ANNUAL REPORT 2021

GROWING CASHFLOWS

TAG Immobilien AG

GROUP FINANCIALS

in EUR m

Income statement key figures	2021	2020	2019
Rental income (net actual rent)	333.1	322.5	315.0
EBITDA (adjusted)	226.1	222.3	214.7
Consolidated net profit	585.6	402.6	456.4
FFO I per share in EUR	1.24	1.18	1.10
FFO I	182.0	172.6	160.6
AFFO per share in EUR	0.78	0.69	0.64
AFFO	113.9	100.9	93.9
FFO II per share in EUR	1.29	1.51	1.09
FFO II	188.8	221.9	160.2

Balance sheet key figures	12/31/2021	12/31/2020	12/31/2019
Total assets	7,088.6	6,478.0	5,647.0
Equity	3,129.5	2,681.5	2,394.2
Equity ratio in %	44.1	41.4	42.4
LTV in %	43.2	45.1	44.8

Portfolio data	12/31/2021	12/31/2020	12/31/2019
Units	87,576	88,313	84,510
Units Poland (secured pipeline)	12,557	8,742	0
GAV (real estate assets)	6,387.4	5,834.3	5,302.4
GAV Poland (real estate assets)	347.9	150.1	0
Vacancy in % (total)	5.7	5.6	4.9
Vacancy in % (residential units)	5.4	4.5	4.5
l-f-l rental growth in %	1.5	1.4	1.9
l-f-l rental growth in % (incl. vacancy reduction)	1.3	1.5	2.4

EPRA key figures	12/31/2021	12/31/2020	12/31/2019
EPRA Earnings per share in EUR	1.01	1.03	0.96
EPRA Net Tangible Assets (NTA, fully diluted) per share in EUR	25.54	21.95	20.22
EPRA Net Initial Yields in %	4.1	4.5	4.7
EPRA Vacancy Rate in %	5.6	6.0	5.3
EPRA Cost Ratio (incl. vacancy costs) in %	31.9	31.1	31.2
EPRA Cost Ratio (excl. vacancy costs) in %	29.1	28.4	28.7

Employees	2021	2020	2019
Number of employees	1,390	1,354	1,160

Capital market data	
Market cap at 12/31/2021 in EUR m	3,605.3
Share capital at 12/31/2021 in EUR	146,498,765
WKN/ISIN	830350/DE0008303504
Number of shares at 12/31/2021 (issued)	146,498,765
Number of shares at 12/31/2021 (outstanding, without treasury shares)	146,379,501
Free Float in % (without treasury shares)	99.92%
Index	MDAX/EPRA

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FOREWORD

FOREWORD BY THE MANAGEMENT BOARD

**Dear Shareholders,
Ladies and Gentlemen,**

The Covid 19 pandemic is now entering its third year. A terrible war has been raging in Ukraine for several weeks. Sharp increases in energy prices in recent months have led to inflation rates the likes of which we have not seen for some time. Interest rates have already risen on the interest rate market, the European Central Bank is gradually beginning to scale back its bond-buying programs, and base rate increases no longer seem far off. At the same time, the European Union and the German government are imposing exacting requirements on companies in order to achieve the goal of climate neutrality by 2045. None of these are easy framework conditions. The real estate industry, too, is affected by this and must face up to these challenges.

Fortunately, the pandemic has left very few traces in our industry. Apartment rentals have proved extremely stable even during this period. Particularly in our segment, where we offer affordable housing in B locations, rents remained affordable even during this difficult economic time. In fact, the pandemic even caused residential real estate prices to rise significantly once again, as it was precisely this resistance to crises that encouraged even more investors to buy. As a result, 2021 was a record year in the transactions market.

The impact of the war in Ukraine on the housing industry is difficult to assess at present, though we do not expect any adverse economic effects. The influx of people fleeing will tend to increase demand for housing; at the same time, supply chains will become more difficult and increasing material prices are likely, at least in the short term. But above all, we are deeply concerned about the fate of the people in Ukraine. Because of our business activities in Poland, the country's immediate neighbour, this tragedy feels very close. We are trying to help where we can. In Germany, we are making donations, providing logistical assistance, and offering apartments to accommodate Ukrainian refugees at our sites. In Poland, we are active through our subsidiaries and are providing support on site, including financial resources. We can only hope that this conflict will soon be defused and that the people in Ukraine will be spared further suffering.

