate bond („Commercial Papers"). TAG and its subsidiaries can also draw on credit lines at banks.

As in previous years, TAG has a long-term investment grade rating (Baa3 with stable outlook) and a short-term prime rating (P-3) from Moody's as of the reporting date.

In August 2020, TAG issued 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 carries a coupon of 0.625% p.a. The conversion price as of the reporting date is EUR 34.01. This conversion price will be adjusted if future dividend payments exceed a value of EUR 0.82 per share..

At the same time, a repurchase offer was made for the existing unsecured convertible bond 2017/2022, which also carries a coupon of 0.625% p.a. and had an original nominal value of EUR 262.0m. Based on this offer, TAG repurchased convertible bonds with a nominal value of EUR 131.0m. This resulted in cash outflow of EUR 189.5m. Subsequently, convertible bonds 2017/2022 with a nominal value of EUR 113.5m were submitted for conversion, with TAG exercising the cash settlement option instead of conversion into shares in each case. This resulted in further cash outflow of EUR 71.5m in 2020. Further obligations of EUR 93.0m for the expected cash settlement for conversions already submitted before the reporting date are also reported in the current liabilities from convertible bonds. As a result, a nominal amount of EUR 17.5m of this convertible bond is still outstanding as of the reporting date. The current conversion price as of the reporting date is EUR 17.46 (previous year: EUR 17.69); this conversion price will be adjusted if future dividend payments exceed a value of EUR 0.57 per share.

The key data of the convertible bonds outstanding as at 31 December 2020 is as follows:

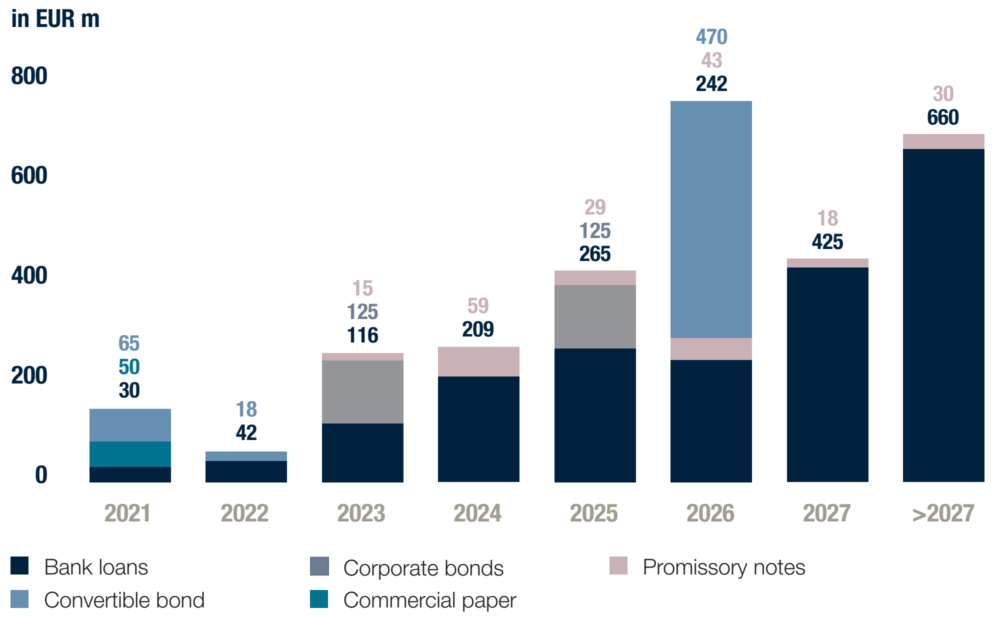
Convertible bond 2020/2026 WKN A3E46Y
Volume: EUR 470m
Nominal value per bond: EUR 100,000.00
Maturity: 6 years to 08.27.2026
Interest rate: 0.625%
Issue price: 100%
Conversion price: EUR 34.0100

Convertible bond 2017/2022 WKN A2GS3Y
Volume: EUR 262m
Outstanding volume as of 12/31/2020: EUR 82.8 m (30.6%)
Nominal value per bond: EUR 100,000.00
Maturity: 5 years to 09.01.2022
Interest rate: 0.625%
Issue price: 100%
Conversion price: EUR 17.4636

The key data of the corporate bonds outstanding as at 31 December 2020 is as follows:

Corporate bond WKN A2LQP69	Corporate bond WKN A2LQP77
Volume: EUR 125m	Volume: EUR 125m
Nominal value per bond: EUR 100,000.00	Nominal value per bond: EUR 100,000.00
Maturity: 5 years to 06.19.2023	Maturity: 7 years to 06.19.2025
Interest rate: 1.25 %	Interest rate: 1.75 %
Issue price: 99.395 %	Issue price: 99.615 %

In the 2019 financial year, an unsecured promissory note loan totalling EUR 102.0m was issued with maturity tranches of five years (EUR 59m) and seven years (EUR 43m). The interest rates are 1.125% and 1.250% p.a. respectively. In the 2020 financial year, another unsecured promissory note loan was issued for a total of EUR 92.0m with maturity tranches of between three and ten years. With an average remaining term of 6.2 years, this results in an average interest rate of 2.0% p.a. The following table shows the maturity of all liabilities as of 31 December 2020:



If the bank loans of EUR 188m due in the next three years are added to those with ending fixed interest rates, this results in a total refinancing volume of EUR 323m of bank loans for the period up to 31 December 2023. The average interest rate on these bank loans is 2.7%. In regard of the currently significantly lower market interest rates, a further reduction of financing costs is to be expected in the following years.

The average volume-weighted residual maturity of all bank loans as of the balance sheet date was 7.9 (previous year: 8.7) years; the average term of all financial liabilities was 6.8 (previous year: 7.4) years. The average interest rate on bank loans as at 31 December 2020 was 1.8% (previous year: 2.0%), and that on total financial liabilities was 1.5% (previous year: 1.7%). 97% (previous year: 99%) of total financial liabilities have fixed interest rates.

The Management Board expects that all loans maturing in 2021, all of which are in euros, will be renewed as scheduled.

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

in EUR m	2020	2019
Cash flow from operating activities	254.0	154.4
Cash flow from investment activities	-215.7	-206.6
Cash flow from financing activities	196.8	51.9
Effects from currency changes	-3.7	0.0
Cash and cash equivalents at the beginning of the period	**88.7**	**89.0**
Cash and cash equivalents at the end of the period	**320.0**	**88.7**

The main driver in operating cash flow is higher rental income. The area of investments especially reflects the acquisitions and modernisation activities of the past financial year year. Cash flow from financing activities mainly includes the results from the issuance of promissory notes, the results from the placement or repurchase of convertible bonds, as well as the assumption/drawing down and repayment of bank loans.

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

in EUR m	12/31/2020	12/31/2019
Cash and cash equivalents according to consolidated balance sheet	324.3	91.3
Cash and cash equivalents not available at balance sheet date	-4.3	-2.6
Cash and cash equivalents as per consolidated cash flow statement	**320.0**	**88.7**

Above and beyond this, TAG has available credit lines totalling EUR 120.0 m at various banks (previous year: EUR 141.2m). As of 31 December 2020, EUR 0.0m had been drawn down (previous year: EUR 0.0m).

Overall assessment of the economic situation

As in previous years, and especially given the ongoing Covid-19 pandemic, in FY 2020 TAG again achieved excellent results in its key operational indicators, e.g. rental growth and vacancy reduction. In addition, the residential portfolio was expanded through what the Executive Board considers to be high-yield acquisitions in Germany, as well as through investments in Poland. At EUR 172.6m, FFO I was well above the previous year's level of EUR 160.6m (7.5% increase); FFO I per share rose to EUR 1.18 after EUR 1.10 in 2019. At EUR 21.95, NTA per share was well above the level of EUR 20.22 at 31 December 2019 (approx. 9% increase).

So in the view of the Executive Board, the earnings and asset situation continues to develop exceedingly positively. TAG has sufficient liquidity and is financed for the long term.

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

Fundamentals of the Company

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

Management system

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

Business performance

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

In contrast, the Company's operating real estate business is not of material importance. Besides a boarding house in Leipzig, the real estate portfolio as at 31 December 2020 still includes 71 apartments in Riesa. The majority of the operating business within the Group is conducted by subsidiaries.

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

Results of operations

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

The Company generated net income of EUR 34.9 m in the 2020 financial year, after EUR 66.4m in the 2019 financial year. The decrease in net income is mainly due to expenditure in connection with early repayments of the convertible bond 2017/2022, as well as increased expenditure from deferred taxes. This was offset primarily by income from the sale of shares in a subsidiary. The following table shows the reconciliation of the net profit for the year to the adjusted net profit for the year as defined by the key performance indicator for TAG Immobilien AG as an individual company:

in EUR m	2020	2019
Consolidated net income as reported in the income statement	34.9	66.4
Income from profit transfer agreements	-69.7	-72.7
Expenses from convertible bond 2017/2022	50.9	0.0
Emission costs from convertible bond 2020/2026	4.3	0.0
Gains / losses from disposals and disposals of associates	-39.7	0.0
Effects from currency conversion	2.2	0.0
Founding expenses („TAG Miteinander Stiftung")	0.9	0.0
Income taxes and deferred income taxes	11.2	1.5
Investment income	-4.7	-1.2
Income from reversal of provisions for real estate transfer tax risks	0.0	-2.3
Effect from valuation of purchase price guarantees	0.1	0.5
Result after adjustments	**-9.6**	**-7.8**

On this basis, the Company achieved a net result of EUR -9.6m, below the previous year (EUR -7.8m) after adjustment. This means that the forecast made in the previous year for the HGB annual financial statements, which assumed an adjusted net loss of between EUR 7.0m and EUR 9.0m, was narrowly missed. The main reason for this was a significantly lower interest result than planned in the 2020 financial year.

Revenues increased from EUR 42.9m in 2019 to EUR 45.2m in the financial year. Of this amount, EUR 44.6m (previous year: EUR 42.5m) is attributable to the allocation of costs within the Group.

A book profit of EUR 39.8m (previous year: EUR 0.0m) was generated from the sale of shares in a real estate holding subsidiary. This increased the other operating income from EUR 3.6m to EUR 41.7m. A significant item in the previous year was the release of a provision of EUR 2.3m for real estate transfer tax risks from earlier years. Beyond this, other operating income mainly includes income from insurance reimbursements and income from benefits in kind.

Personnel expenses rose from EUR 37.8m to EUR 39.0m in the year under review. This is mainly due to ongoing salary increases.

At EUR 1.7m (previous year: EUR 2.1m), amortisation of intangible assets and depreciation of property, plant and equipment were slightly down year-on-year and mainly related to ERP software.

Total other operating expenses of EUR 77.9m (previous year: EUR 20.5m) are significantly above the previous year's level. The increase compared to the previous year relates to issuing costs of EUR 4.3m for the new convertible bond 2020/2026 of EUR 470.0m placed in 2020, as well as expenses of EUR 50.9m in connection with repayments of the convertible bond 2017/2022 as the difference between the repayment obligation and the book value. An amount of EUR 0.9m in founding expenses is attributable to the „TAG Miteinander Stiftung" (TAG Together Foundation) established in the 2020 financial year. Beyond this, there were legal and consulting costs, including IT consulting costs, of EUR 5.4m (previous year: EUR 5.3m), business premise rentals of EUR 3.7m (previous year: EUR 3.4m) and IT costs of EUR 1.5m (previous year: EUR 1.7m). Expenses from currency translation amounted to EUR 2.4m in the financial year (previous year: EUR 0.5m) and includes exchange rate losses for the Polish złoty.

In 2020, TAG Immobilien AG generated income of EUR 69.7m (previous year: EUR 72.7m) from control and profit transfer agreements.

In the year under review, net interest income declined to EUR 4.0m (previous year: EUR 8.0m). Interest income from affiliated companies decreased to EUR 16.7m (previous year: EUR 17.4m). Interest expenses increased from EUR 9.5m in the 2019 financial year to EUR 12.7m in 2020. Promissory note loans, corporate bonds and convertible bonds accounted for current interest expense of EUR 8.5m (previous year: EUR 6.3m) in the 2020 financial year. Interest expenses to affiliated companies increased from EUR 3.1m to EUR 3.5m.

Financial position and net assets

Total assets increased by EUR 591.8m to EUR 2,687.6m as of 31 December 2020 (previous year: EUR 2,095.6m). This increase was mainly due to the placement of Convertible Bond 2020/2026 and the partial repurchase of the Convertible Bonds 2017/2022, which are now reported under current assets due to their marketability. Cash and cash equivalents at the end of the financial year amounted to EUR 289.6m (previous year: EUR 69.4m).

Shareholders' equity decreased from EUR 1,031.6m to EUR 944.6m at the end of 2020. Apart from the EUR 34.9m increase due to the net profit for the year, the dividend distribution of EUR 119.9m for the 2019 financial year had an equity-reducing effect. The equity ratio declined from 49.2% in the previous year to 35.1% as at 31 December 2020, mainly due to the increased balance sheet total..

Tax provisions exclusively comprise provisions for taxes on income. Other provisions include provisions for bonuses of EUR 1.2m (previous year: EUR 1.4m), costs for outstanding invoices of EUR 1.0m (previous year: EUR 2.6m), provisions for impending losses on purchase price guarantees to minority shareholders of subsidiaries amounting to EUR 2.8m (previous year: EUR 2.7m), and various other provisions totalling EUR 1.7m (previous year: EUR 1.5m).

Overall liabilities increased to EUR 1,722.3m (previous year: EUR 1,054.9m) and include the corporate bonds, convertible bonds, commercial papers, and promissory notes issued by the Company as described above. The main reason for the increase in liabilities was the issuance of Convertible Bond 2020/2026 totalling EUR 470.0m in August 2020, and an increase in liabilities to affiliated companies from EUR 383.3m to EUR 508.5m.

As of the balance sheet date, various banks have granted the Company credit lines of EUR 55.0m (previous year: EUR 56.5m), in addition to insignificant loans for property financing. As of 31 December 2020, EUR 0.0m (previous year: EUR 0.0m) of these had been drawn down. A partial amount of EUR 0.0m (previous year: EUR 1.5m) of the credit lines is secured by land liens.

General statement on the business situation

Much like previous years, TAG Immobilien AG's financial year 2020 was characterised by large one-off effects. Expenses from the repurchase of convertible bonds of EUR 50.9m were partially offset by income of EUR 39.8m from the sale of an investment. The interest result of EUR 4.0 million after EUR 8.0 million is declining, but still positive. On the other hand income from equity interests and profit-and-loss transfer agreements increased from EUR 73.9m in the previous year to EUR 74.4m, resulting in net profit for the year of EUR 34.9m after EUR 66.4m in the previous year.

The Company's equity ratio remains at a healthy level at 35.1% (previous year: EUR 49.2%). The Company has sufficient liquidity and , in the opinion of the Board of Directors, is stably financed for the long term.

FORECAST, OPPORTUNITIES AND RISK REPORT

Forecast

Projected economic conditions

Against the backdrop of the still ongoing Covid 19 pandemic, forecasts about the future basic economic data are fraught with considerable uncertainty. GDP growth of 3.0% is expected for Germany for 2021, while unemployment is expected to change from currently 5.9% to 5.8% (BMWi, press release dated 14 Jan 2021). From today's perspective, GDP growth of 3.1% is forecast for Poland, with an unemployment rate of 6.2% at the end of 2020 (European Economic Forecast, Winter 2021). These forecasts are made under the assumption that the restrictions, some of them severe, that economies in Europe are currently enduring as a result of the pandemic will be eliminated substantially or even entirely in the course of 2021, and that the national economies will therefore be on the road to economic recovery relatively soon. An even longer-lasting pandemic and thus a severe economic recession, possibly lasting several years, is currently not expected.

Based on the very stable development of the German residential real estate market in 2021 despite the Covid 19 pandemic, we expect the positive trend in rents and vacancies seen in past financial years to continue in 2021, i.e. continued very strong demand for reasonably priced residential space in the regions we do business in. The Polish residential property market also proved resilient in 2020. Here we expect continued positive fundamentals, that is population growth and rising wages, especially in our targeted markets, i.e. the country's major cities

We believe that there is still no end in sight yet to the very low level of interest rates. This is all the more true since, in view of the sharp increase in debt levels across Europe due to the pandemic, we believe that the central banks are unlikely to take any short-term steps that would lead to a significant rise in interest rates. It remains to be seen how financing margins develop. Even if real estate financing has returned to nearly the levels seen before the start of the pandemic, both bank and capital market financing could become more expensive if the recession lasts longer, although we do not expect any significant adverse developments here.

Group forecast for the 2020 financial year

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

In particular, the actual impact of the Covid-19 pandemic on the economy, individual markets, and specific sectors cannot be conclusively assessed at present. In this context, the forecasts presented below are characterised by a high degree of uncertainty.

Our strategy for shareholders focuses on total return per share. In contrast to previous years, growth in absolute numbers is not a priority for TAG, as the Group's real estate portfolio in Germany of nearly 88,300 units has reached a size that allows us to effectively manage our portfolio. For this reason, in future we will continue to focus even more on optimising the portfolio and effectively increasing our cash flows. Ultimately, this means that we will take advantage of attractive opportunities in the market and invest at sites with development potential where we already have a presence, in order to expand and further develop our residential portfolio. However, as always, our strategy when purchasing portfolios is determined by stringent capital discipline. At the same time, we will continue to take advantage of selective sales opportunities if they improve the profitability of the portfolio as a whole.

In the medium term, i.e. within the next three to five years, 8,000 to 10,000 apartments are to be acquired or built for the rental portfolio in Poland. In addition, there will be future cash inflows from the sale of apartments to owner-occupiers in Poland as well, albeit on a smaller scale. For FY 2021, the contributions to earnings and cash flows will still be generated primarily from the sale or transfer of flats already sold in previous years. As the rental business is still being established, initial rental income is not expected until the end of the 2021 financial year and will still be of minor significance overall. With this in mind, TAG's FFO I forecast for the 2021 financial year is based exclusively on the rental business in Germany. In terms of NTA, we do not expect any material effects from the business activities in Poland in 2021 either. NTA should show a slightly more positive trend, as the current sales business in Poland is profitable and these profits will tend to increase the NTA. However, due to the currently still small size of the business in Poland, this will not be significant from the Group's perspective.

Based on the good operating performance and the further reduction in financing costs, we predict the following for the 2021 financial year:

- FFO (as FFO I excluding disposals and dilutive effects) of EUR 178m to EUR 182m (2020: EUR 172.6m) or EUR 1.23 (2020: EUR 1.18) per share,
- a dividend per share for FY 2021 of EUR 0.92 (for 2020: EUR 0.88) per share,
- NTA per share of EUR 22.30 to EUR 22.50 (31 December 2020: EUR 21.95).

The increase in FFO of around EUR 7.5 million expected for the 2021 financial year compared to the 2020 financial year is mainly based on

- the assumption of an increase of around EUR 14.0 million in net actual rent (mainly due to the acquisitions realised in 2020)
- around EUR 5.0 million higher expenses for property management (e.g. for maintenance), and
- changes in other income and expense items, which are not of material importance when considered individually but collectively lead to an expected reduction in earnings of around EUR 2.0 million.

Further acquisitions and disposals are not assumed for the purposes of the forecast.

The NTA forecast does not take into account changes in the fair value of investment properties and from the valuation of investment properties and the valuation of financial derivatives excluding deferred tax effects from the use of tax loss carryforwards. The forecast takes into account a dividend payment of EUR 0.88 per share.