In our opinion, the inflation and interest rate issue is of greater economic significance. Companies can only prepare to a limited extent for pandemics and geopolitical crises, but they can prepare for interest rate increases. The first thing that comes to mind is, of course, long-term financing and fixed interest rates, which reduce the effect of sudden interest rate increases on cash flow. That is certainly correct and firmly implemented in our financing structure. But another matter is to set up the business model in such a way that it is attractive to investors even in phases of higher interest rates. The best protection against higher interest rates is a high-yield portfolio. In concrete terms, this means achieving an attractive ratio of purchase price to current rent level from day one when making acquisitions, and not having to hope that sufficient returns will be generated only by future increases in value. The latter can quickly prove to be a miscalculation if interest rates rise more than expected.

We have strategically prepared for this. For several years now, we have been cautious in our purchases in Germany given the sharply rising real estate prices. Although the real estate market is extremely stable and will continue to enable growth in the future, realistically speaking, in an environment of rising interest rates, the time when housing prices rise by double-digit percentages will be finite. In Germany, we are therefore focusing on opportunities that will return even in these highly competitive times. Patience and capital discipline are required here.

In contrast to this, in the Polish residential market we are much more active and are focusing on growth. The acquisition of ROBYG S.A., which is expected to become legally effective on 31 March 2022, combined with Vantage Development S.A. the subsidiary we acquired at the beginning of 2020, now gives us the opportunity to quickly become the largest private residential for-rent company in Poland. Our entry into the Polish residential market is in some respects reminiscent of when TAG began acquiring properties in eastern Germany more than ten years ago. At the time, that market was also considered new and only few investors were interested. Nevertheless, even then it was apparent that the risk-return profile was attractive and that the fundamentals were positive. Today, both of these factors are true for Poland as well. We are investing in a country with a strong economy, a growing urban population, a housing market characterized by a shortage of supply and the desire of many people to live in new apartments and be able to leave their old ones. At the same time, yields are extremely attractive. We expect average gross initial yields of 7% for our rental portfolio, which is expected to comprise at least 20,000 apartments within the next five to six years. The first few projects completed in 2021 have proven this expectation. For our product – i.e. high-quality new buildings in good locations in Poland's biggest cities – this is well above average compared with German new-build yields.

Finally, the issue of climate neutrality is firmly anchored in our plans as part of our sustainability strategy. By 2045, we will significantly reduce the CO_2 emissions of our buildings in order to make the portfolio climate-neutral. This will require considerable effort, and demands a balancing act – not only from us – between investment requirements with minimum returns on the one hand and the desire for affordable rents on the other. The good news: with our current CO_2 emissions, we are already very well positioned compared with our peer group and – thanks to our well-maintained real estate portfolio and access to district heating networks at many locations – we face investments that are financially viable for us and will not overburden our tenants. Details on our decarbonization strategy and other sustainability targets will be available in the Sustainability Report to be published in April 2022, to which we would like to already refer you at this point.

Claudia Hoyer (COO)

Martin Thiel (CFO)

Dear Shareholders, although this foreword may appear somewhat gloomy at first glance, given the crises and developments described, we believe our company is well positioned for the future. The 2021 financial year, in which we were again able to significantly increase our FFO and the dividend, demonstrated this, and our strategic alignment is on point as well. We continue to focus on markets that are only at the beginning of their development and that offer high-yield growth. This will secure growing cash flows for you and us in future as well. At the same time, our real estate portfolio of almost 88,000 residential units in Germany forms a stable and reliable basis for all our activities.

We thank you for your continued support and trust over the past year. We would also like to thank our employees, both in Germany and in Poland, whose excellent work and great dedication are a very significant contributor to TAG's economic success under these difficult conditions.

Allow us to conclude on a personal note. At the end of 2021, our long-time fellow Management Board member Dr. Harboe Vaagt retired. During his more than 20 years at TAG, Harboe was not only a member of the Management Board and previously Head of the Legal Department, he was also a highly valued colleague who achieved a great deal for the company with his professional excellence and his pleasant and congenial manner. As much as we regret his absence, we are also delighted that the Supervisory Board has placed its trust in us, together with our teams in Germany and Poland, to keep leading TAG into a successful future in a new – yet longstanding – Management Board constellation.

Sincerely yours,

Claudia Hoyer
COO

Martin Thiel
CFO

BOARD REPORT

REPORT OF THE SUPERVISORY BOARD FOR 2021

**Dear Shareholders,
Ladies and Gentlemen,**

Like the year before it, 2021 was overshadowed for us all by the particular challenges 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 at TAG. Despite this, 2021 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 again proved to be resilient, with the Company showing that it was well positioned.