We expect vacancy across the Group's residential units, excluding any further major acquisitions and sales, to decrease further to between 4.8% and 5.0% (1 January 2021 including the acquisitions that became effective at 31 December 2020: 5.3%). In rents, we expect to see „like for like" annual growth of around 1.5% to 2.0% (2020: 1.5%), including the effects of vacancy reduction.

We therefore expect the very positive economic performance of previous years to continue in 2021. From our point of view, there are significant forecast uncertainties with regard to effects from additional purchases and sales not included in the FFO forecast. Future acquisitions of property portfolios would tend to lead to an increase in the FFO forecast, while major property sales would lead to a reduction in the FFO expected for 2021.

For our business activities in Poland, we refrain from issuing a specific quantitative forecast of sales revenues and sales results for the 2021 financial year, as these will not be of material importance from the Group's point of view. Against the backdrop of the increasing shift of activities to the rental business, both the number of flats sold and the number of flats transferred to purchasers and thus generating revenue will be in the range of approximately 350 to 400 flats (2020 financial year: 509 flats sold and 719 flats transferred).

By their very nature, forward-looking statements are also subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties are tied to factors that TAG cannot control, influence or accurately assess. This is the case, for example, when it comes to future market and economic conditions, the behaviour of other market participants, the ability to successfully integrate acquired companies and realise expected synergy effects, and government tax legislation procedures.

Forecast of TAG Immobilien AG as a single entity for the 2021 financial year

Excluding the results of control and profit transfer agreements with subsidiaries and non-recurring effects, before taxes, and excluding annually non-recurring effects, we expect TAG Immobilien AG to report a net adjusted loss of between EUR 13.0m and 15.0m for the year in its single-entity financial statements prepared in accordance with the German Commercial Code (HGB) for the 2021 financial year, i.e. roughly on a par with 2020.

OPPORTUNITIES AND RISK REPORT

Risk management

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

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

The Management Board is responsible for liquidity risk management, and has established an appropriate model for managing short-, medium- and long-term finance and liquidity requirements. The Group controls liquidity risks by maintaining reasonable reserves and credit lines at banks, and by continually monitoring forecast and actual cash flows and reconciling the maturities of financial assets and liabilities.

Group Controlling supports the Management Board and the organisational units required to submit reports by means of recurring internal report controls. Risks are regularly recorded and evaluated, and countermeasures already taken are reviewed and followed up on. Moreover, as needed the Management Board is immediately notified of all material risks and developments, so that it can promptly take the requisite steps.

TAG has an internal auditing department that additionally monitors risk management and compliance with the internal control system. As an independent unit, it regularly reviews the Company's business processes, installed systems, and implemented checks. The head of each organisational unit is responsible for assessing risks. Each risk must be evaluated in terms of its potential loss and its probability of occurrence, so as to identify the extent of TAG Group's exposure. Individual risks are to be evaluated in terms of their reciprocal effects with other risks.

Individual risks with regard to their future development

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

- Market risks
  - Economic and sector risks
  - Regulatory and political risks

- Performance risks
  - Rental risks
  - Portfolio valuation risks
  - Project development risks
  - Risks related to the Covid-19 pandemic

- Financial risks
  - Liquidity risks
  - Interest risks
  - Currency risks

- Other risks
  - Legal risks
  - Tax risks

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

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

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

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

TAG's strategic concentration on dynamic urban centres and selected other locations limits these risks. Select purchases of residential real estate also serve to strengthen its concentration on a high-quality, high-yield portfolio. To prepare for acquisition decisions, general and regional market developments are permanently monitored, and the properties on offer are meticulously analysed with regard to their condition, location and rents. To assess potential income, synergies and rental and cost risks, potential transactions are subjected to a thorough due diligence process. These factors are evaluated in the same way for TAG's entire real estate portfolio and are also considered in potential sales of inventories. The environment and industry risks described are regarded as low. Even though we believe that the likelihood of the risk of delays and higher prices due to capacity bottlenecks in maintenance and modernisation measures is high, TAG's activities in this area are not very extensive compared with the industry as a whole. Besides, this risk has already been countered for several years by the further expansion of the Group's in-house craftsmen and caretaker services. If the risks in question were to occur, this would mean that the expected development described in the forecast report presented above (section „Forecast for the 2021 financial year"), in particular FFO I would not be achieved.

In comparison with the German real estate market, we believe that the competitive situation in Poland is less intense. In particular, the rental market for apartments targeted by TAG is currently hardly being addressed by institutional investors. By contrast, numerous project developers in Poland are implementing traditional property development projects in which apartments are built and subsequently sold to private individuals (mostly as owner-occupiers). Here, too, this is currently leading to rising land prices and bottlenecks in the availability of construction companies and craftsmen.

Regulatory risks

TAG is exposed to general risks arising from changes in the regulatory or legislative environment. Besides tax legislation, such regulatory changes may affect general tenancy laws in particular, but also construction, employment, and environmental law. As TAG's activities are confined to Germany and such changes do not normally occur without warning or unexpectedly, there is generally sufficient time to adjust.

In particular with regard to future tenancy law, there is currently a risk of significant adverse changes for landlords, some of which have already been implemented into law. At the end of 2018, for example, in addition to increased information requirements for the landlord with regard to „rent control" within the meaning of Section 556d of the German Civil Code (BGB), further restrictions were resolved with regard to the modernisation levy in accordance with Section 559 of the German Civil Code (BGB). These restrictions provide for a reduction in the percentage of modernisation costs to be borne by the tenant from previously 11% to currently 8%, as well as certain cap limits on the resulting rent increases. In February 2020 an extension of the tightened rent control („rent brake") was adopted. This means that tenants can demand a retroactive refund of overpaid rent if the rent control is breached. At the same time, an extension of the reference periods for qualified rent indexes in accordance with § 558d BGB from four to six years was prepared, which in the current situation of annually rising rents would lead to an increased inclusion of older rental agreements with lower rents in these rent indexes, so that the resulting new rent would be lower or new rental contracts would lead to rent increases at a later date.

The risk of adverse changes in tenancy law is classified as low. Although here too the probability of occurrence is high, the economic impact for TAG is not significant, as far as can be seen at present, since the Group's investment focus is neither on rent increases through modernisation levies nor on sharp rent increases in metropolitan areas, which are particularly dependent on „rent control" and the development of the rent indexes. All other regulatory and political risks are considered to be low. Such developments could have an adverse effect on the expectations presented in the forecast report, especially regarding the development of rents and hence of FFO I and EBT.

The risk of disadvantageous changes to tenancy law became even more concrete in the 2019 financial year. In June 2019, for example, the Berlin Senate decided not to permit any further rent increases for existing apartments in the state of Berlin within the next five years, with only few exceptions („rent cap"). In November 2020, the second stage of the Berlin rent cap came into force. This provides for reductions in existing rents if the rent is more than 20% above a defined upper limit. Although similarly concrete resolutions are pending in other cities and federal states, and there are in fact doubts about the legal admissibility of this draft law, there is support in the political discourse for this and similar considerations, all of which are aimed at a stronger limitation of rent increases in future.

In our view, however, the current discussions are essentially focused on two areas, namely the sharp rise in new rents in large cities in recent years and extensive rent increases as a result of modernisation measures. In this connection, many tenants fear that current or future rents will no longer be affordable. This is to be counteracted by tighter rent regulation. However, TAG's investments are not being made in Germany's major cities but deliberately in „B and C locations", i.e. in the wider catchment areas of major cities and in medium-sized towns. For example, TAG only owns around 300 apartments in the federal state of Berlin. The bulk of our residential portfolio (more than 75%) is located in Eastern Germany. TAG's biggest locations are the cities or regions of Salzgitter, Gera, and Erfurt. At these locations and in these regions, rents in relation to household income are affordable in our view. On average, tenants in Germany spent around 26% of their disposable household income on rent and utilities in 2019. This burden has actually fallen slightly since 2014, when the average was 27% (Source: Haufe Online). However, the housing cost burden is still significantly lower in Eastern German cities than in western Germany (Source: IW Analysis). According to the Federal Statistical Office, the rate in Saxony, Thuringia and Brandenburg is only 22.7%-24.5% (Source: Federal Statistical Office diagramme 2018). However, the situation of households could worsen in the future as a result of the Covid 19 pandemic, due to short-time work and unemployment, causing incomes to fall and thus the housing cost burden to rise, even if this is not yet apparent at present (Source: Haufe Online editors). Modernisation programmes for existing tenants are only carried out to a very limited extent (in FY 2020, they contributed only 0.2% [previous year: 0.1%] to total rental growth); the main focus of investment is on reducing vacancy.

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

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

Rental risks

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

In the residential segment, a standard credit check is performed on potential new tenants. In addition, one of TAG's strategic goals is to reduce vacancy through active asset and property management, thereby lowering vacancy costs while harnessing available rental potential. TAG uses active portfolio management, extending through to effective tenant relationship management to ensure long-term leases. At the same time, receivables management ensures that payments are received continually and can help to avert defaults with minimum delay. Although there are always individual risks of default, we consider it to be marginal on the whole. In total, impairment losses on rent receivables, including the separately disclosed impairment losses in net income from services, of EUR 4.6m (previous year: EUR 4.4m) were recognised in the 2020 financial year. Based on the net actual rent of EUR 322.5m (previous year: EUR 315.0m), this corresponds to a bad debt ratio of 1.4% (previous year: 1.4%). Rent losses are of secondary importance in the single-entity financial statements of TAG Immobilien AG itself.

Future rental risks also depend on population trends. In terms of their probability of occurrence, they are classified as low due to the fact that the high demand for residential space is expected to continue. An increase in the vacancy rate would have a negative impact on rents and hence especially on FFO I. In such a situation, it would not be possible to meet the expectations set out in the forecast for the 2021 financial year.

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

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

Portfolio appraisal risks

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

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

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

Even if we do not expect this, at least not for the forecast period 2021, rising interest rates may also result in value declines in the portfolio's valuation, as in such a situation, investors' return expectations and thus the capitalisation interest rates used in the valuation model should also rise, at least in the medium term. Corresponding value declines in the portfolio's valuation can occur in the event of a decline in rents or an increase in vacancies.

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

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

Project development risks

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

Although we assess the project development risks as medium, there were no effects on the valuation of the projects reported in the balance sheet as of the reporting date. In the event of these risks occurring, the NTA could be negatively affected and the expectations presented for these key figures may not be met.

Risks in connection with the Covid-19 pandemic

A significant new risk in the 2020 financial year is the ongoing Covid-19 pandemic, the economic consequences of which are still difficult to assess reliably. Even if we do not assume any significant negative effects on our business activities given the developments to date, there is still the risk of increased rent losses, even if these have hardly been observed so far. This applies in particular in the event that the economic consequences of the Covid-19 pandemic turn out to be stronger and more long-term than expected to date.

Furthermore, there is a risk that in the event of a prolonged or even more extensive lock-down, e.g., viewing appointments may not take place as planned and thus our vacancy reduction targets may not be achieved. Also, restrictions on carrying out rent increases due to further legal requirements in connection with the Covid-19 pandemic could have a negative impact on our rental growth targets. Higher vacancy and lower rental growth would have, at least temporarily, negative consequences for our rental revenues and, by extension, for the Group's FFO I.

In Poland, the Covid-19 pandemic could result in delays in the construction or sale of flats. This could lead to the postponement of rental and sales revenues to later periods and also to cost increases and additional financing costs.

If the effects of the Corona pandemic result in sustained economic and capital market burdens beyond what is currently expected, this could adversely affect the real estate markets through vacancies and declines in the value of both investment properties and inventory properties. With regard to the inventory properties, especially in Poland, there is also the risk of falling sales prices and thus possibly resulting devaluation requirements as a result of a possible decline in demand caused by Covid 19 uncertainties. With regard to the possible portfolio valuation risks for investment properties resulting from the Covid-19 pandemic, please refer to the section on „Portfolio valuation risks“.

In spring/summer 2020, the Covid-19 pandemic also led to widening credit spreads in some areas of the financing market and thus temporarily made refinancing more expensive. In the event of a renewed strong occurrence of the crisis-related developments, financing costs could also rise again for companies with an investment grade rating like TAG and thus reduce the profitability of investments. Beyond this, in such crisis situations there may also be distortions of market liquidity in the capital markets. This may result in increased refinancing and liquidity risks, which may also affect TAG Immobilien AG.

At the end of March 2020, the 'Act to Mitigate the Consequences of the Covid-19 pandemic under Civil, Insolvency and Criminal Procedure Law' passed by the Bundestag and Bundesrat was of particular relevance. This law made it impermissible, among other things, to terminate tenants' rental contracts until 1 July 2022 because of rent debts incurred in the period from 1 April to 30 June 2020 due to the effects of the Covid-19 pandemic. The tenants' obligation to pay the rent remained in force. The possibility provided by law to extend the period of protection against dismissal by three months until 30 September 2020 was not exercised. As a result, since 1 July 2020, the general rules of termination regarding rent debts have applied to tenants and landlords again. There is a risk that these or similar regulations could be reintroduced in the future, resulting in bad debts.

We classify the risks resulting from the pandemic as medium, but we do not consider the positive future prospects of our business model to be at risk, even considering these risks. With average net actual rent for our flats of only EUR 5.48 per square metre as of 31 December 2020, our rents remain in the favourable and affordable housing segment. Even in the event of a prolonged economic recession, we see this market segment, which forms the core of our business activities, as stable and sought-after. We therefore do not expect a fundamental trend reversal even if the Covid-19 pandemic has a much more intensive negative impact on the overall economic environment.

On the financing side, we see our situation as positive. As of 31 December 2020, we have a cash balance of EUR 324.3m and credit lines with banks of EUR 120.0m, which have not been drawn down in full. No significant refinancing is pending in 2021.

Liquidity risks

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

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

Moreover, TAG is dependent on securing external capital at reasonable terms to fund its ongoing business and acquisitions. A crisis in the international financial markets could make it substantially more difficult for TAG to raise the necessary funds and could lead to liquidity problems. Should this lead to problems in servicing ongoing loans, lenders could institute foreclosure proceedings, and such distress sales would lead to considerable financial disadvantages for TAG. TAG is using current market conditions in order to refinance long-term loans on favourable terms in order to mitigate this risk.

The Group has loans totalling EUR 1,657.0m (previous year: EUR 1,571.2m), for which the banks have specified financial covenants regarding capital service ratios and equity/debt ratios. If any of these covenants are breached, premature loan repayments may become necessary. As in the previous year, TAG Immobilien AG itself has no loan liabilities with covenants in its separate financial statements.

Similarly, the promissory notes issued are subject to certain terms and conditions that, if breached, constitute a liquidity risk. In the event of any breach of the terms of issue, e.g. a change of control, these corporate bonds – as well as the loans referred to in the section entitled „Disclosures in accordance with Section 289a and Section 315 (1) of the German Commercial Code“ below – may be subject to a right of premature termination.

The liquidity risks are deemed to be low. TAG has sufficient liquid assets and unused credit lines with banks. In addition, most of the acquisitions of the 2020 financial year have not yet been refinanced, so that additional liquidity could be raised by taking out new bank loans if required.

Interest rate risks

The Group's activities are subject to risks arising from changes in interest rates. The vast majority of bank loans are concluded only with fixed interest, either through a directly agreed fixed interest rate, or through a variable interest rate that is then converted into a fixed interest rate using a derivative financial instrument (usually interest rate swaps). At the reporting date, bank loans with a fixed interest rate accounted for 97% of the total lending volume (previous year: 98%). As in the previous year, all corporate and convertible bonds and promissory notes have fixed interest rates. At the reporting date, fixed interest rates accounted for 97% of the Group's total financial liabilities (previous year: 99%).

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

The Group enters into long-term fixed-rate loans in order to minimise interest rate risks. There are currently no interest rate derivatives (e.g. swaps). Interest rate risks are classified as low in the financing area. This applies in particular given the Group's long-term financial liabilities at fixed interest rates.

Interest rate risks can also be classified as low at the level of TAG Immobilien AG's separate financial statements. All financial liabilities have fixed interest rates and, as of the balance sheet date, have remaining maturities of between 1.7 and 5.7 years (convertible bonds), around 2.5 to 4.5 years (corporate bonds), and around 3.5 to 9.5 years (promissory notes) for the main borrowings.

Currency risks

Due to the launch of business activities in Poland, TAG is exposed to currency risks as of the beginning of 2020. All of the Group's revenues (sales and rents) in Poland are currently and will continue to be generated in Polish złoty, whose exchange rate is subject to fluctuations in relation to the euro. Future financing of the business in Poland via TAG in euros is likewise subject to an exchange rate risk. Even though the business model in Poland is geared to the long term and the złoty has remained stable against the euro in recent years, significant exchange rate losses may occur if it becomes necessary to realise assets or repay financial liabilities at short notice. As of the reporting date, the unrealised loss from currency risks amounted to EUR 2.4m (previous year: EUR 0.0m).

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

Legal risks

In Germany, TAG is party to various legal proceedings whose outcome is as yet uncertain. They include disputes about construction defects, rental matters and administrative proceedings.

There are legal risks associated with the Group's past activity in the property development business. As the pro-consumer and pro-buyer judicature often does not consider final inspections of buildings carried out years ago by purchasers to be effective, claims by purchasers of construction defects years later and after the usual warranty periods of five years are possible. A number of these proceedings are still pending in the courts, for cases where works were completed over ten years ago. There is also the risk of claims of environmental contamination or hazards arising from construction materials warranty claims in connection with the sale of real estate, which may exceed the corresponding rights of recourse available.

The property development business in Poland can always give rise to legal risks arising from the acceptance of buildings. They are inherent in the business. At present, these risks are considered to be low for Poland.

Occasionally claims are asserted against TAG subsidiaries by purchasers in connection with lost tax advantages, compensation and, in some cases, the rescission of contracts entered into many years ago. Appropriate provisions have been created to cover risks in connection with legal disputes, claims for damages, and warranty claims.

The legal risks are assessed as high, especially with regard to the probability of their occurrence. In this context, provisions of EUR 3.7m (previous year: EUR 3.0m) were formed as of the balance sheet date, which could lead to outflows of liquidity should a given risk materialise. Provisions of EUR 0.4m (previous year: EUR 0.2m) were recognised in the separate financial statements of TAG Immobilien AG. Beyond this, the occurrence of these risks would have a negative impact on NTA and the expectations presented with regard to these key figures might not be met if the actual utilisation exceeds the provisions formed.

Tax risks

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

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

Provisions amounting to EUR 4.0m (previous year: EUR 4.0m) have been formed as of the balance sheet date for the above-mentioned risks, which are classified as low to medium, and which could lead to corresponding outflows of liquidity if a given risk materialises and, if the provisions formed prove to be insufficient, could jeopardise the attainability of the FFO I and NTA forecasts.

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

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

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

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

Opportunities for future development

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

Apart from implementing our growth strategy and improving our capital market position, TAG also has a solid funding structure. The Group is financed long-term. TAG's business model – in particular its active asset management, which is reflected in continuous vacancy reduction – is well established on the capital market and with the banks. All these facts form the basis for a successful implementation of the Group's strategy and will continue to ensure that TAG is able to raise the funding it needs, in the capital market as well as from banks.

Concrete opportunities for future development exist in particular if the current high demand for residential property in small and medium-sized towns and in the vicinity of large metropolitan areas continues in the years ahead. Given the latest positive demographic developments, including in many Eastern German cities, and the low number of new construction projects, the prospects for this are good. We believe that this will continue to contribute to rising rents and falling vacancy rates in the future as well. Significant negative effects on this assessment from the still ongoing Covid-19 pandemic are not discernible so far. The related chances of continued well operational development are rated as medium to high.

With regard to the forecasts already presented, there is therefore also a chance that the planned figures for the 2021 financial year for rents, vacancies and thus also FFO I will be exceeded. Furthermore, higher rents and a continued low interest rate level could have a positive effect on property valuation and thus on the planned NTA.

TAG does not anticipate any real estate valuation effects or portfolio acquisitions in its business planning. Thus, valuations and portfolio acquisitions will result in opportunities of exceeding the forecasts.

With its acquisition of Vantage, TAG additionally entered the Polish residential real estate market. The growing Polish residential real estate market is the target of a regional extension of TAG's business model, which focuses on strong cash returns here as well. In the medium term, i.e. within the next three to five years, 8,000 to 10,000 apartments are to be acquired or constructed in Poland for the rental portfolio. Beyond this, there will be cash flows from the sale of apartments to owner-occupiers in Poland in future as well, albeit to a lesser extent. Rental income from the properties currently still under construction is first expected at the end of the 2021 financial year. Against this background, TAG's FFO I will be influenced only to a minor extent by its acquisitions in Poland in 2021. In the following years, their contribution to FFO I will steadily increase. The chances of generating substantial rental income and substantial FFO I contributions from the business in Poland in the medium term are viewed as high.

Overall assessment

In line with the stable performance during the reporting period, the overall risk situation has changed only marginally. New risks, which are pandemic-related on the one hand and result from the new business activities in Poland on the other hand, are continuously monitored and controlled. Using the monitoring system described above and the available instruments, TAG Immobilien AG took the necessary measures to identify and counteract, at an early stage, risks that could threaten the existence of the Company.
At this time, the Management Board is unaware of any risks that could threaten the existence of the Company. The Company is convinced that it will continue to be able to make use of the opportunities and challenges arising in the future without exposing itself to undue risk.

INTERNAL MONITORING AND RISK MANAGEMENT IN CONNECTION WITH GROUP ACCOUNTING

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

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

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

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

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

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

Within Group Accounting, the internal monitoring system is supplemented by the Quality Assurance team. It reviews the completeness and accuracy of information, e.g. in the preparation of quarterly and annual financial statements, the assessment of facts, and the performance of process and plausibility analyses.

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

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

TAG Immobilien AG is a capital market-oriented company as defined in Section 264d of the German Commercial Code. Therefore, information on equity, the equity structure, and voting rights are required in accordance with Section 289a and Section 315 (4) of the German Commercial Code. The information provided in the following is based on the conditions that existed as of 31 December 2020:

Composition of share capital
The Company's share capital stands at 146,498,765.00 as of the reporting date, unchanged from the previous year. As in the previous year, it is divided into 146,498,765 shares. The computed pro rata amount of share capital attributable to each share is EUR 1.00. All shares carry the same rights. Each share entitles the owner to one vote; the dividend entitlement is determined by the number of shares held.

Limitations on voting rights and transfer of shares
Restrictions on voting rights may arise from the provisions of the Companies Act. For example, under certain circumstances, shareholders are prohibited from voting as per Section 136 of the German Stock Corporation Act (AktG). In accordance with Section 71b of the AktG, the Company is not entitled to exercise any voting rights resulting from the currently 203,884 treasury shares (previous year: 161,815) that are earmarked for issue as employee shares and for long-term variable remuneration of the Management Board. The Company's Articles of Association do not provide for restrictions on voting rights. The Company's shareholders are not limited by the law or by the Articles of Association when it comes to the acquisition or sale of shares. The Management Board is not aware of any contractual restrictions on voting rights or the transfer of shares

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

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

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

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

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

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

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

Authorisation of the Management Board to issue new shares (authorised and contingent capital) and repurchase shares
In a resolution passed at the Annual General Meeting on 23 May 2018, „Authorised Capital 2018“ was agreed and the Management Board, subject to the Supervisory Board's approval, was authorised to increase the Company's share capital by a total amount of no more than EUR 29m by issuing up to 29,000,000 no-par value ordinary shares on a cash and/or non-cash basis, once or on repeated occasions, on or before 22 May 2023. The Management Board has not utilised this authorisation to date.

By resolution of the Annual General Meeting on 23 May 2018, the Conditional Capital 2017/I approved by the Annual General Meeting on 16 May 2017 was redefined as Conditional Capital 2018/I. The Management Board was authorised to conditionally increase the Company's share capital by up to EUR 29m by issuing up to 29,000,000 new shares. The conditional capital increase serves to grant shares to holders of convertible bonds and/or options that are issued by the Company or by a direct or indirect holding of the Company pursuant to the authorisations by the Annual General Meetings of 14 June 2013, 19 June 2015, 16 May 2017, or of 23 May 2018. In each case, the new shares shall be issued at a conversion or option price to be determined in accordance with the aforementioned authorising resolutions. The conditional capital increase shall only be carried out to the extent that use is made of conversion or option rights, or corresponding obligations are to be fulfilled, and unless other forms of fulfilment are used to service them. This authorisation was partially exercised in the 2020 financial year by the placement of a new convertible bond. The new convertible bond authorises the issuance of up to approximately 13,819,465 new no-par value bearer shares (approximately 9.43% of the share capital).

The ordinary general meeting on 17 June 2016 issued a new authorisation to acquire treasury shares representing up to 10% of the available share capital on the effective date or upon exercise of this authorisation, whichever is lower, up until 16 June 2021. The Company may not utilise this authorisation for the purpose of trading in treasury shares. In addition to the usual, legally mandated use options, it also includes the authorisation to assign and transfer the shares to members of the Management Board as part of their variable remuneration.

The Company has made partial use of this authorisation. At 31 December 2020, the total number of treasury shares was 203,884 (previous year: 161,815) TAG shares. Reference is made here to the disclosures to be made in this regard, pursuant to Section 160 (1) No. 2 of the German Stock Corporation Act (AktG), which can be found in the notes to the annual financial statements of TAG Immobilien AG prepared in accordance with the German Commercial Code (HGB).

Material agreements of the Company that are subject to a change of control following a takeover bid
TAG has lines of credit totalling EUR 40.0m (previous year: EUR 27.6m), which require the bank's approval in the event of a change of shareholder, or in the case of a change of control at the level of TAG Immobilien AG, may otherwise lead to the loans being terminated. In addition, there are numerous change-of-control provisions in the subsidiaries' loan agreements and in their general terms and conditions. Although these primarily apply only at the level of the subsidiaries and in the event of a change in their shareholders, the possibility of the lender invoking change-of-control rights in the event of a change in the indirect shareholder cannot be ruled out.

The two corporate bonds totalling EUR 250.0m issued, and the two promissory notes totalling EUR 194.0m, have special change-of-control provisions, which obligate the Company to buy back the bonds or promissory notes at terms stated in detail in the terms of the bond or the promissory note. In the case of Convertible Bond 2017/2022 issued in 2017, originally in the amount of EUR 262.0m and with an outstanding nominal value of EUR 17.5 million as at 31 December 2020, as well as in the case of Convertible Bond 2020/2026 issued in the 2020 financial year for EUR 470.0m, there are special conversion options, or adjustments to the conversion price for bondholders, in the event of a change of control.

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

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

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

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

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

REPORT ON THE COMPANY'S REMUNERATION SYSTEM (REMUNERATION REPORT)

Remuneration scheme for the Supervisory Board

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

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

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

The remuneration paid to the Supervisory Board in the year under review came to TEUR 354 (previous year TEUR 365), plus expenses and VAT, and breaks down as follows:

Supervisory Board Member	2020 in TEUR	2019 in TEUR
Rolf Elgeti	175	175
Lothar Lanz	105	105
Dr Philipp K. Wagner	20	20
Prof. Dr rer. pol. Kristin Wellner	22	20
Harald Kintzel (until 22 May 2020 / from 21 August 2020)	17	25
Katja Gehrmann (from 21 August 2020)	7	0
Marco Schellenberg (until 22 May 2020)	8	20
Total	**354**	**365**

Remuneration scheme for the Management Board

Basic remuneration system

The members of the TAG Management Board receive a basic remuneration that is not contingent on performance, as well as a variable remuneration, which is paid out partly in cash and partly in the form of TAG shares.

The non-performance-based remuneration takes the form of a fixed annual salary paid out in twelve equal monthly instalments. Some members of the Management Board use a company car, which is taxed accordingly as a non-cash benefit. The members of the Management Board also receive further benefits as other remuneration, some of which are classified as non-cash benefits and are taxed accordingly. In particular, these include a Bahn-Card (for discounted rail travel), accident and liability insurance, private use of communications devices, and compensation for expenses incurred during business travel. The contracts with the members of the Management Board do not provide for any pension entitlements. Some Management Board members still have pension entitlements from a time before they began to work for the TAG Group. While these are non-forfeitable, they do not entail any new claims since then.

There are fixed calculation schemes for the variable remuneration. Only in exceptional cases can the Supervisory Board resolve a divergent procedure in view of extraordinary situations and/or extraordinary achievements by the individual Management Board member. In the event of any extraordinary development in the individual criteria, the Supervisory Board may change their individual weighting.

Members of the Management Board are not entitled to claim any additional bonuses or duplicate remuneration if they simultaneously serve on the Management Board or Supervisory Board of other companies in the Group. Variable remuneration is determined solely at TAG Immobilien AG level and charged to TAG Immobilien AG. All ancillary activities are subject to approval.

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

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

Details of the variable remuneration

The variable remuneration scheme in force since the 2018 financial year and for FY 2020 as well differentiates between the

- Short Term Incentive Plan (STIP), which is based on the development of financial KPIs and is intended as an immediately payable cash compensation, and the
- Long Term Incentive Plan (LTIP), which is assessed on total shareholder return (TSR, as the sum of the share price increase plus dividends paid in the given financial year) in a three-year period and is paid in TAG shares.

The STIP is determined on the basis of the following criteria:

- Increase in EPRA NAV per share in the financial year (after elimination of the dividend paid in the financial year); each EUR 0.01 increase in the NAV per share is multiplied by EUR 750.00)
- Increase in FFO I per share in the financial year (each EUR 0.01 increase in the FFO I per share is multiplied by EUR 7,500.00)
- Increase in EBT per share in the financial year, not taking into account the results from the revaluation of the investment properties and from the revaluation of derivative financial instruments into account (each EUR 0.01 increase in the EBT per share is multiplied by EUR 3,000.00)

The STIP cash remuneration is paid out in full following the Supervisory Board's resolution on the variable remuneration of the financial year in question, and is capped at TEUR 125 p.a. This is also the target figure for the STIP, which corresponds to an average increase of around 5.3% and 4.6% in the above criteria for determining the variable remuneration according to the STIP in a year-on-year comparison between 2018 and 2019 or 2019 and 2020, respectively.

The multi-year variable compensation (LTIP), on the other hand, is granted in TAG shares, the number of which is assessed based on the TSR over a three-year period. The TSR performance is assessed on the one hand based on the performance of the TAG share in a three-year period that begins anew each year, and on the other hand relative to the performance of a selected group of competitors (peer group) during this period.

The basis for calculating the share price performance is the volume-weighted average price (VWAP) of the TAG share over a period of two months prior to the reporting date of the financial year at the beginning and the end of a three-year period. The target TSR for the three-year performance period was set at 30% and results in the following remuneration scheme:

- If the actual TSR corresponds to the target TSR, the LTIP share bonus amounts to TEUR 150 p.a.
- If the actual TSR is above or below the target TSR, the amount is calculated or adjusted linearly in accordance with

the target TSR (an actual TSR of 20%, for example, results in an LTIP share bonus of 20/30 x TEUR 150 = TEUR 100).
- If the actual TSR is negative, the LTIP share bonus is TEUR 0.

The actual TSR is compared with the result of the peer group and, if the actual TSR is at least 2% better or 2% worse, this is taken into account by making allowances or deductions. If the actual TSR is better than the performance of the peer group, a supplement of 25% is applied, and in the case of a poorer performance a deduction of 25% is applied. As in the two previous years, the peer group for FY 2020 is made up of listed real estate companies that, as portfolio holders, have substantial residential real estate in Germany. The peer group currently comprises the following companies: Vonovia SE, Deutsche Wohnen SE, LEG Immobilien AG, Grand City Properties S.A., as well as Adler Group S.A. (formerly ADO Properties S.A.) and Adler Real Estate AG. The companies are given equal weighting.

The variable share-based remuneration in the form of the LTIP is capped at TEUR 300 p.a. The assignment of the TAG shares that the Management Board is entitled to through the LTIP takes place after the end of the respective three-year period following the Supervisory Board's resolution of the variable remuneration. The basis for calculating the number of TAG shares to be transferred is the VWAP of the TAG share over a period of two months prior to the end of the respective financial year.

In principle, it is not possible to change the parameters relevant to variable remuneration. With regard to the STIP, the Supervisory Board can only change the weighting of the criteria in exceptional cases, if these criteria do not reflect the normal and actual performance of the Company and the performance of all or individual criteria is based on causes that are neither foreseeable nor can lie within the area of responsibility of the Management Board members. In exceptional cases, the Supervisory Board may also resolve something different with regard to special situations and/or special performance of the individual Management Board member. The LTIP can only be amended in that the Supervisory Board can change the composition of the peer group if comparability no longer exists due to takeovers or changes in the business models, or if the companies relocate their focus abroad or if the inclusion of a competitor would no longer be appropriate or expedient for other reasons. Actual changes have not been made by the Supervisory Board since the introduction of this variable Executive Board remuneration.

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

Remuneration accruing to the Management Board in the year under review (benefits granted) came to TEUR 1,844 (previous year: TEUR 1,809). The amounts paid to the members of the Management Board in the year under review, some of which include remuneration earned in earlier years as well, amount to TEUR 2,264 (previous year: TEUR 2,070). The total cost of share-based compensation recognised in the income statement in the financial year corresponds in each case to the multi-year variable compensation granted, as shown in the table below. The remuneration is distributed as follows among the individual members of the Management Board:

in TEUR	Claudia Hoyer COO				Martin Thiel CFO				Dr Harboe Vaagt CLO			
	2019 (Actual)	2020 (Actual)	2020 (Min.)	2020 (Max.)	2019 (Actual)	2020 (Actual)	2020 (Min.)	2020 (Max.)	2019 (Actual)	2020 (Actual)	2020 (Min.)	2020 (Max.)
Granted												
Fixed remuneration	420	420	420	420	420	420	420	420	420	420	420	420
Ancillary benefits	15	15	15	15	7	7	7	7	14	13	13	13
Total	435	435	435	435	427	427	427	427	434	433	433	433
One-year variable remuneration	125	125	0	125	125	125	0	125	125	125	0	125
Multi-year variable remuneration	46	58	0	300	46	58	0	300	46	58	0	300
Total	171	183	0	425	171	183	0	425	171	183	0	425
Utility expenses	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration	606	618	435	860	598	610	427	852	605	616	433	858
Inflow												
Fixed remuneration	420	420	420	420	420	420	420	420	420	420	420	420
Ancillary benefits	15	15	15	15	7	7	7	7	14	13	13	13
Total	435	435	435	435	427	427	427	427	434	433	433	433
One-year variable remuneration	125	125	0	125	125	125	0	125	125	125	0	125
Multi-year variable remuneration	133	198	0	198	133	198	0	198	133	198	0	198
Total	258	323	0	323	258	323	0	323	258	323	0	323
Utility expenses	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration	693	758	435	758	685	750	427	750	692	756	433	756

MATERIAL EVENTS AFTER THE REPORTING DATE

There were no material events after the reporting date.

Hamburg, 3 March 2021

Claudia Hoyer
(COO)

Martin Thiel
(CFO)

Dr Harboe Vaagt
(CLO)

CONSOLIDATED BALANCE SHEET

Assets in TEUR	Notes	12/31/2020	12/31/2019
Non-current assets			
Investment properties	(1)	5,819,190	5,199,993
Intangible assets	(2)	22,679	2,629
Property, plant and equipment	(3)	38,041	30,926
Rights of utilisation	(4)	8,766	9,180
Other financial assets	(5)	9,911	9,003
Deferred taxes	(6)	50,648	49,730
		5,949,235	5,301,460
Current assets			
Property held as inventory	(7)	102,006	58,452
Other inventories	(7)	165	164
Trade receivables	(8)	17,697	17,432
Income tax receivables	(6)	2,215	1,431
Other current assets	(9)	28,448	10,996
Prepayments on business combinations	(10)	0	131,192
Cash and cash equivalents	(11)	324,320	91,306
		474,851	310,972
Non-current assets held for sale	(12)	53,898	34,536
		6,477,985	5,646,970

Equity and liabilities in TEUR	Notes	12/31/2020	12/31/2019
Equity	(13)		
Subscribed capital		146,295	146,337
Share premium		519,899	522,985
Other reserves		-9,371	1,035
Retained earnings		1,945,792	1,672,212
Attributable to the equity holders of the parent company		2,602,615	2,342,569
Attributable to non-controlling interests		78,913	51,667
		2,681,528	2,394,236
Non-current liabilities			
Liabilities to banks	(14)	1,888,823	1,788,325
Liabilities from corporate bonds and other loans	(14)	442,459	350,354
Liabilities from convertible bonds	(14)	471,305	258,329
Derivative financial instruments	(14)	28,585	71,508
Retirement benefit provisions	(15)	5,783	5,799
Other non-current liabilities	(14)	21,023	17,048
Deferred taxes	(6)	570,711	497,027
		3,428,690	2,988,390
Current liabilities			
Liabilities to banks	(14)	89,101	112,872
Liabilities from corporate bonds and other loans	(14)	53,459	52,622
Liabilities from convertible bonds	(14)	94,059	546
Income tax liabilities	(6)	15,545	11,908
Other provisions	(16)	27,740	22,824
Trade payables	(17)	23,860	21,797
Other current liabilities	(18)	63,205	41,001
		366,969	263,570
Liabilities associated with non-current assets held for sale	(12)	798	775
		6,477,985	5,646,970

CONSOLIDATED INCOME STATEMENT

in TEUR	Notes	2020	2019
Rental income		426,390	405,505
Impairment losses		-3,982	-3,899
Rental expense		-158,314	-142,030
Net rental income	(19)	264,093	259,577
Revenues from the sale of real estate		198,642	41,749
Expenses on the sale of real estate		-152,175	-42,154
Sales result	(20)	46,467	-405
Revenue from Services		56,151	51,191
Impairment losses		-595	-487
Expenses from services		-29,442	-29,668
Services result	(21)	26,115	21,036
Other operating income	(22)	6,174	5,614
Fair value changes in investment properties and valuation of properties held as inventory	(23)	328,399	414,098
Personnel expense	(24)	-58,604	-50,305
Depreciation / amortisation	(2,3)	-7,218	-6,797
Other operating expense	(25)	-22,180	-17,894
EBIT		**583,246**	**624,924**
Other financial result	(26)	-684	1,374
Interest income	(26)	803	480
Interest expense	(26)	-107,159	-79,440
EBT		**476,206**	**547,338**
Income taxes	(6)	-73,585	-90,964
Consolidated net income		**402,621**	**456,374**
attributable to non-controlling interests	(13)	9,100	10,115
attributable to equity holders of the parent company		393,521	446,259
Earnings per share (in EUR)	(27)		
Basic earnings per share (undiluted)		2.69	3.05
Diluted earnings per share		2.47	2.90

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	Notes	2020	2019
Net income as shown in the income statement		**402,621**	**456,374**
Items that will later be classified as expense:			
Currency differences of foreign subsidiaries	(13)	-11,704	0
Other comprehensive income after taxes		-11,704	0
Total comprehensive income		**390,917**	**456,374**
attributable to equity holders of the parent company		383,114	446,259
attributable to non-controlling interests		7,803	10,115

CONSOLIDATED CASH FLOW STATEMENT

in TEUR	Notes	2020	2019
Consolidated net income		402,621	456,374
Net interest income / expense through profit and loss	(26)	106,356	78,960
Current income taxes through profit and loss	(6)	6,887	7,170
Depreciation	(2, 3, 4)	7,218	6,797
Other financial Income	(5)	684	-1,374
Fair value changes in investment properties and valuation of properties held as inventory	(23)	-328,399	-414,098
Gains / losses from the disposal of investment properties	(1, 20)	101	-101
Gains from the disposal of tangible and intangible assets		-5	16
Impairments accounts receivables	(19, 21)	4,577	4,386
Changes to deferred taxes	(6)	66,698	83,793
Changes in provisions	(15, 16)	4,900	-8,795
Interest received		470	240
Interest paid		-44,726	-49,724
Income tax payments and refunds		-6,087	1,101
Changes in receivables and other assets		42,699	-13,500
Changes in payables and other liabilities		-10,002	3,165
Cash flow from operating activities		**253,993**	**154,410**
Payments received from the disposal of investment properties (less selling costs)	(1, 20)	27,507	40,484
Payments made for the purchase of subsidiaries	(10)	-129,512	-131,192
Payments made for investments in investment properties	(1)	-170,571	-105,945
Cash and cash equivalents acquired of company acquisitions		68,665	0
Payments received from other financial assets	(5)	989	846
Payments received from the disposal of intangible assets and property, plant and equipment	(2, 3)	78	90
Payments made for investments in intangible assets and property, plant and equipment	(2, 3)	-12,844	-10,893
Cash flow from investing activities		**-215,688**	**-206,610**

in TEUR	Notes	2020	2019
Purchase of treasury shares	(13)	-2,162	0
Proceeds from the issuance of treasury shares	(13)	487	317
Payments made for the purchase of minority interests	(14)	-8	-78
Payments made for the repayment of corporate bonds and other loans	(14)	-247,351	-125,000
Proceeds from the issuance of corporate bonds and other loans	(14)	300,596	241,287
Payments made for the repayment of convertible bonds	(14)	-261,056	0
Proceeds from the issuance of convertible bonds	(14)	465,676	0
Dividends paid	(13)	-119,941	-109,752
Distribution to minority investors	(14)	-4,148	-1,785
Proceeds from new bank loans	(14)	198,734	94,375
Repayment of bank loans	(14)	-131,202	-45,466
Repayment of lease liabilities	(14)	-2,851	-2,031
Cash flow from financing activities		**196,774**	**51,867**
Net change in cash and cash equivalents		235,079	-334
Cash and cash equivalents at the beginning of the period		88,686	89,016
Foreign currency exchange effects		-3,746	4
Cash and cash equivalents at the end of the period		**320,019**	**88,686**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Attributable to the parent's shareholders							
			Other reserves					
in TEUR	Subscri-bed capital	Share premium	Re-tained ear-nings	Effects from Currency conver-sion	Retained earnings	Total	Non-controlling interests	Total equity
Amount on 01/01/2020	**146,337**	**522,985**	**1,035**	**0**	**1,672,212**	**2,342,569**	**51,667**	**2,394,236**
Consolidated net income	0	0	0	0	393,521	393,521	9,100	402,621
Other comprehensive income	0	0	0	-10,407	0	-10,407	-1,297	-11,704
Total comprehensive income	**0**	**0**	**0**	**-10,407**	**393,521**	**383,114**	**7,803**	**390,917**
Colonia settlement offer	0	-689	0	0	0	-689	0	-689
Purchase of treasury shares	-100	-2,059	0	0	0	-2,159	0	-2,159
Costs related to purchase of treasury shares	0	-3	0	0	0	-3	0	-3
Issuance of treasury shares	26	461	0	0	0	487	0	487
Share-based compensation	32	141	0	0	0	173	0	173
Dividends paid	0	0	0	0	-119,941	-119,941	0	-119,941
Purchase of subsidiaries	0	0	0	0	0	0	21,821	21,821
Disposal of subsidiaries	0	0	0	0	0	0	-951	-951
Change in non-controlling interests	0	-936	0	0	0	-936	-1,427	-2,363
Amount on 12/31/2020	**146,295**	**519,899**	**1,035**	**-10,407**	**1,945,792**	**2,602,615**	**78,913**	**2,681,528**
Amount on 01/01/2019	**146,322**	**773,417**	**1,035**	**0**	**1,085,705**	**2,006,479**	**41,847**	**2,048,326**
Consolidated net income	**0**	**0**	**0**	**0**	**446,259**	**446,259**	**10,115**	**456,374**
Colonia settlement offer	0	-871	0	0	0	-871	0	-871
Issue of treasury shares	15	302	0	0	0	317	0	317
Share-based compensation	0	137	0	0	0	137	0	137
Dividends paid	0	0	0	0	-109,752	-109,752	0	-109,752
Withdrawals from the capital reserve	0	-250,000	0	0	250,000	0	0	0
Change in non-controlling interests	0	0	0	0	0	0	-295	-295
Amount on 12/31/2019	**146,337**	**522,985**	**1,035**	**0**	**1,672,212**	**2,342,569**	**51,667**	**2,394,236**

NOTES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements of TAG Immobilien AG, Hamburg, as of 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) in the form required to be applied in the European Union. In addition, the provisions contained in Section 315e (1) of the German Commercial Code were observed.

TAG Immobilien AG is a real estate company that concentrates on the residential real estate market. It essentially acts as a holding company for the integrated Group and, together with its employees, performs all essential central functions. The real estate held by TAG Immobilien AG and its subsidiaries (hereinafter also referred to as "TAG" or the "Group") is located in various regions of Northern and Eastern Germany, North Rhine-Westphalia and, from 2020, additionally also in Poland. As of 31 December 2020, TAG had around 88,313 (previous year: 84,510) residential units under management. The Company is registered with the Local Court of Hamburg under HRB 106718 and has registered offices at Steckelhörn 5, 20457 Hamburg, Germany.

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

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

TAG's consolidated financial statements and the Group management report were prepared by the Management Board and released for publication on 3 March 2021 subject to approval by the Supervisory Board.

CONSOLIDATION

As of 31 December 2020, a total of 103 (previous year: 77) companies are fully consolidated and included in the consolidated financial statements. In addition to Vantage Development S.A. with its 17 project companies as of the reporting date, eight other companies with real estate holdings in Germany were acquired in the reporting period, while one subsidiary was sold.

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

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

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

In addition to holding a majority of the voting rights, the parent company is deemed to exert control if it has the practical possibility of exerting material influence on the subsidiary. These enterprises are included in the consolidated financial statements from the date on which the TAG Group obtains control. They are de-consolidated from the date on which the possibility of exerting control ceases. If shares in subsidiaries are considered to be of subordinate significance from the Group's perspective, they are classified as available-for-sale financial instruments.

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

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

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

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

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

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

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

Shares in associates are accounted for using the equity method of accounting. An associate is an entity in which the owner has significant control.

CURRENCY TRANSLATION

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

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

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

Overall, the number of companies included in the consolidated financial statements was as follows in 2020:

Currency rate (basis: 1 EUR)	Closing rate					Average rate
	12/31/2020	09/30/2020	06/30/2020	03/31/2020	01/13/2020	01/01-12/31/2020
Polish złoty	4.5597	4.5462	4.4560	4.5506	4.2348	4.4430

Acquisition of Vantage Development S.A.

On 8 November 2019, TAG signed a contract for the acquisition of all the shares in Vantage Development S.A. ("Vantage"). Vantage is a real estate developer with headquarters and its primary business in Wroclaw in the western part of Poland. As of the date of acquisition, Vantage's pipeline of firm contracts consisted of several residential real estate projects comprising a total of approximately 5,300 units.

The acquisition of the shares in Vantage became legally effective on 13 January 2020 (acquisition date). On the basis of a takeover bid price of PLN 11.50 per share, the total transaction price (based on a PLN/EUR exchange rate of 4.235) came to PLN 558.5 million (EUR 131.9 million), of which PLN 197.0 million (EUR 46.5 million) was returned to Vantage, and thus indirectly to TAG, following the carve-out of the commercial real estate business which was sold back to the previous shareholders. Accordingly, the net purchase price payable for the residential real estate business and the Vantage Development platform amounts to PLN 361.5 million (EUR 85.4 million) and was financed entirely from TAG's existing liquidity position. In addition, transaction costs, particularly legal and consulting fees, of EUR 1.0 million were incurred and recognised within other operating expenses in the income statement.

The allocation of the total purchase price to the assets and liabilities acquired is as follows:

Purchase price allocation in EUR m.	01/13/2020
Real estate assets	133.9
Deferred tax assets	1.5
Other assets	13.4
Cash and cash equivalents*	73.0
Assets total	**221.8**
Financial liabilities	42.1
Deferred taxes	9.0
Other lialibilties	40.7
Non-controlling interests	17.9
Liabilities total	**109.7**
Net assets at fair value	**112.1**
Purchase price	131.9
Goodwill	**19.8**

* including inflow from the sale of commercial real estate business

The book value of the goodwill after currency-translation effects stands at EUR 18.4 million as of 31 December 2020 (13 January 2020: EUR 19.8 million). Vantage generated revenues of EUR 73.4 million in 2020. Its contribution to TAG's consolidated earnings and FFO II are presented in the section entitled "Analysis of net assets, financial position and results of operations" in the management report. The proportionate revenues and earnings contributions before the date of initial consolidation were negligible.

With the acquisition of Vantage, TAG is creating a platform for building up its own portfolio of residential units in Poland. The goodwill arising from the business combination particularly comprises synergistic effects from the value of this platform and future management of the real estate portfolio by the TAG Group to the extent that this cannot be expressed in individually identifiable assets.

Of the trade receivables acquired of a gross amount of EUR 1.1 million, an amount of EUR 0.1 million was non-collectible as of the date of acquisition.

NEW STANDARDS AND INTERPRETATIONS

First-time adoption of new standards in 2020

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

Standard	Index
Amendments to IFRS 3	Business Combinations: Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Reform of the Interbank reference rates
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS-Framework	Amendments to references in the conceptual framework in International Financial Reporting Standards
Amendments to IFRS 16	Rent concessions related to the COVID-19 pandemic

The amendment to IFRS 3 Business Combinations clarifies that an integrated group of activities and assets must include at least one resource input and one substantive process that, taken together, contribute significantly to the generation of output to qualify as a business.

The amendments to IFRS 9, IAS 39 and IFRS 7 provide for various relief provisions that apply to all hedging relationships directly affected by the reform of the reference interest rates.

The amendments to IAS 1 and IAS 8 contain a new definition of the term "material", according to which information is material "if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The revised framework includes a number of new concepts and clarifications, revised definitions and recognition criteria for assets and liabilities. It is clarified that the framework is not a standard and that none of the concepts contained in it take precedence over the concepts or guidance contained in the standards. The purpose of the framework is to assist preparers of financial statements in developing consistent accounting policies when the accounting treatment of a transaction is not governed by a standard, and all parties in understanding and interpreting the standards.

The amendments to IFRS 16 provide lessees with relief in applying the guidance contained in IFRS 16 for accounting for lease modifications due to rent concessions as a result of the Corona pandemic. As a practical expedient, a lessee may choose to suspend the assessment of whether a lessor's pandemic rent concession constitutes a lease modification. A lessee making this choice accounts for any qualifying change in lease payments arising from a Covid-19-related rent concession in the same way as it would account for the change under IFRS 16 if it were not a lease modification.

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

New standards not yet applied

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

Standard	Index	Initial application
Endorsed by the EU		
Amendments to IFRS 4	Insurance Contracts: Extension of the temporary exemption from applying IFRS 9	01/01/2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Reform of the Interbank reference rates (phase 2)	01/01/2021
EU endorsement pending		
Amendments to IFRS 3	Business Combinations: Reference to the Conceptual Framework	01/01/2022
Amendments to IAS 16	Property, plant and equipment: Income from preparing the asset for its intended use	01/01/2022
Amendments to IAS 37	Onerous contracts - cost of contract performance	01/01/2022
Annual Improvements to IFRS Standards 2018–2020	Amendments and clarifications to IFRS 1, IFRS 9, IFRS 16 and IAS 41	01/01/2022
IFRS 17	Insurance Contracts including amendments to IFRS 17 insurance Contracts	01/01/2023
Amendments to IAS 1	Amendments regarding the classification of liabilities	01/01/2023
Amendments to IFRS 10 and IAS 28	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	open

The Company does not plan to early adopt any of these new standards. No material impact arises from other standards to be applied from 1 January 2021. The effects of other amendments to the standards applicable from a later date are currently being reviewed.

RECOGNITION AND VALUATION PRINCIPLES

Principles

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

Investment properties

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

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

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

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

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

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

Intangible assets and goodwill

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

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

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

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

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

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

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

At TAG, the lowest level within the Company at which goodwill is monitored for internal management purposes is the business activities in Poland (Poland CGU). Accordingly, impairment testing is performed at the level of the Poland CGU. If the book value of the assets attributable to the Poland CGU is higher than the recoverable amount, the goodwill is impaired by an amount equalling the difference. Any additional impairment requirements beyond this are distributed across the other assets attributable to the CGU proportionately to their book value provided that this is no less than the fair value less costs to sell.

Property, plant and equipment

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

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

Leases

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

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

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

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

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

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

Financial assets

a. Classification

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

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

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

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

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

Equity instruments not held for trading purposes are recognised at fair value through profit and loss. Alternatively, there is an irrevocable option, the merits of which must be assessed on a case-by-case basis, to recognise these instruments at fair value through other comprehensive income upon initial recognition. In this case, the cumulative changes in fair value remain within equity permanently and are not recycled to profit and loss. Similarly, TAG does not make use of this option. As far as TAG is concerned, this relates to non-controlling interests in non-listed real estate asset companies reported as other financial assets as well as investment funds for which there is no specific intention to sell. Any changes in the value of these instruments including dividends 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 real estate assets that are intended for sale under normal business activities or that are under construction or development as of the acquisition date. If the intention to sell is abandoned, the land is reclassified as investment properties.

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

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

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

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

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

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

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

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

Differentiation of equity capital

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

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

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

Financial liabilities

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

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

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

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

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

Contingent liabilities

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

Revenue recognition

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

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

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

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

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

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

Government grants

In individual cases, the subsidiaries of TAG receive government grants in the form of investment and construction expenditure allowances. Government grants are recognised if there is reasonable certainty that the related conditions are met and the grant is received. Investment allowances granted in connection with the acquisition of assets are deducted from historical cost and recognised through profit and loss over the expected useful life of the asset by means of a reduced rate of depreciation. Construction allowances granted in connection with investment properties measured at fair value are included in other operating income.

Share-based compensation

(i) Management Board
As of 2018, TAG's Management Board receives variable remuneration in the form of TAG shares under a long-term incentive plan (LTIP) based on total shareholder return (the sum of the increase in the share price plus dividends paid in the respective year) over a three-year period. The LTIP is capped at TEUR 300 p.a. The remuneration is paid in the form of TAG treasury shares previously acquired by the Company on the market. No lock-down periods currently apply to the resale of the shares granted.

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

No TAG shares were transferred under the LTIP in the years from 2018 to 2020. The personnel expenses from the LTIP recognised in the income statement came to a total of TEUR 173 for all three members of the Management Board in 2020 (previous year: TEUR 137).

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

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

The benefit granted to employees from the purchase of the discounted shares is also recognised at its fair value. The resultant personnel expenses of TEUR 97 (previous year: TEUR 63) are recorded in full as an addition to the share premium. A total of 26,080 TAG shares were awarded to employees in the year under review (previous year: 15,300).

MATERIAL JUDGEMENTS AND ESTIMATES

Discretionary decisions

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

- The Management Board must determine as of each reporting date whether the Group's real estate is held on a long-term basis for rental, for investment or for the Group's own use or whether it is available for sale. TAG uses the fair value model in accordance with IAS 40 to measure its investment properties; alternatively, it could have selected the cost model. Real estate classified as property, plant and equipment is measured at (amortised) cost, while real estate held as inventories is measured at historical cost or, if lower, the net realisable amount.

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

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

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

Estimates

The Group makes estimates and assumptions concerning the future. The resultant accounting estimates may deviate from the ensuing actual results. Estimates and assumptions entailing a significant risk in the form of a material adjustment to the 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 5,819.2 million (previous year: EUR 5,200.0 million).

- 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 102.0 million (previous year: EUR 58.5 million).

- 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 18.4 million 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 50.6 million (previous year: EUR 49.7 million).

- 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 27.7 million as of the reporting date (previous year: EUR 22.8 million).

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	2020	2019
Amount on 1 January	5,199,993	4,666,673
Purchase through business combinations	16,977	0
Additions from real estate acquisitions	186,545	39,674
Portfolio investments	71,624	66,716
Investments in project developments	46,016	0
Transferred from inventory	14,561	0
Transferred to assets held for sale	-45,111	-6,055
Transferred from assets held for sale	2,534	18,332
Sales	-268	-791
Change in market value	329,039	415,444
Currency conversion	-2,720	0
Amount on 31 December	**5,819,190**	**5,199,993**

The book value includes the fair value of the real estate assets. Of this, an amount of roughly EUR 174.8 million (previous year: roughly EUR 141.4 million) relates to leasehold rights that are classified as financial investments and recognised as finance leases. In addition, the value of the lease liabilities of EUR 6.7 million (previous year: EUR 4.6 million) is added to the leasehold rights.

Investments in the overall portfolio break down as follows:

Modernisation costs in TEUR	2020	2019
Investment in investment properties	304,185	106,390
Investment in property held as inventory	75,181	7,651
Investment in assets held for sale	163	243
Total modernisation costs	**379,529**	**114,284**

Investment properties valued at EUR 5.3 billion (previous year: EUR 4.8 billion) are used to secure bank liabilities, primarily in the form of real estate liens and the assignment of rental receivables.

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

Investment properties in TEUR	2020	2019
Rental income (current net rent)*	318,135	309,472
Rental expenses	-57,421	-54,681
Total	**260,714**	**254,791**

* of which TEUR 10,088 from leasing investment properties held as leasehold rights in 2020

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

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

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

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

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

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

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

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

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

As of 2020, TAG's portfolio of investment properties also includes development projects and land for future development projects as a result of the Group's business activities in Poland in addition to portfolio real estate assets. The fair value of the development projects is calculated using the residual value method. In a first step, the fair value of the completed real estate asset is determined. In a second step, the costs still required for completion, including financing costs, and a typified development project profit are deducted from this value. The resultant residual value is discounted as of the reporting date if the project has a duration of several years. Land for future development projects is generally also measured using the residual value method. However, if construction is not scheduled to begin within twelve months of acquisition, the acquisition costs are applied as the fair value for this period for reasons of materiality.

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

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

Segment	Berlin		Chemnitz		Dresden		Rhine-Ruhr		Erfurt	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Market value (in EUR m)	**846.4**	**772.8**	**382.7**	**347.1**	**576.4**	**527.1**	**346.3**	**317.7**	**704.8**	**666.7**
Net rent p.a. (in EUR m)	41.8	41.3	26.1	24.5	28.4	27.9	18.5	18.2	39.1	37.8
Vacancy (in %)	4.9	4.0	8.4	8.4	2.8	2.4	2.7	2.9	2.8	3.6
Valuation parameters (average)										
Net rent to market rent (in %)	88	88	94	94	93	92	93	92	94	92
Increase in market rent p. a. (in %)	1.3	1.1	0.7	0.6	1.6	1.0	1.6	1.1	1.3	1.1
Maintenance costs (in EUR/sqm)	8.9	8.9	8.8	8.8	9.1	9.1	9.0	9.1	9.5	9.5
Administration costs (in EUR per unit)	222	221	235	234	245	245	259	259	228	228
Structural vacancy (in %)	3.4	3.4	4.6	4.5	2.6	2.7	1.7	1.7	2.0	2.0
Discount rate (in %)	4.6	4.9	5.1	5.3	4.9	5.1	5.0	5.2	4.8	5.0
Capitalisation rate (in %)	3.5	3.8	4.5	4.7	3.6	3.9	3.7	4.0	3.8	3.9

Segment	Gera		Hamburg		Leipzig		Rostock		Salzgitter	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Market value (in EUR m)	**443.4**	**429.9**	**601.2**	**549.6**	**743.0**	**568.3**	**514.8**	**473.7**	**563.1**	**525.1**
Net rent p.a. (in EUR m)	32.4	32.2	29.8	29.2	44.7	36.0	30.3	28.4	35.3	34.9
Vacancy (in %)	7.3	7.7	4.4	4.8	10.5	6.3	6.1	4.1	5.5	5.5
Valuation parameters (average)										
Net rent to market rent (in %)	93	92	94	92	92	91	93	92	97	97
Increase in market rent p. a. (in %)	0.7	0.6	1.5	1.1	1.0	0.9	1.0	0.8	1.0	0.8
Maintenance costs (in EUR/sqm)	9.0	9.0	8.4	8.4	9.0	8.8	8.9	8.9	9.1	9.1
Administrative costs (in EUR per unit)	237	238	244	245	233	235	241	244	245	244
Structural vacancy (in %)	4.8	4.8	1.6	1.6	4.2	4.0	3.4	3.3	2.2	2.2
Discount rate (in %)	5.4	5.6	4.8	5.1	5.0	5.2	4.7	4.9	5.1	5.3
Capitalisation rate (in %)	4.8	4.9	3.6	3.8	4.1	4.3	3.9	4.1	4.3	4.5

In addition, there are activities that cannot be directly allocated to the regions and their respective managers. These take the form of the serviced apartments operated by the Group and commercial real estate assets. The market value of these investment properties equals EUR 24.1 million (previous year: EUR 21.9 million) and is therefore of only subordinate importance for the Group. At EUR 72.9 million (previous year: EUR 0.0 million), the proportion of investment properties in Poland, of which EUR 12.6 million is made up of prepayments towards investment properties measured at historical cost, is also of minor importance as of the reporting date. Disclosure of the main assumptions underlying valuation has been dispensed with for this reason.

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

The assumptions underlying the valuation of the fair value of the real estate are made by the independent valuer on the basis of his professional experience and are subject to uncertainty. The Covid-19 pandemic has so far had very little impact on residential property valuations. We have nevertheless extended the range of possible fluctuations in the valuation parameters to factor in potential adverse effects. The effects of possible fluctuations in the valuation parameters are shown in the following table in the form of a sensitivity analysis:

Sensitivity analysis in EUR m	2020	2019
Market value investment properties	5,746	5,200
Change in market value due to change in parameters		
Market rent (+2.0 / -2.0 / -4.0 %)	89 / -99 / -210	79 / -83
Increase in market rent (+0.2 / -0.2 / -0.4 %)	360 / -324 / -614	308 / -277
Maintenance costs (-10 / +10 / +20 %)	116 / -116 / -233	106 / -106
Administration costs (-10 /+10 / +20 %)	52 / -53 / -105	47 / -49
Structual vacancy (-1,0 / +1,0 / +2,0 %)	96 / -93 / -183	83 / -84
Discount and capitalisation rate (-0.5 / +0.5 / +1.0 %)	903 / -682 / -1,217	759 / -582

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

2. INTANGIBLE ASSETS

The table below analyses the movements in intangible assets.

Intangible assets in TEUR	2020			2019
Acquisition and production costs in TEUR	Other intangible assets	Goodwill	Total	Other intangible assets
Amount on 1 January	12,186	0	12,186	9,869
Additions	2,855	19,818	22,673	2,423
Thereof business combinations according to IFRS 3	388	19,818	20,206	2,423
Disposals	0	0	0	-106
Effects from currency conversion	-30	-1,413	-1,443	0
Amount on 31 December	**15,011**	**18,404**	**33,415**	**12,186**

Cumulative depreciation in TEUR	Other intangible assets	Goodwill	Total	Other intangible assets
Amount on 1 January	9,557	0	9,557	8,889
Additions	1,197	0	1,197	774
Thereof business combinations according to IFRS 3	211	0	211	0
Disposals	0	0	0	-106
Effects from currency conversion	-17	0	-17	0
Amount on 31 December	**10,737**	**0**	**10,737**	**9,557**
Book value on 31 December	**4,274**	**18,404**	**22,679**	**2,629**

The increase of EUR 20.0 million over the previous year is due in particular to the addition of goodwill from the acquisition of Vantage Development S.A.

Goodwill was valued at EUR 18.4 million as of 31 December 2020. The change compared to the goodwill measured on the date of the business combination results from the change in the exchange rate of the Polish złoty as of 31 December 2020 compared to the exchange rate prevailing on the date of acquisition on 13 January 2020.

To test the goodwill for potential impairment, the future cash flows from the business activities in Poland (cash-generating unit) were discounted using a DCF valuation method and the fair value less costs to sell determined in this way was compared to the book value of the cash-generating unit including the goodwill. The period of the detailed planning phase covers the years 2021 to 2030. The reason for the extension beyond the usual detailed planning period of five years is that, at the current stage of planning, the Polish portfolio will not reach a steady state for another five years as individual projects will be completed at only a later date. The fair value valuation was classified as a Level 3 fair value based on the inputs used for the valuation method applied.

Business activities in Poland were not significantly impacted by the Covid-19 pandemic in the year under review. Even so, the estimate of future cash flows is currently exposed to substantially greater uncertainty than would be the case under normal market conditions.

The material assumptions for estimating future cash flows are the development projects existing at the time of the analysis as well as those planned for the future and the investments and achievable revenues attributable to them. The basis for determining these values is the future development project costs projected by the Management Board as well as the achievable proceeds from sales or rental income. The assumptions for planning future cash flows are based on TAG's strategic assumption that it will be constructing around 8,000 to 10,000 rental residential units in Poland over the next three to five years. The Management Board's expectations regarding the proceeds that can be achieved from sales business reflect the sales prices achieved or costs incurred in the course of business to date. As planned, no rental business has so far arisen in Poland, meaning that no data is available on the rental income generated to date. Rental income planning is therefore based on internal calculations which, in the opinion of the Management Board, take into account future achievable rents based on key factors such as the location and size of the rental real estate assets as well as cost increases and vacancy trends. Rental income is forecast on the basis of the assumption of continuous rental growth in the light of external information available to date on the development of the still young Polish rental market.

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

DCF parameters as of 12/31/2020	2020
Risk-free interest rate Poland in %	2.3
Market risk premium Poland in %	7.6
Unlevered Beta	0.6
Cost of capital	**6.8**
Growth rate planned sustainably in %	1.5

The impairment test performed in the fourth quarter did not indicate any evidence of goodwill impairment. The fair value less costs to sell of the cash-generating unit stood at EUR 172.3 million as of 31 December 2020, with the book value equalling EUR 164.2 million. If the planned growth rate dropped by 0.05 percentage points, the recoverable amount would equal the book value of the cash-generating unit.

3. PROPERTY, PLANT AND EQUIPMENT

The table below sets out the movements in property, plant and equipment.

Property, plant and equipment in TEUR

Acquisition and production costs	Real estate	Operating and office equipment	Total
Amount on 01/01/2019	**11,406**	**26,546**	**37,952**
Additions	29	8,425	8,455
Disposals	0	-1,646	-1,646
Amount on 12/31/2019	**11,435**	**33,325**	**44,760**
Additions	531	10,893	11,424
Thereof business combinations according to IFRS 3	515	256	772
Disposals	0	-1,141	-1,141
Effects from currency conversion	-37	-19	-56
Amount on 12/31/2020	**11,929**	**43,058**	**54,987**

Cumulative depreciation	Real estate	Operating and office equipment	Total
Amount on 01/01/2019	1,875	9,711	11,586
Additions	190	3,602	3,792
Reversal	-5	0	-5
Disposals	0	-1,540	-1,540
Amount on 12/31/2019	**2,060**	**11,773**	**13,833**
Additions	533	3,680	4,213
Thereof business combinations according to IFRS 3	254	192	445
Reversal	0	0	0
Disposals	0	-1,067	-1,068
Effects from currency conversion	-20	-14	-34
Amount on 12/31/2020	**2,573**	**14,372**	**16,945**
Book value on 12/31/2019	**9,375**	**21,552**	**30,926**
Book value on 12/31/2020	**9,355**	**28,686**	**38,041**

The real estate reported under property, plant and equipment mainly relates to office real estate used by the Group itself. This real estate is also used as collateral for liabilities to banks, primarily in the form of real estate liens and the assignment of rental receivables, and includes hidden reserves equalling the difference of EUR 13.4 million (previous year: EUR 9.7 million) between its book value and the fair value.

4. RIGHT-OF-USE ASSETS

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

Right-of-use assets in TEUR				
Costs of acquisition	Real estate	Transportation	IT equipment	Total
Amount on 12/31/2019	8,317	2,409	684	11,410
Additions	1,110	1,273	20	2,403
Thereof business combinations according to IFRS 3	180	118	0	299
Depreciation	-172	0	0	-172
Effects from currency conversion	-13	-10	0	-23
Amount on 12/31/2020	**9,242**	**3,671**	**704**	**13,618**
Cumulative depreciation	Real estate	Transportation	IT equipment	Total
Amount on 12/31/2019	1,148	894	188	2,230
Additions	1,413	1,115	273	2,802
Thereof business combinations according to IFRS 3	90	36	0	126
Depreciation	-172	0	0	-172
Effects from currency conversion	-4	-4	0	-8
Amount on 12/31/2020	**2,385**	**2,006**	**461**	**4,852**
Fair value as of 12/31/2019	7,169	1,515	496	9,180
Fair value as of 12/31/2020	6,858	1,666	242	8,766

The Group leases office and storage space for its real estate business. In some cases, extension options may be exercised. However, these have not yet been included in the lease period applied. If these options were exercised, additional cash outflows of up to EUR 8.7 million (previous year: EUR 8.5 million) would have to be included in the valuation of the right-of-use assets and the corresponding lease liabilities. Leases that can be terminated at short notice are not included in the right-of-use assets. Operating and transaction costs have not been included as variable lease payments.

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

5. OTHER FINANCIAL ASSETS

Other financial assets primarily include non-controlling interests in non-listed real estate asset companies and closed-end real estate investment funds, which are measured at their fair value, as well as the deposits paid for leased office space.

This item breaks down as follows:

Other financial assets in TEUR	2020	2019
Investments	8,460	8,624
Investments in associates – at equity	57	16
Security deposits	386	363
Other	1,008	0
Total	**9,911**	**9,003**

6. CURRENT AND DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	2020		2019		
Deferred income taxes in TEUR	Active	Passive	Active	Passive	Change
Unused tax losses (incl. interest carried forward)	45,609	0	48,904	0	-3,295
Investment properties	507	-579,520	382	-514,246	-65,149
Property, plant and equipment	121	-2,753	21	-2,948	295
Other financial assets	53	-1,398	4	-1,408	59
Properties held as inventories	1,166	-7,123	0	0	-5,957
Liabilities	4,469	-3,094	3,319	-3,561	1,617
Provisions	1,426	-256	1,577	-427	20
Liabilities from convertible bonds	13,532	0	0	0	13,532
Derivative financial instruments	7,199	0	21,085	0	-13,886
Total	**74,082**	**-594,144**	**75,292**	**-522,590**	**-72,764**
Offset	-23,434	23,434	-25,563	25,563	-
Deferred income taxes recorded on the face of the balance sheet	**50,648**	**-570,711**	**49,730**	**-497,027**	**-**
				Change in cash 2020	**-72,764**
				Thereof within equity:	**-6,066**
				Thereof within income:	**-66,698**

The change in deferred income taxes resulting from the initial consolidation and deconsolidation of subsidiaries is not recognised through profit and loss. The change in deferred income taxes on liabilities under convertible bonds primarily stems from convertible bond 2017/2020, part of which was bought back by TAG in 2020.

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

Income taxes in TEUR	2020	2019
Current income tax expense	-6,887	-7,170
Deferred income taxes	-66,698	-83,794
Total	**-73,585**	**-90,964**

Current income taxes include tax expenses for the year under review as well as tax expenses of TEUR 514 for earlier years (previous year: income of TEUR 758).

Deferred income tax liabilities of TEUR 63,403 (previous year: TEUR 67,973) arise from changes in temporary differences. Expenses from changes to deferred income taxes on tax losses carried forward stand at TEUR 3,295 (previous year: TEUR 15,821).

As in the previous year, the income tax refund claims shown in the consolidated balance sheet predominantly comprise corporate tax refunds for earlier years. Income tax liabilities include income tax expenses for the year under review of TEUR 2,016 (previous year: TEUR 6,979). The other income tax liabilities relate to income taxes for earlier years.

Expected and actual net tax expense is reconciled as follows:

Actual net income tax expense in TEUR	2020	2019
Earnings before income taxes (EBT after other taxes)	476,206	547,338
Expected net tax expense (32.275%)	-153,695	-176,653
Reconciled with tax effects from:		
Income and expenses from earlier years	-2,455	1,034
Impairment of deferred income taxes and utilisation of previously unrecognised unused tax losses/interest carried forward	-13,590	-8,709
Tax-free returns and non-deductible expenses	10,182	-2,467
Effects of trade tax exemption	85,448	96,000
Net gains/losses from consolidation	615	0
Others	-90	-169
Actual net income tax expense	**-73,585**	**-90,964**

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

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

The theoretical tax rate is calculated as follows:

Theoretical tax rate in %	2020	2019
Corporate tax	15.000	15.000
Solidarity surcharge	0.825	0.825
Trade tax	16.450	16.450
Total	**32.275**	**32.275**

The notional Group tax rate for the year under review stands at 15.45% (previous year: 16.6%).

Excluded from deferred income tax assets are unused corporate tax losses of EUR 124 million (previous year: EUR 110 million) and unused trade tax losses of EUR 266 million (previous year: EUR 177 million) as well as interest carried forward of EUR 0 million (previous year: EUR 3 million) as utilisation is currently not considered to be likely.

The sum total of unrecognised temporary differences in connection with shares in subsidiaries and associates stands at EUR 149 million (previous year: EUR 138 million). The Group does not expect any strain from this as there are currently no plans to sell these shares.

7. REAL ESTATE ASSETS HELD AS INVENTORIES AND OTHER INVENTORIES

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

Properties held as inventories in TEUR	2020	2019
Amount on 01. Januar	**58,452**	**52,296**
Additions from Business combinations	116,898	0
Investments	75,181	7,651
Transferred to investment properties	-14,561	0
Impairments	-39	-3
Reversal	0	59
Disposals	-126,496	-1,551
Effects from currency conversion	-7,429	0
Amount on 31 December	**102,006**	**58,452**

Real estate assets held as inventories mainly include development projects as of the reporting date. EUR 44.4 million of the investments are attributable to the new development projects in Poland acquired in 2020 and EUR 27.8 million (previous year: EUR 6.1 million) to a commercial development project in Munich.

Investment properties recognised as inventories valued at EUR 0.1 million (previous year: EUR 34.2 million) are used to secure bank liabilities, primarily in the form of real estate liens and the assignment of rental receivables. This item also includes development projects which are not expected to be completed and sold until after twelve months.

The real estate assets held as inventories include hidden reserves arising from the difference of EUR 27.4 million (previous year: EUR 75.4 million) between the book value and the fair value.

Directly attributable cost of debt of TEUR 1,912 (previous year: TEUR 231) for development projects were recognised.

Other inventories primarily comprise heating material.

8. TRADE RECEIVABLES

Trade receivables break down as follows:

Trade receivables in TEUR	2020	2019
Rent receivables	16,875	16,599
Receivables from the sale of properties	105	116
Others	717	717
Total	**17,697**	**17,432**

As in the previous year, receivables from the sale of land are secured by cash deposits.

Rental receivables include an amount of EUR 9.4 million (previous year: EUR 9.4 million) arising from the netting of gross receivables of EUR 153.9 million (previous year: EUR 140.1 million) under rechargeable but not yet invoiced utility and incidental costs with the corresponding advance payments received from the tenants. Utility and incidental costs for which statements of account have been issued account for receivables of TEUR 1,860 (previous year: TEUR 2,649).

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

Individual impairments in TEUR	2020	2019
Amount on 1 January	8,645	8,459
Utilised	-2,884	-2,516
Reversed	-1,664	-2,120
Additions	4,452	4,823
First-time consolidation	1,846	0
Amount on 31 December	10,395	8,645

In the year under review, impairments (individual adjustments and derecognised amounts) of trade receivables of TEUR 4,577 (previous year: TEUR 4,386) were recognised in the income statement due to insufficient credit worthiness on the part of tenants.

9. OTHER CURRENT ASSETS

Other current assets break down as follows:

Other current assets in TEUR	2020	2019
Prepayments received from the project development business	6,945	0
Receivables from the project development business	5,445	0
Receivables from tax authorities	4,563	622
Loans to shareholders with non-controlling interests	4,444	3,894
Rechargeable retirement benefit obligations	4,331	4,363
Excess payments to suppliers	1,326	2,045
Others	1,392	72
Total	28,448	10,996

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

The prepayments received under development project business are purpose-tied advance payments made by customers for residential units under construction. These prepayments are reclassified as cash and cash equivalents after the defined percentage of completion has been reached.

10. PREPAYMENTS MADE FOR BUSINESS COMBINATIONS

The prepayments for business combinations recognised in the previous year concerned the purchase price deposited in an escrow account for the acquisition of all of the shares in Vantage Development S.A. in Poland. The purchase contract was signed on 8 November 2019 and the company was initially consolidated on 13 January 2020.

11. CASH AND CASH EQUIVALENTS

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

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

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

The table below sets out the movements in this item:

Non-current assets held for sale in TEUR	2020	2019
Amount on 1 January	34,536	86,995
Reclassification from investment properties	45,111	6,055
Investments	163	243
Changes in market value	-602	-1,402
Sales	-22,724	-39,023
Reclassification from investment properties	-2,534	-18,332
Effects from currency conversion	-52	0
Amount on 31 December	53,898	34,536

Sales contracts have already been signed for a portion valued at EUR 24.8 million (previous year: EUR 9.9 million), with ownership, rights of use and liabilities expected to be transferred next year. The assets are allocated to Level 3 of the fair value hierarchy and their value measured on the basis of the independent expert's report. The procedure underlying the calculation as well as the main valuation inputs are described in the notes on investment properties.

Liabilities in connection with the assets held for sale comprise lease liabilities under leasehold rights.

13. EQUITY

SHARE CAPITAL, AUTHORISATION OF THE MANAGEMENT BOARD TO ISSUE OF NEW SHARES (AUTHORISED AND CONTINGENT CAPITAL) AS WELL AS SHARE BUYBACKS

The Company's fully paid-up share capital is unchanged over the previous year and stands at EUR 146,498,765.00. As in the previous year, it is divided into 146,498,765 no-par-value shares with equal voting rights. They are bearer shares.

In a resolution passed at the Annual General Meeting held on 23 May 2018, the shareholders approved the creation of “Authorised capital 2018” and authorised the Management Board subject to the Supervisory Board's approval to increase the Company's share capital by a total amount of no more than EUR 29m by issuing up to 29,000,000 no-par-value ordinary shares on a cash and/or non-cash basis once or on repeated occasions on or before 22 May 2023. The Management Board has so far not made any use of this authorisation.

In a resolution passed at the Annual General Meeting held on 23 May 2018, the Contingent Capital 2017/I approved at the Annual General Meeting of 16 May 2017 was replaced by "Contingent Capital 2018/I" In this connection, the Management Board was authorised to increase the Company's share capital by up to EUR 29 million through the issue of up to 29 million new no-par bearer shares on a contingent basis. The contingent capital will be used to grant shares to the holders of convertible and/or option bonds which are issued by the Company or any of its directly or indirectly affiliated subsidiaries in accordance with the authorisation granted on 14 June 2013, 19 June 2015, 16 May 2017 or 23 May 2018. The new shares will be issued at the conversion or option price determined in accordance with the above mentioned authorisation resolutions. The contingent capital may be utilised only to the extent that the conversion and option rights are exercised or corresponding obligations are to be settled and only if no other method of settlement is applied. This authorisation was partially exercised in 2020 to issue a new convertible bond. Under the new convertible bond, up to approximately 13,819,465 new no-par value bearer shares (approximately 9.43% of the share capital) may be issued.

A resolution was Annual General Meeting general meeting held on 17 June 2016, authorising the Company to buy treasury stock in an amount of up to 10% of the share capital existing upon the authorisation taking effect - or if less - upon the authorisation being exercised on or before 16 June 2021. The authorisation may not be utilised by the Company to trade in treasury stock. In addition to the customary statutory possibilities for use, the shares may also be allocated and transferred to members of the Management Board in connection with the determination of variable remuneration.

The Company made use of this authorisation to buy back a total of 310,000 of its own shares for the staff participation programme and the long-term incentive plan for the Management Board. In 2020, the Company awarded 26,080 of these shares (previous year: 15,300 shares) to employees under the staff participation programme. 31,851 shares were awarded for claims vesting in 2016 under the long-term incentive plan for the Management Board. As of the reporting date, TAG held 203,884 (previous year: 161,815) treasury shares, equivalent to 0.14% (previous year: 0.11%) of its share capital. Reported subscribed capital less treasury stock thus stands at TEUR 146,295 (previous year: TEUR 146,337).

Reserves

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

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

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

Dividend

Subject to the Supervisory Board's consent, the Management Board of TAG plans to propose a dividend of EUR 0.88 per share for 2020 (previous year: EUR 0.82 per share) for approval by the shareholders.

Non-controlling interests

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

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

14. FINANCIAL LIABILITIES

Changes in financial liabilities are as follows:

						Other		
Financial liabilities in TEUR	**01/01/2020**	**Cash flow from financing activities**	**Additions from Business acquisitions**	**Changes in fair value**	**Non-cash changes**	**Interest expenses**	**paid interest**	**12/31/2020**
Liabilities to banks	1,901,197	67,532	8,475	0	0	39,793	-38,482	1,977,924
Liabilities from corporate bonds and other loans	402,976	53,245	40,394	0	-1,874	6,193	-5,016	495,918
Liabilities from convertible bonds	258,875	302,260	0	0	0	5,457	-1,228	565,364
Derivative financial instruments	71,508	-97,640	0	54,718	0	0	0	28,585
Lease liabilities	14,041	-2,851	3,741	0	3,167	112	0	18,210
Other financial liabilities	25,779	-1,783	0	0	681	277	0	24,954
Total	**2,674,376**	**320,763**	**52,610**	**54,718**	**1,383**	**51,832**	**-44,726**	**3,110,955**

						Other		
Financial liabilities in TEUR	**01/01/2019**	**Cash flow from financing activities**	**Additions from Business acquisitions**	**Changes in fair value**	**Non-cash changes**	**Interest expenses**	**paid interest**	**12/31/2019**
Liabilities to banks	1,855,544	48,908	0	0	0	41,081	-44,336	1,901,197
Liabilities from corporate bonds and other loans	285,763	116,287	0	0	0	4,676	-3,750	402,976
Liabilities from convertible bonds	257,527	0	0	0	0	3,014	-1,666	258,875
Derivative financial instruments	42,005	0	0	29,503	0	0	0	71,508
Lease liabilities	14,645	-2,031	0	0	1,160	267	0	14,041
Other financial liabilities	26,587	-1,863	0	0	871	184	0	25,779
Total	**2,482,071**	**161,301**	**0**	**29,503**	**2,031**	**49,222**	**-49,752**	**2,674,376**

Liabilities to banks

Liabilities to banks break down as follows: For the most part, they are collateralised by real property liens and the assignment of rental income. The banks may only liquidate this collateral in the event of a material breach of the loan contract (e.g. failure to comply with financial covenants).

Liabilities under corporate bonds and other loans

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

A borrower's note loan for a total of EUR 102.0 million with maturity tranches of five years (EUR 59.0 million) and seven years (EUR 43.0 million) was issued in 2019 and is subject to interest of 1.125% and 1.250% p.a. respectively. A further borrower's note loan for a total of EUR 92.0 million with maturity tranches of between three and five years was issued in 2020. With an average term of 6.2 years, it has an average coupon of 2.0% p. a.

Since 2018, short-dated commercial papers have been issued in an amount of up to EUR 50.0 million as a special type of corporate bond with a term customarily of between one and six months. As of 31 December 2020, an amount of EUR 50.0 million (previous year: EUR 50.0 million) was outstanding in this connection.

Convertible bonds

TAG issued convertible bond 2020/2026 with a nominal value of EUR 470.0 million in August 2020. With a term of six years and a coupon of 0.625% p.a., it is unsecured. The conversion price stood at EUR 34.01 on the reporting date and will only be adjusted if future dividend payments exceed EUR 0.82 per share.

At the same time, a call-in offer was made for the existing unsecured convertible bond 2017/2022, which also carries a coupon of 0.625% p.a. and has an original nominal value of EUR 262.0 million. On the basis of this offer, TAG called in convertible bonds with a nominal value of EUR 131.0 million, resulting in a cash outflow of EUR 189.5 million. Subsequently, convertible bonds 2017/2022 with a nominal value of EUR 113.5 million were called in, with TAG exercising the cash settlement option instead of converting them into shares. This resulted in a further cash outflow of EUR 71.5 million in 2020. Further obligations after the reporting date for the expected cash settlement of EUR 93.0 million are additionally reported within current liabilities from convertible bonds. As a result, a nominal amount of EUR 17.5 million of this convertible bond is still outstanding as of the reporting date. The conversion price stood at EUR 17.46 on the reporting date (previous year: EUR 17.69) and will only be adjusted if future dividend payments exceed EUR 0.57 per share.

Derivative financial instruments

The fair value of the conversion rights under convertible bonds of TEUR 13,818 (previous year: TEUR 65,329) are reported within derivative financial instruments.

As well as the purchase price guarantees for non-controlling interests in subsidiaries with a fair value of EUR 6,303 million (previous year: EUR 6,179 million).

Lease liabilities and other financial liabilities

Other non-current liabilities primarily consist of lease liabilities of TEUR 15,635 (previous year: TEUR 11,647) and liabilities of TEUR 4,666 under guaranteed dividends (previous year: TEUR 5,388) payable to non-controlling shareholders. Other current liabilities also include lease liabilities and guaranteed dividends due for settlement within one year as well as the tendering rights of non-controlling shareholders.

Non-cash changes in lease liabilities relate to new contracts as well as reclassifications. Non-cash changes in other financial liabilities relate to the interest on the settlement claim under the right of tender.

The non-discounted lease liabilities stood at TEUR 18,350 (previous year: TEUR 15,473) as of the reporting date.

15. RETIREMENT BENEFIT PROVISIONS

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

Retirement benefit provisions in TEUR	Liabilities*	Reimbursement claim
Recognised on the face of the balance sheet as of 01/01/2019	**5,505**	**4,077**
Expenses from the addition	151	0
Income from the reversal	0	0
Reversal within equity (reimbursement claim)	489	489
Pension payments	-346	-203
Amount on 12/31/2019	**5,799**	**4,363**
Recognised appropriation	162	0
Reimbursement recognised (within equity)	176	176
Pension payments	-353	-207
Amount on 12 /31/2020	**5,783**	**4,331**

* The present value of the defined benefit obligation equals the obligation recognised on the face of the balance sheet. It stood at TEUR 5,942 as of 31 December 2017, TEUR 6,132 as of 31 December 2016 and TEUR 6,020 as of 31 December 2015.

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

Of the retirement benefit provisions, an amount of TEUR 349 (previous year: TEUR 339) is due for payment within one year. These amounts together with other retirement benefit obligations are reported within non-current liabilities for the sake of simplicity.

The change in the year under review is primarily due to interest expense as well as actuarial gains or losses. As the change in the reimbursement claim corresponding to part of the liability is subject to the same factors, the effects are mostly reported within equity. Any additional effects are included within interest expense or income, as the case may be.

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

Retirement benefit provisions	2020	2019
Interest rate in %	0.72	0.86
Pension adjustment in %	2.00	2.00
Duration (in years)	10	10
Retirement age	In accordance with the German Social Code - Book VI	

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

16. OTHER PROVISIONS

Other provisions break down as follows:

Other provisions in TEUR	Amount 01/01/2020	Business combinations according to IFRS 3	Utilised	Reversed	Added	Amount 12/31/2020
Outstanding invoices	14,873	0	14,239	450	17,448	17,632
Damages and litigation risk	3,000	0	272	26	1,031	3,733
Bonus	1,375	0	1,375	0	1,496	1,496
Legal, consulting and auditing costs	827	0	827	0	633	633
Others	2,749	1,524	2,763	394	3,130	4,246
Total	**22,824**	**1,524**	**19,476**	**870**	**23,738**	**27,740**

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

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

17. TRADE PAYABLES

Trade payables primarily comprise net obligations under advance payments towards utility costs less those utility costs that have not yet been invoiced as well as liabilities to suppliers.

Trade payables include an amount of EUR 12.7 million (previous year: EUR 16.2 million) arising from the netting of prepayments of EUR 157.2 million (previous year: EUR 146.8 million) made by the tenants with corresponding receivables under rechargeable but not yet invoiced utility and incidental costs.

18. OTHER CURRENT LIABILITIES

This item breaks down as follows:

Other current liabilities in TEUR	2020	2019
Prepayments received from sales	20,386	0
Put options of non-controlling shareholders	19,232	19,057
Tenant credit from advance payments	9,770	10,312
Tax liabilities	6,582	3,783
Lease liabilities	2,610	2,394
Obligations from associated companies	1,997	2,026
Guaranteed dividend	1,055	1,333
Deferrals and accruals	684	623
Others	890	1,473
Total	**63,205**	**41,001**

The liabilities under put rights held by non-controlling shareholders concern a settlement offer submitted in 2016 to the external shareholders of TAG Colonia-Immobilien AG, under which they were to transfer their shares to a 100% subsidiary of TAG in consideration of a cash payment of EUR 7.19 per share. This right remains effective until the end of the pending shareholder action.

NOTES ON INCOME STATEMENT

19. RENTAL INCOME (NET RENT)

The income from rental business breaks down into rental income recognised in accordance with IFRS 16 and the income recognised in accordance with IFRS 15 for external utility and incidental costs. The Covid-19 pandemic did not have any significant impact on the revenue generated from rental business during the financial year.

Rental income breaks down as follows:

Rental income in TEUR	2020	2019
Net rent	322,515	314,967
Pro rata remuneration of property tax and building insurance	13,487	13,220
Rental income according to IFRS 16	**336,002**	**328,187**
External operational- and anciallary-costs re-charged to tenants	86,760	74,204
Pro rata remuneration of property tax and building insurance	3,628	3,115
Costs re-charged to tenants according to IFRS 15	**90,388**	**77,319**
Total	426,390	405,506

Together with net income from sales and the provision of services, the income recognised in accordance with IFRS 15 comprises income of TEUR 345,182 (previous year: TEUR 170,260) from contracts with customers.

Rental expenses break down as follows:

Rental expenses in TEUR	2020	2019
Maintenance expenses	34,990	33,344
Non-recoverable charges	10,795	10,253
Ancillary costs of vacant real estate	8,655	7,894
Impairment losses on rent receivables	3,982	3,899
Non-rechargeable expenses	**58,422**	**55,391**
Rechargeable costs, taxes and insurance	103,875	90,539
Total	162,296	145,929

20. NET INCOME FROM SALES

Net income from sales breaks down as follows:

Income from sales in TEUR	2020	2019
Revenues from the sale of investment properties	23,310	39,938
Expenses on the sale of investment properties	-23,412	-39,839
Net income from the sale of investment properties	**-101**	**100**
Revenues from the sale of properties held as inventory	101,963	1,812
Expenses from the sale of inventories	-61,655	-2,317
Net income from the sale of inventories	**40,308**	**-505**
Revenues from the sale of properties held as inventory (Poland)	73,370	0
Expenses on the sale of inventories (Poland)	-67,108	0
Net income from the sale of inventories (Poland)	**6,261**	**0**
Total	46,467	-405

21. NET INCOME FROM SERVICES

The income and expenses attributable to service business are spread across the various services provided by the Group as follows:

Income from property services in TEUR	2020	2019
Energy services	24,760	21,928
Facility management	13,873	12,650
Multimedia services	8,826	8,669
Craftsmen services	4,051	3,761
Other	2,790	2,487
Rechargeable land taxes and building insurance	1,851	1,696
Total	56,151	51,191
Impairment losses	-595	-487
Expenditure of property services	-29,442	-29,668
Net income from property services	26,115	21,036

Under IFRS 15, land taxes and building insurance do not constitute services provided by TAG and are reported separately solely for information purposes. With these contractual components, the agreed consideration is allocated to the other identified components of the contract proportionately.

Further service expenses are recognised within the relevant items of the income statement (e.g. personnel costs).

22. OTHER OPERATING INCOME

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

Other operating income in TEUR	2020	2019
Capitalised personnel expenses	2,529	0
Derecognition of liabilities	1,052	755
Reversal of other provisions	870	863
Other out-of-period income	371	438
Government grants	327	1,078
Reversal of provisions for real estate transfer tax risk	0	2,300
Other	1,025	180
Total	6,174	5,614

The personnel expenses recognised in the balance sheet include directly attributable costs from project development activities in Poland.

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

This item comprises gains and losses from the fair-value valuation of investment properties, the effects arising from the ongoing valuation of properties held as inventories and the net fair value gains and losses on the revaluation of properties held for sale It breaks down as follows:

Changes in the fair value in TEUR	2020	2019
Investment properties	329,039	415,444
Properties held as inventories	-39	56
Non-current assets held for sale	-602	-1,402
Total	328,399	414,098

24. PERSONNEL EXPENSES

Personnel expenses break down as follows:

Personnel expenses in TEUR	2020	2019
Employees in operations	29,816	26,083
Administration and central functions	14,032	11,532
Caretakers	11,990	10,284
Craftsmen	2,765	2,406
Total	58,604	50,305

25. OTHER OPERATING EXPENSES

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

Other operational expenditures in TEUR	2020	2019
Legal, consulting and auditing costs (incl. IT consulting)	6,686	6,695
Contributions and donations	4,436	478
Telephone costs, postage, office material	1,820	1,551
Cost of premises	1,689	1,592
IT costs	1,480	1,615
Travel expenses (incl. motor vehicles)	955	1,462
Other ancillary staff costs	897	1,212
Additional costs of transactions	807	491
Insurance	603	524
Advertising	436	459
Investor Relations	374	433
Other	1,998	1,382
Total	22,180	17,894

In the year under review, a sum of TEUR 94 (previous year: TEUR 401) was recognised for short-term leases not placed on the balance sheet. Expense for variable lease payments, which is not included in the valuation of the lease liabilities, came to TEUR 425 (previous year: TEUR 370).

26. NET FINANCE INCOME/EXPENSE

Net finance income/finance expense has the following structure:

Financial result in TEUR	2020	2019
Effect from currency changes through profit and loss	-1,506	0
Investment income	822	1,374
Interest income	803	480
Interest expense	-107,159	-79,440
Finance income/expense	**-107,040**	**-77,586**
Non-cash interest from bonds	3,628	1,402
Premature termination compensation	641	174
Other non-cash items (e.g. derivatives)	57,849	30,377
Net finance income/expense (cash, without one-time invoice)	**-44,921**	**-45,633**

Other net finance income/expense includes changes of TEUR 93 (previous year: TEUR 509) in the value of equity interests designated as FVTPL as well as dividends and distributions received of TEUR 372 (previous year: TEUR 566). The share of profit of associates comprises the net profit/loss of associates.

The currency differences recognised in profit or loss result from the translation of foreign currencies on the reporting date.

Interest income refers to the interest income calculated using the effective interest method from financial assets measured at amortised cost.

Interest expense breaks down as follows:

Interest expense in TEUR	2020	2019
Interest expense under the effective interest method Financial liabilities recognised at amortised cost	51,712	49,457
Net change in fair value Derivative financial instruments valued at fair value through profit and loss	54,718	29,503
Other financial expenses	730	480
Total	**107,159**	**79,440**

Other non-cash items predominantly comprise the valuation of derivatives at TEUR 54,718 (previous year: TEUR 29,503) and currency-translation differences of TEUR 1,506 (previous year: TEUR 0).

27. EARNINGS PER SHARE

Earnings per share break down as follows:

Earnings per share	2020	2019
Consolidated net profit (in TEUR)		
Consolidated net profit excluding non-controlling interest	393,521	446,259
Interest expense on convertible bonds	2,100	21,277
Consolidated net profit excluding non-controlling interest (diluted)	395,621	467,536
Number of shares (in thousands)		
Weighted number of shares outstanding	146,288	146,333
Effect of conversion on convertible bonds	13,819	14,775
Effect of management compensation	36	43
Weighted number of shares (diluted)	160,143	161,151
Earnings per share (in EUR)		
Basic	2.69	3.05
Diluted	2.47	2.90

Diluted earnings per share include the potential correction to consolidated earnings and the number of shares outstanding when convertible instruments or options are exercised. In TAG's case, the dilution effect primarily arises from "potential shares" under convertible bonds. No effects from convertible bond 2017/2022 were recognised in 2020 as there were no dilution effects.

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	2020	2019
Cash and cash equivalents as reported on the balance sheet	324,320	91,306
Cash at banks subject to drawing restrictions	-4,301	-2,620
Cash and cash equivalents	**320,019**	**88,686**

The amount reported refers to incoming payments subject to temporary drawing rights from sales as well as bank balances pledged in the short term for maintenance activities.

Cash and cash equivalents of TEUR 1,445 (previous year: TEUR 1,001) were acquired through the acquisition of real estate asset companies.

Further information on cash flows and non-cash changes in liabilities from financing activities including lease liabilities can be found in Note 14 "Financial Liabilities".

NOTES ON SEGMENT REPORTING

TAG manages its residential portfolio on a regional basis and has divided its real estate holdings in the "Rental" segment into the following regions: Berlin, Chemnitz, Dresden, Erfurt, Gera, Hamburg, Leipzig, Rhine-Ruhr, Rostock, Salzgitter and other activities. In addition, there are various rented commercial real estate assets as well as serviced apartments operated by TAG. The business activities of these segments are based on the rental of portfolio real estate assets to TAG customers. Accordingly, they are reported at an aggregated level within the rental segment.

The "Services" segment includes the business activities attributable to the internal service companies. In addition to rental business, TAG has been expanding its activities in real-estate-related services over the past few years. This explains the aggregated disclosure of information for the rental and services segment since the end of 2019.

TAG's business activities in Poland currently particularly entail the development of real estate assets planned for future rental as well as the remaining development and sale of residential units held as inventory real estate assets. As these sales, together with the transactions achieved in Germany, generated significant revenues in 2020, a "Project Development and Sales" segment has also been defined. The Polish business activities currently do not make any contribution to earnings in the "Rental" segment.

Segment reporting is consistent with internal reporting, which fundamentally conforms to IFRS accounting requirements (with the exception of the reconciliation of segment earnings II with EBIT described below). Segment earnings I are derived from net rental income (net rent) and the services provided as well as the related expenses. Segment earnings II includes the attributable personnel expenses and other income and expenses and are calculated as follows:

Segment report		Rental	Services	Business activities in Poland	Total
Segment revenues	**2020**	**322,515**	**54,300**	**198,642**	**575,457**
	2019	314,967	49,495	41,749	406,211
Segment expenses	**2020**	**-80,058**	**-28,186**	**-152,175**	**-260,419**
	2019	-80,766	-28,459	-42,154	-151,379
Rental expenses	**2020**	**-12,136**	**0**	**0**	**-12,136**
	2019	-12,141	0	0	-12,141
Investment costs	**2020**	**-65,204**	**0**	**0**	**-65,204**
	2019	-66,117	0	0	-66,117
Impairment losses on receivables	**2020**	**-3,981**	**-596**	**0**	**-4,577**
	2019	-3,899	-487	0	-4,386
Service expenses	**2020**	**0**	**-27,590**	**0**	**-27,590**
	2019	0	-27,972	0	-27,972
Other revenues	**2020**	**1,263**	**0**	**0**	**1,263**
	2019	1,391	0	0	1,391
Segment result I	**2020**	**242,457**	**26,114**	**46,467**	**315,038**
	2019	234,201	21,036	-405	254,832
Personnel expenses	**2020**	**-18,334**	**-17,643**	**0**	**-35,977**
	2019	-17,472	-15,245	0	-32,717
Other income/other expenses	**2020**	**-3,599**	**2,245**	**0**	**-1,354**
	2019	-3,134	2,180	0	-954
Segment result II	**2020**	**220,524**	**10,716**	**46,467**	**277,707**
	2019	213,595	7,971	-405	221,161
Segment assets	**2020**	**5,809,449**	**0**	**175,000**	**5,984,449**
	2019	5,248,270	0	54,085	5,302,355

Revenues arising from business activities between the segments are primarily generated by internal services. TAG's service companies regularly provide services for the portfolio companies of the rental segment.

Reflecting internal reporting practices, rental segment revenue is reported solely on a net basis ("net rent"). Note 19 "Rental income" in the notes on the consolidated income statement reconciles income from rental business with segment revenue/rental income.

In line with internal reporting practices, revenues in the services segment comprise the revenues generated by the internal service companies less land tax and building insurance in accordance with IFRS 15. Segment revenues are reconciled with service income in Note 21 "Net income from services" in the notes to the consolidated income statement.

The following table reconciles segment earnings II with EBT as stated in the income statement:

Segment earnings in TEUR	2020	2019
Segment earnings II	**277,707**	**221,161**
Capitalised investment costs not deducted from segment earnings	30,215	32,773
Non-allocated ancillary costs of vacant real estate	-8,655	-7,894
Fair value changes in investment properties and valuation of properties held as inventory	328,399	414,098
Non-allocated personnel expenses	-22,627	-17,588
Depreciation	-7,218	-6,797
Other non-allocated income and expenses	-14,575	-10,829
Net finance expense	-107,040	-77,586
EBT	**476,206**	**547,338**

DISCLOSURES ON FINANCIAL INSTRUMENTS

RISKS AS A RESULT OF FINANCIAL INSTRUMENTS

The Group's business activities expose it to various risks of a financial nature. These risks comprise market, liquidity and loan risks. On the basis of the guidelines issued by the Company's managing bodies, risk management is based in the central finance department. The counterparty default risks for derivative financial instruments and financial transactions are minimised by selecting investment-grade financial institutions.

CAPITAL RISK MANAGEMENT

The Group manages its capital with the aim of maximising income from its investments by optimising its equity and debt capital. In this connection, precautions are taken to ensure that all Group companies are able to operate in accordance with the going-concern assumption.

As a joint stock company, TAG is subject to the minimum capital requirements specified in the German Joint Stock Company Act. In addition, the Group is subject to the customary and industry-standard minimum capital requirements stipulated by the financial services industry, particularly with respect to the finance of specific items of real estate. Compliance with these requirements is monitored on an ongoing basis and was ensured at all times in the year under review as well as in the previous year.

Risk management reviews the Group's capital structure on a quarterly basis in the light of the cost of capital and the risk inherent in each capital class. In order to satisfy the external capital adequacy requirements, accounting ratios are tracked and forecast regularly. This includes capital service ratios for specific properties, loan-to-value parameters and financial covenants.

The equity ratio including non-controlling interests as of the end of the year is as follows:

Equity ratio in TEUR	2020	2019
Equity	2,681,528	2,394,236
Total assets	6,477,985	5,646,970
Equity ratio in %	41.4	42.4

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of assets and liabilities is determined by using inputs which are as market-oriented as possible. The valuation hierarchy divides the input factors into three levels depending on the availability of data:

Level 1: Prices quoted in active markets for identical assets or liabilities (such as share prices).

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques for which any significant input is not based on observable market data.

If input factors for different hierarchical levels are applied, the fair value is calculated on the basis of the lower hierarchical level. There were no transfers between the individual hierarchical levels in the period under review.

The fair values of the financial instruments recorded in the statement of financial position break down as follows:

Fair values of financial instruments in TEUR		2020	2019
Assets			
Other financial assets	Level 2	5,020	4,793
Other financial assets	Level 3	3,456	3,848
Equity and liabilities			
Derivatives with no hedging relationship	Level 2	-28,585	71,508

The change in the book value of the other financial assets with a fair value calculated at Level 3 is composed of outflows of TEUR 257 (previous year: TEUR 47) and changes in fair value through profit and loss of TEUR -135 (previous year: TEUR 531).

They primarily comprise non-listed minority interests in real estate companies and funds. Equity investments are measured partially on the basis of observable market prices (Level 2) and partially on the basis of company-specific models such as customary net asset value models in the light of non-observable market data (Level 3). The inputs used in these methods include assumptions on future cash flows and future real estate prices and are based as closely as possible on market data. A change in the fair value of real estate assets held by associates would have a proportionate effect on the fair value of such associates. At the moment, there is no specific intention for these investments to be sold.

Derivative financial instruments are measured using established methods, the main inputs for which are derived from active markets. The purchase price guarantees, which are recognised as a derivative financial instrument with no hedging relationship, are measured using a standardised process based on a Monte Carlo (mark-to-model) simulation applying two correlated stochastic processes. The conversion rights under the convertible bonds, which are recognised separately as a derivative, are measured using a binomial model.

In addition, the following financial instruments whose book values are not sufficiently close to their fair value are measured at amortised cost in the consolidated balance sheet:

		2020		2019	
Financial instruments in TEUR	IFRS 13 Valuation	Book value	Fair value	Book value	Fair value
Liabilities to banks	Level 2	1,977,924	2,077,069	1,901,196	1,977,963
Liabilities from corporate bonds and other loans	Level 2	495,918	502,702	402,976	405,856
Liabilities from convertible bonds	Level 2	565,364	582,253	258,875	262,493
Lease liabilities	Level 2	18,210	18,052	0	14,531

The fair value of non-current liabilities is calculated using the discounted cash flow method. The discount rate is based on an appropriate market interest rate.

Trade receivables, other current assets and cash and cash equivalents, which are also recognised at historical cost, have short settlement periods. Accordingly, their book value as of the balance sheet date comes close to their fair value. The same thing applies to current liabilities to banks, trade payables and other current liabilities.

PURPOSES OF FINANCIAL RISK MANAGEMENT

The main risks monitored and managed by means of the Group's financial risk management comprise market risks arising from interest rates as well as equity prices, credit, finance and liquidity risks.

MARKET RISKS

The Group's activities expose it to financial risks arising from changes in interest rates. For the most part, long-term bank loans are subject to fixed interest rates. However, there is also a very small volume of floating-rate loans. The corporate and convertible bonds and the promissory note loans have solely fixed interest rates.

As of 31 December 2020, floating-rate loans had a nominal value of EUR 55.6 million (previous year: EUR 60.5 million). With respect to these loans, an increase/decrease of 0.5% in the interest rate would result in an increase/decrease in annual interest expense of EUR 0.3 million (previous year: EUR 0.3 million). These effects would directly affect consolidated net profit and consolidated equity in the light of the effect on income tax.

The derivative financial instruments include the remaining conversion right under the convertible bond 2017/2022 with a fair value of EUR 8.5 million (previous year: EUR 65.3 million) after repurchase or redemption, the conversion right under convertible bond 2020/2026 with a fair value of EUR 13.8 million (previous year: EUR 0.0 million) and purchase price guarantees in favour of minority shareholders of subsidiaries with a fair value of EUR 6.3 million (previous year: EUR 6.2 million). These derivatives are subject to the risk of changes in interest rates as well as share prices. An increase/decrease of 0.5% in interest rates would cause the obligations under these financial instruments to increase by EUR 0.5 million (previous year: decrease by EUR 0.7 million) or decrease by EUR 0.4 million (previous year: increase by EUR 0.8 million), respectively. An increase/decrease of 5% in the price of TAG shares would result in an increase of EUR 4.7 million (previous year: EUR 10.0 million) or a decline of EUR 4.1 million (previous year: EUR 8.4 million), respectively, in the value of this obligation. The change would directly affect consolidated net profit and consolidated equity in the same amount in the light of the deferred tax effects.

CREDIT RISK MANAGEMENT

Introduction

The credit risk is the risk of a loss for the Group if a counterparty fails to honour its contractual obligations. The book value of the financial assets recognised in the consolidated financial statements less any impairments constitute the Group's maximum credit risk. This does not include any collateral received, particularly rental deposits and liens.

The Group enters into business relations solely with credit-worthy counterparties and, if appropriate, requests collateral to reduce the risk of a loss in the event of the counterparty's failure to satisfy its obligations. In this connection, available financial information as well as the Group's own trading records were used to assess counterparties. Risk exposure is monitored on an ongoing basis.

There are trade receivables due from a large number of customers spread over different regions, all of which are located within Germany. Regular credit assessments are performed to determine the financial condition of the receivables. Material other receivables are predominantly held against customers with good credit ratings.

As a result of the Covid-19 pandemic, the Group granted temporary rent concessions to certain customers. However, this measure was not utilised to any significant extent on the basis of the "Covid 19 Pandemic Mitigation Act in Civil, Insolvency and Criminal Procedure Law" applicable to rent payments for the months from April to June 2020. Gross receivables under rent concessions were valued at EUR 0.04 million as of the reporting date. Overall, as no significant negative influences were identified in the year under review, adjustments to impairments did not exceed the customary extent.

Estimate of expected credit losses

At each reporting date, TAG examines financial assets recognised at amortised cost for any evidence of impairment. A financial asset is impaired if one or multiple events with a negative impact on the expected future cash flows from the financial asset occur.

The gross book value of a financial asset is impaired if the Group does not reasonably believe that it will be possible to recover all or part of the financial asset. Impairments of trade receivables always equal the expected credit loss over their respective term. The Group uses an impairment matrix to measure expected losses on receivables from rental business. These include a very large number of small balances.

At the beginning of 2020, TAG modified its method for measuring receivables, replacing the factor method, which applies the ratio of outstanding receivables to gross rent including deposits, with valuation based on the maturity profile. Deposits are still taken into account. Loss ratios are calculated on the basis of historical data from the last three years in the light of any changes in external factors and are reviewed regularly. An average loss rate continues to be calculated for terminated leases.

In the light of the uncertainties surrounding the economic impact of the Covid-19 pandemic, the Company carried out a regular analysis of the effects of generally impaired creditworthiness on the future risk of rental defaults. This did not indicate any significant increase in expected defaults. Significant factors influencing the default risk are the number and amount of deferrals and returned direct debits. The maximum risk in relation to returned direct debits is estimated to be EUR 0.4 million on the basis of the volume of returned direct debits in the fourth quarter of 2020 as of the reporting date. There were no outstanding receivables under deferrals as of the reporting date.

The following table provides information on the estimated credit risk with respect to rentals owed.

Credit risk 31 December 2020 in EUR m	Loss rate	Gross book value	Impairment
Existing rental contracts			
Rent receivables not yet due	0.5%	12.5	0.1
≤ 90 Days	39%	2.0	0.7
≤ 180 Days	62%	1.8	0.5
≤ 270 Days	82%	0.5	0.4
> 270 Days	100%	0.7	0.7
Terminated rental contracts	75%	10.6	7.9
Total		**28.1**	**10.4**

Credit risk 31 December 2019 in EUR m	Loss rate	Gross book value	Impairment
Existing rental contracts			
- Factor ≤ 2	0.3%	14.2	0.1
- Factor > 2 ≤ 3	38%	0.5	0.1
- Factor > 3 ≤ 6	65%	0.9	0.5
- Factor > 6 ≤ 9	80%	0.5	0.4
- Factor > 9	100%	1.1	1.1
Terminated rental contracts	75%	8.9	6.4
Total		**26.1**	**8.6**

The Group derecognises a financial asset when it is finally determined to be unrecoverable. In making this assessment, the Group takes into account credit information or information from judicial rent collection proceedings, for example.

Impairments of trade receivables

Impairments of trade receivables changed as follows:

Impairments in EUR m	
Balance on 1 January 2019	**8.5**
Amounts adjusted	-2.5
Net changes over expected term	2.6
Balance on 31 December 2019	**8.6**
Amounts adjusted	-2.9
Net changes over expected term	4.7
Balance on 31 December 2020	**10.4**

Receivables had a gross carrying amount of EUR 2.0 million in the year under review (previous year: EUR 3.4 million). Significant changes in the gross carrying amount of trade receivables regularly result from changes in the normal course of business. The increase in the year under review is mainly due to the first-time consolidation of seven companies in the fourth quarter.

As of 31 December 2020, trade receivables with a nominal value of EUR 6.9 million (previous year: EUR 4.8 million) were subject to enforcement proceedings.

Other current assets/cash and cash equivalents

The estimate of expected credit losses applicable to other current assets/cash and cash equivalents is based on valuation inputs and external ratings. The expected credit losses are still classified as low.

As of reporting date, the Group had cash and cash equivalents of EUR 324.3 million (previous year: EUR 91.3 million). Cash and cash equivalents are deposited with banks and financial institutions all of which have an investment grade rating. The impairment of cash and cash equivalents is calculated on the basis of expected losses within twelve months and thus reflects the short settlement periods. The Group assumes that its cash and cash equivalents are currently exposed to a very low risk in view of the external ratings of the banks and financial institutions. Accordingly, it has not recognised any impairments for materiality reasons.

The Group has granted short-term loans of EUR 3.9 million as of 31 December 2020 (previous year: EUR 3.6 million), which were secured by pledges on shares in real estate asset companies. Possible credit losses on these loans are calculated on the basis of expected loss within twelve months. TAG assumes that the default risk to which these assets are exposed will increase significantly if the underlying LTV in the real estate property companies serving as collateral exceeds 85% or if there is a payment default.

LIQUIDITY RISK

The Management Board is responsible for liquidity risk management and has established an appropriate model for managing short, medium and long-term finance and liquidity requirements. The Group controls liquidity risks by maintaining reasonable reserves and bank facilities and by means of ongoing monitoring of forecast and actual cash flows and the reconciliation of the maturities of financial assets and liabilities.

Other financial assets primarily concern investments of an indefinite duration. All other financial assets are due for settlement in less than one year.

The following table shows the contractual, non-discounted interest and principal payments towards financial liabilities.

Maturities of financial assets and liabilities in TEUR	Book value	Contractual payment		
		less than 1 year	1 to 5 years	more than 5 years
31 December 2020				
Primary financial instruments				
Liabilities to banks	1,977,924	122,416	877,358	1,187,608
Liabilities from corporate bonds and other loans	495,918	58,998	379,841	94,985
Liabilities from convertible bonds	565,364	3,756	143,296	471,956
Lease liabilities	18,210	2,575	8,631	7,144
Other financial liabilities	25,124	20,678	3,855	2,700
Derivative financial liabilities	28,585	0	8,464	20,121
Total	**3,111,125**	**208,423**	**1,421,445**	**1,784,514**
31 December 2019				
Primary financial instruments				
Liabilities to banks	1,901,196	147,313	688,424	1,322,622
Liabilities from corporate bonds and other loans	402,976	54,955	201,904	170,986
Liabilities from convertible bonds	258,875	1,638	265,275	0
Lease liabilities	14,041	2,394	8,395	4,684
Other financial liabilities	25,779	20,334	3,855	2,700
Derivative financial liabilities	71,508	0	65,329	6,179
Total	**2,674,375**	**226,634**	**1,233,182**	**1,507,171**

The options under convertible bonds 2017/2022 and 2020/2026 may be exercised any time until they expire in September 2022 and August 2026, respectively. In this connection, TAG has a cash settlement option.

The Group is able to utilise overdraft facilities. The total amount not utilised as of the reporting date stands at EUR 120.0 million (previous year: EUR 120.0 million). The Group expects to be able to settle its liabilities from operating cash flow, the inflow of financial assets due for settlement and existing credit facilities at all times notwithstanding possible liquidity disruptions in the capital markets as a result of the resurgence of the Covid-19 pandemic.

FINANCE RISK

TAG is dependent on raising debt capital on reasonable terms to fund its ongoing business and acquisitions. In the event of a crisis in the international financial markets, TAG could find it substantially more difficult to raise the necessary funding and would thus experience liquidity problems. If this results in any problems in servicing ongoing loans, lenders could institute foreclosure proceedings, with such distress sales leading to considerable financial disadvantages for TAG. TAG is still making use of current market conditions to restructure key loan agreements on a long-term basis in order to mitigate this risk.

In addition, loans of a total of EUR 1,657 million (previous year: EUR 1,571 million) have been raised within the Group for which financial covenants specifying certain capital service ratios and equity/debt ratios have been agreed. If any of these covenants are breached, premature loan repayments may be necessary.

Similarly, the corporate and convertible bonds as well as the borrower's note loan are subject to certain terms and conditions which, if breached, constitute a liquidity risk. These bonds and loans can be terminated in the event of any breach of these covenants (see also "Disclosures in accordance with Section 289a and Section 315a (1) of the German Commercial Code" in the combined management report).

As of the reporting date, all main financial covenants stipulated in loan contracts were complied with.

COLLATERAL

The Group holds collateral in the form of financial assets (on-demand accounts and savings accounts) from tenants valued at around EUR 48.8 million (previous year: EUR 45.5 million). The relevant contracts provide for collateral equalling up to three monthly rental instalments to be provided.

REPORTING ON OTHER INFORMATION

OTHER FINANCIAL OBLIGATIONS

As of 1 January 2019, liabilities under operating leases are accounted for in accordance with IFRS 16. In addition, there are financial obligations of TEUR 2,320 (previous year: TEUR 2,290) particularly under service or licence contracts. Of these, an amount of TEUR 389 (previous year: TEUR 285) is due for settlement in one to five years. The remaining amount is due for settlement within one year.

FEES PAYABLE TO STATUTORY AUDITORS

KPMG AG Wirtschaftsprüfungsgesellschaft has audited the annual and consolidated financial statements of TAG Immobilien AG as well as the annual financial statements of various subsidiaries where mandatory audits were required. In addition, a limited-assurance review of the condensed interim consolidated financial statements and the interim Group Management Report as of 30 June 2020 and voluntary audits of the annual financial statements and balance sheets of subsidiaries as of the reporting date were performed. Furthermore, confirmations were issued in connection with loan covenants and a quality assurance review of the effects of the acquisition of Vantage Development S.A., Poland, on the balance sheet was carried out.

The fees of a total of EUR 871 (previous year: TEUR 903) (plus value added tax at the statutory rate) payable within the entire Group for the services of the statutory auditors break down as follows:

- TEUR 869 (previous year: TEUR 890) for auditing services
- TEUR 2 (previous year: TEUR 2) for other attestation services
- TEUR 0 (previous year: TEUR 10) for tax advisory services, and
- TEUR 0 (previous year: TEUR 1) for other services.

The fees for auditing activities include trailing costs of TEUR 17 (previous year: TEUR 5) for the previous year.

HEADCOUNT

TAG had the following average number of employees in the previous two years:

Employees	2020	2019
Operational employees	622	556
Caretakers	457	423
Administration and central area	176	112
Craftsmen	73	69
Total	**1,328**	**1,160**

RELATED PARTIES

As in the previous year, there were no transactions with related parties with the exception of the remuneration paid to the Company's governance bodies as listed below.

SUPERVISORY BOARD

The members of the Supervisory Board and the offices held by them in other supervisory boards or comparable domestic and international corporate governance bodies in the year under review are listed below:

- Mr Rolf Elgeti, businessman, Potsdam (Chairman)
    - Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main (Chairman)
    - NEXR Technologies SE, Berlin (Chairman)
    - Laurus Property Partners GmbH, Munich
    - creditshelf Aktiengesellschaft, Frankfurt am Main (Chairman)
    - Highlight Event and Entertainment AG, Pratteln, Switzerland
    - Obotrita Hotel AG, Potsdam (Chairman) [from 26 August 2020]
- Mr Lothar Lanz, businessman, Munich (Deputy Chairman)
    - Home24 SE, Berlin (Chairman)
    - Bauwert AG, Bad Kötzting
    - Dermapharm Holding SE, Grünwald
- Dr Philipp K. Wagner, attorney, Berlin
    - Hevella Capital GmbH & Co. KGaA, Potsdam
- Prof. Dr Kristin Wellner, university professor, Leipzig
- Mr Harald Kintzel, attorney, Berlin, employee representative
- Mr Marco Schellenberg, real estate management assistant, Gera, employee representative [until 22 May 2020]
- Ms Katja Gehrmann, Accounts receivable manager, Hamburg, employee representative [from 21 August 2020]

The remuneration paid to the Supervisory Board in the year under review came to TEUR 354 (previous year: TEUR 365) plus expenses and value added tax.

MANAGEMENT BOARD

The members of the Management Board and the offices which they hold in other supervisory boards or comparable domestic and non-domestic supervisory bodies in 2020 are set out below:

- Ms Claudia Hoyer, Chief Operating Officer, Potsdam
    - Vantage Development S.A., Wrocław, Poland (from January 2020, Group mandate)
- Mr Martin Thiel, Chief Financial Officer, Hamburg
    - Vantage Development S.A., Wrocław, Poland (Deputy Chairman, from January 2020, Group mandate)
- Dr Harboe Vaagt, Chief Legal Officer, Hamburg
    - TAG Colonia-Immobilien AG, Hamburg (Chairman, Group mandate)
    - Vantage Development S.A., Wrocław, Poland (Chairman, since January 2020, Group mandate)

Remuneration accruing to the Management Board in the year under review came to TEUR 1,844 (previous year: TEUR 1,809).

Further details of the remuneration paid to the members of the Supervisory Board and the Management Board can be found in the section entitled “Report on the Company’s remuneration system (remuneration report)” in the combined management report.

DECLARATION ON THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT

The joint declaration of the Management Board and the Supervisory Board concerning the recommendations of the Government Commission on the German Corporate Governance Code required pursuant to Section 161 (1) of the German Stock Corporation Act has been prepared and made available to shareholders on the TAG website.

MATERIAL EVENTS AFTER THE REPORTING DATE

No reportable events occurred after the reporting date.

Hamburg, 3 March 2021

Claudia Hoyer	**Martin Thiel**	**Dr Harboe Vaagt**
(COO)	**(CFO)**	**(CLO)**

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 (2) OF THE GERMAN COMMERCIAL CODE

Name of company	Registered office	Share in capital %
Parent company	**Hamburg**	
TAG Immobilien AG	Hamburg	100.0
Fully consolidated companies		
Portfolio 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 Immobilien Wohn-Invest GmbH	Hamburg	100.0
TAG Wohnungsgesellschaft Mecklenburg-Vorpommern mbH	Hamburg	100.0
TAG Wohnungsgesellschaft Sachsen mbH	Hamburg	100.0
TAG Portfolio Sachsen GmbH & Co. KG	Hamburg	100.0
TAG Immobilien Service GmbH	Hamburg	100.0
TAG Beteiligungs- und Immobilienverwaltungs GmbH*	Hamburg	100.0
Energie Wohnen Service GmbH*	Hamburg	100.0
TAG Finance Holding GmbH	Hamburg	100.0
TAG Beteiligungsverwaltungs GmbH	Hamburg	100.0
TAG Nordimmobilien GmbH	Hamburg	100.0
TAG Sachsenimmobilien GmbH	Hamburg	100.0
TAG NRW-Wohnimmobilien & Beteiligungs GmbH	Hamburg	100.0
TAG 1. NRW-Immobilien GmbH	Hamburg	100.0
TAG 2. NRW-Immobilien GmbH	Hamburg	100.0
TAG Leipzig-Immobilien GmbH	Hamburg	100.0
TAG Marzahn-Immobilien GmbH	Hamburg	100.0
TAG SH-Immobilien GmbH	Hamburg	100.0
TAG Magdeburg-Immobilien GmbH	Hamburg	100.0
TAG Grebensteiner-Immobilien GmbH	Hamburg	100.0
TAG Klosterplatz-Immobilien GmbH	Hamburg	100.0
TAG Wolfsburg-Immobilien GmbH	Hamburg	100.0
TAG Chemnitz-Immobilien GmbH	Hamburg	100.0
TAG Spreewaldviertel-Immobilien GmbH	Hamburg	100.0
TAG Wohnen GmbH*	Hamburg	100.0
TAG Stadthaus am Anger GmbH	Hamburg	100.0
TAG TSA Wohnimmobilien GmbH*	Hamburg	100.0
Multimedia Immobilien GmbH	Hamburg	100.0
TAG Zuhause Wohnen GmbH	Hamburg	100.0
TAG Schwerin-Immobilien GmbH	Hamburg	100.0
TAG Greifswald-Immobilien GmbH	Hamburg	100.0
TAG Vogtland-Immobilien GmbH	Hamburg	100.0
Zweite Immobilienbeteiligungsgesellschaft BVV Bau-Verein zu Hamburg Fonds GmbH & Co. KG	Hamburg	98.1
TAG Halle-Immobilien GmbH	Hamburg	94.9
TAG Grimma-Immobilien GmbH	Hamburg	94.9
TAG Sachsen-Anhalt Immobilien GmbH	Hamburg	94.9
Colorado Investments S.à r.l.	Luxembourg	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
Bright Tarvos Property S.à r.l.	Luxembourg	94.8
Ruby Helike Property S.à r.l.	Luxembourg	94.8
TAG Wohnungsgesellschaft Thüringen mbH	Hamburg	94.0
TAG Portfolio Thüringen GmbH & Co. KG****	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*	Hamburg	84.8
Domus Grundstücksverwaltungsgesellschaft mbH	Hamburg	84.8
TAG Colonia-Immobilien AG	Hamburg	84.2
Colonia Wohnen GmbH	Hamburg	84.2
Colonia Immobilien Verwaltung GmbH	Hamburg	84.2
Colonia Portfolio Ost GmbH	Hamburg	84.2
Colonia Portfolio Berlin GmbH	Hamburg	84.2
Colonia Portfolio Bremen GmbH & Co. KG	Hamburg	84.2
Colonia Portfolio Hamburg GmbH & Co. KG	Hamburg	84.2
Colonia Wohnen Siebte GmbH	Hamburg	84.2

Colonia Portfolio Nauen GmbH & Co. KG	Hamburg	84.2
TAG Wohnimmobilien Halle GmbH & Co. KG	Hamburg	84.2
FC REF I GmbH	Grünwald	80.0
Portfolio Poland		
TAG Residential Real Estate Sp.z.o.o.	Warsaw, Poland	100.0
Vantage Development S.A.	Warsaw, Poland	100.0
VD sp. z o.o.	Warsaw, Poland	100.0
Promenady VIII VD sp. z o.o.	Warsaw, Poland	100.0
Promenady IX VD sp. z o.o.	Warsaw, Poland	100.0
VD Mieszkania XVII sp. z o.o.	Warsaw, Poland	100.0
VD Mieszkania XVIII sp. z o.o.	Warsaw, Poland	100.0
VD Serwis sp. z o.o.	Warsaw, Poland	100.0
VD Budownictwo sp. z o.o.	Warsaw, Poland	100.0
VD Rent Poznań 1 sp. z o.o.	Warsaw, Poland	100.0
VD Rent Łódź 1 sp. z o.o.	Warsaw, Poland	100.0
VD Rent Wrocław 1 sp. z o.o.	Warsaw, Poland	100.0
VD sp. z o. o., Mieszkania XXI sp. K	Warsaw, Poland	100.0
VD sp. z o. o., Mieszkania XX sp. k.	Warsaw, Poland	100.0
Finanse VD sp. z o. o. sp. K	Warsaw, Poland	100.0
VD Rent Wrocław 2 Sp. z o.o.	Warsaw, Poland	100.0
Biznes Port sp. z o.o.	Warsaw, Poland	65.0
Popowice sp. z o.o.	Warsaw, Poland	65.0
Port Popowice sp. z o.o. sp. K	Warsaw, Poland	65.0

Name of company	Registered office	Share in capital %	Equity TEUR	Consolidated net income TEUR
Companies reported at equity				
IPD Invest sp. z o.o.	Warsaw, Poland	50.0	92.1	-2.3
Altstadt Assekuranzvermittlung und Schadensmanagement GmbH**	Hamburg	49.0	99.0	419.0
Texas Gewerbeimmobilien S.à.r.l. i.L. ***	Luxembourg	20.0	-2.823.0	-385.0

* Exemptions provided for in Section 264 (3) of the German Commercial Code utilised
** Figures based on the single-entity German GAAP (HGB) financial statements as of 31 December 2019
*** Figures based on the single-entity Luxembourg GAAP financial statements as of 31 December 2019
**** Exemption according to §264b HGB

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of TAG Immobilien AG, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of TAG Immobilien AG for the financial year from 1 January to 31 December 2020. In accordance with German statutory requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

The combined management report contains cross-references marked as unaudited and not required by law. In accordance with German legal requirements, we have not audited the content of these cross-references or the information to which they refer.

In our opinion based on the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, provide a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the period from 1 January to 31 December 2020, 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 opinion on the combined management report does not include the content of those components of the combined management report specified in the "Other Information" section of the auditor's report. The combined management report contains cross-references marked as unaudited and not required by law. Our audit opinion does not extend to these cross-references or the information to which the cross-references refer.

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 Opinions

We conducted our audit of the consolidated financial statements and 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 the Audit of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and and principles are described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements 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 evidence we have obtained is sufficient and appropriate to provide a basis for our 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 judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Measurement of the Fair Value of Investment Properties

We refer to the comments in the notes to the consolidated financial statements on the measurement of the fair value of investment properties ("Recognition and measurement principles" and "1. Investment properties") and to the related measurement uncertainties ("Material judgments and estimates") and to the combined management report on the remeasurement of the real estate portfolio ("Operative business performance").

RISKS TO THE FINANCIAL STATEMENTS

TAG Immobilien AG has recognised within its non-current assets investment properties valued at EUR 5,819.2 million (89.8% of its total assets), which were measured at their fair value as of the reporting date. Fair value measurement of the investment properties for the year under review resulted in a measurement gain of EUR 329.0m, which was recognised through profit and loss.

The fair values of the investment properties are calculated on the basis of opinions prepared by the independent expert whose services are retained for this purpose. Among other things, the expert opinions are based on data provided by the company (e.g. floor space available for leasing, vacancies and current rents). Fair value is calculated using the discounted cash flow method on the basis of expected future cash flows. Accordingly, a number of material inputs for these calculations such as future rental income, property management costs and the discount rates to be applied are estimated by the independent experts.

In addition to actual data, forward-looking data subject to some discretionary leeway is required for the calculations. Forward-looking estimates are inherently subject to uncertainty and may have a significant impact on the calculation of fair values and, hence, the presentation of the company's assets, liabilities and financial performance. The financial statements are exposed to a risk in that the fair value of the investment properties may be incorrectly measured and that the measurement methods applied and the uncertainties for estimates are not explained appropriately in the notes to the consolidated financial statements.

THE APPROACH TAKEN IN OUR AUDIT

To assess the appropriateness of the data used to calculate fair value and of the underlying assumptions, we involved our own measurement specialists. In inquiries with the Management Board, representatives of the company's departments (particularly controlling and group financial accounting) and the external experts engaged by the company, we sought to gain an understanding of the appropriateness of the measurement method applied, the measurement process and the independent expert's activities. We then sought to satisfy ourselves of the appropriate design and implementation and the operating effectiveness of the controls used for ensuring that the actual data had been collected free of any errors or omissions, processed appropriately and made available to the independent expert and for ensuring that the determining factors applied by such independent expert were reasonable.

We assessed the competence, capabilities and objectivity of the independent expert and the opinion which he had prepared. For this purpose, we checked the actual data (floor space available for letting, vacancies, current rents) used for calculating the fair value of the investment properties against the company's current tenant lists for selected assets on a random and risk-oriented basis among other things. In addition, we assessed the assumptions applied to determine the market rents, and discount and capitalization rates in the light of the type and location of the assets selected by means of a comparison with the market and sector-specific benchmarks.

We evaluated the development of general assumptions underlying the measurements (structural vacancies, growth in rents, operating, administration and maintenance costs, etc.) in course of time. To retrospectively assess the appropriateness of the valuation we have compared the realised selling prices of the units sold during the fiscal year with the most recent market values determined by the independent expert. We compared the average multiples arising from the fair values and assumed market rents per location in the light of the characteristics of the individual asset and location with multiples derived from reports issued by real estate associations and renowned real estate brokers.

As well as this, we assessed whether the explanations provided by the company in the notes to the consolidated financial statements on the calculation of the fair value of the investment properties and the related uncertainties were presented appropriately.

OUR CONCLUSIONS

The assumptions applied in the measurement of investment properties are appropriate and are in accordance with the valuation principles for the measurement of investment properties. The explanations in the notes to the consolidated financial statements are appropriate.

Other Information

Management and/or the Supervisory Board is responsible for the other information. Other information comprises the following components of the Group management report, whose content was not audited:

- the corporate governance declaration referred to in the combined management report,
- the non-financial group report, which is expected to be submitted to us after the date of this opinion, to which reference is made in the combined management report, and
- the information contained in the combined management report that is not required by law and is marked as unaudited.

The other information also includes the remaining components of the annual report with the exception of the consolidated financial statements, the audited parts of the combined management report and our auditor's report on these.

Our opinions on the consolidated financial statements and the combined management report do not cover the other information and consequently we do not express an opinion or any other form of assurance conclusion on such information.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited contents of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and for ensuring that the consolidated financial statements provide a true and fair view of the the assets, liabilities, financial position, and financial performance of the Group in compliance with these requirements. In addition, management is 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 or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. In addition, it is responsible for disclosing all relevant matters relating 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, management is 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, management is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a 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 no guarantee that an audit conducted in accordance with Section 317 HGB, the EU Audit Regulation and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal any material misstatement. Misstatements may 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 judgment and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 for one 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 (systems) 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 management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's 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 audit opinion. 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 provide a true and fair view of the Group's assets, liabilities and financial performance in compliance with IFRSs as adopted by the EU and 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 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 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 management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 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 also 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 related safeguards.

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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the Group management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, „2021-03-02 19-44-30 - TAG Gesch„ftsbericht 2020 - Testatsexemplar.zip" (SHA256-Hashwert: d26d1e43523fdf30a659e0f3b10b3fe71473fbedae36c4ce5d49e0f2ee45a4d7) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying Group management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the Group management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited Group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

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 assurance work. 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 assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance 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 electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited Group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) 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 Annual General Meeting on 22 May 2020. We were engaged by the Supervisory Board on 23 June 2020. We have been the group auditor of the TAG Immobilien AG without interruption since the financial year 2012.

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).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Mr Rainer Thiede

Hamburg, 3 March 2021

KPMG AG, Wirtschaftsprüfungsgesellschaft

gez. Thiede **Wirtschaftsprüfer**	**gez. Bagehorn** **Wirtschaftsprüfer**

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the Group's assets, financial position and earnings situation, and the Group management report includes a fair review of the development and performance of the business and the Group's situation, as well as a description of the principal opportunities and risks associated with the expected development of the Group.

Hamburg, 3 March 2021

Claudia Hoyer **COO**	**Martin Thiel** **CFO**	**Dr Harboe Vaagt** **CLO**

TAG FINANCIAL CALENDAR 2021

PUBLICATIONS / EVENTS

17 March 2021	Publication of Annual Report 2020
22 April 2021	Publication of Sustainability Report 2020
10 May 2021	Publication of Interim Report – Q1 2021
11 May 2021	Annual General Meeting, Hamburg
11 August 2021	Publication of Interim Report – Q2 2021
9 November 2021	Publication of Interim Report – Q3 2021

CONFERENCES

7–13 January 2021	Oddo BHF Forum
11 January 2021	BofAML SMID Cap Conference
12 January 2021	Barclays European Real Estate Conference
18 January 2021	Kepler Cheuvreux 20th German Corporate Conference
24–25 February 2021	Oddo Seydler Digital Small&Mid-Cap Conference
25–26 March 2021	BofAML EMEA Real Estate CEO Virtual Conference
25 March 2021	Jefferies Equity-Linked Virtual Conference
26 March 2021	Commerzbank German Real Estate Forum
30–31 March 2021	Jefferies Pan-European Mid-Cap Virtual Conference
4–7 May 2021	Goldman Sachs European Small & Mid Cap Symposium
8–9 June 2021	Goldman Sachs European Financial Conference, Berlin
16–17 June 2021	CDB Access Conference, Berlin
2 September 2021	Commerzbank Corporate Conference, Frankfurt
20–24 September 2021	Baader Investment Conference, Munich

TAG Headquarter Hamburg (Hamburg)

CONTACT

TAG Immobilien AG
Steckelhörn 5
20457 Hamburg
Phone +49 40 380 32-0
Fax +49 40 380 32-390
info@tag-ag.com
www.tag-ag.com

Dominique Mann
Head of Investor & Public Relations
Phone +49 40 380 32-300
Fax +49 40 380 32-388
ir@tag-ag.com

The English version of the 2020 annual report is a translation of the German version. The German version is legally binding.

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TAG Immobilien AG

Steckelhörn 5
20457 Hamburg
Phone +49 40 380 32 - 0
Fax +49 40 380 32 - 390
info@tag-ag.com
www.tag-ag.com