The German portfolio comprises around 87,600 residential units as of 31 December 2021. Due to the highly competitive acquisition market and, resulting from this, the sharp increases in prices, there were no new acquisitions in 2021. Despite this, the expansion of the rental residential portfolio in Poland was stepped up with the acquisition of all the shares in ROBYG S.A., Warsaw, Poland, in a contract signed in December 2021. ROBYG S.A. is one of the largest housing developers in Poland and has been operating successfully in the local market for more than 20 years. Together with ROBYG S.A. and our subsidiary Vantage Development S.A., which we acquired two years ago, we are seeking a leading position in the Polish residential property market.

The fact that, despite the Covid-19 pandemic, the share price as of 31 December 2021 remained stable compared to the beginning of the year 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 continuous support also in 2021.

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

In 2021, the Supervisory Board fulfilled the duties required of it by law, the Company's 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 2021. 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. This was particularly the case in November and December 2021 in the course of negotiations concerning the acquisition of the shares in ROBYG S.A. The purchase contract was signed on 22 December 2021 and is expected to take legal effect on 31 March 2022.

Composition and organisation of the Supervisory Board

The Chairman of the Supervisory Board is Mr Rolf Elgeti. Mr Lothar Lanz is his deputy. Only Mr Elgeti is a former member of the Company's Management Board, having served on it until 31 October 2014. The 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 and the functionality 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 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	-
Dr Philipp K. Wagner	Member	-	Member
Harald Kintzel	Member	-	-
Katja Gehrmann	Member (until 21 December 2021)	-	-
Fatma Demirbaga-Zobel	Member (from 22 December 2021)	-	-

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. Meetings generally took the form of video conferences, while ongoing communication was almost solely via electronic media.

As in the previous year, the Annual General Meeting was held on 11 May 2021 in virtual form without the physical presence of the shareholders. 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.

In addition, the Management Board kept the Supervisory Board informed of the effects of the pandemic on the Company's figures and operations. Staff continued to increasingly work from their own homes as far as this was possible in view of their duties.

Meetings of the Supervisory Board

At a total of six 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 2021	15 Mar	19 Apr	10 May	14 Sep	19 Nov	9 Dec	20 Dec
Rolf Elgeti	x	x	x	x	x	x	x
Lothar Lanz	x	x	x	x	x	N/A	x
Prof Dr Kristin Wellner	x	x	x	x	x	x	x
Dr Philipp K. Wagner	x	x	x	x	x	x	x
Harald Kintzel	x	x	x	x	x	x	x
Katja Gehrmann (until 21 Dec 2021)*	N/A	N/A	N/A	x	x	x	x

* Ms Katja Gehrmann was ill during the first half of 2021 and therefore unable to attend the meetings in March, April and May.

Accordingly, all members of the Supervisory Board with the exception of Ms Katja Gehrmann were present at all meetings held in the year under review.

At the meeting on 15 March 2021 to approve the financial statements, the Supervisory Board dealt in detail with the annual financial statements and the consolidated financial statements for 2020 as well as 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 and the Management Board also dealt with the preparations for the Annual General Meeting on 11 May 2021 and the Supervisory Board adopted the motions to be included in the agenda of the Annual General Meeting. In addition, the Management Board and the Supervisory Board discussed the economic and organisational impact of the Covid-19 pandemic on the Company's business as part of the Management Board's business report. The Management Board presented the "Triple-E" project to the Supervisory Board. This project resulted in an internal reorganisation of the Group and primarily affected real estate and customer management. The Management Board and Supervisory Board discussed this planned reorganisational development of TAG.

At the meeting on 19 April 2021, the Management Board presented TAG's Sustainability Report for 2020, which was duly approved by the Supervisory Board.

During the meeting of 10 May 2021, the Management Board and the Supervisory Board discussed the economic and organisational impact of the Covid-19 pandemic on the Company's business as part of the Management Board's business report. In addition, the Supervisory Board dealt with the 2020 compliance report. The Supervisory Board adopted the Management Board's recommendation to allocate special responsibility for sustainability/ESG on the Supervisory Board in the future and appointed Prof. Dr Kristin Wellner for this purpose.

The agenda of the meeting on 14 September 2021 included a report on the progress of the "Triple-E" project, potential acquisitions, the report of the Audit Committee and the discussion on the necessary selection of a new auditor due to the requirements of the German Act to Strengthen Financial Market Integrity (FISG).

At the extraordinary meeting on 19 November 2021, the Management Board briefed the Supervisory Board in detail on the potential acquisition of ROBYG S.A.

At its meeting on 20 December 2021, the Management Board presented the budget for the period from 2022 to 2024 to the Supervisory Board, which the Supervisory Board subsequently approved. As well as this, the Management Board outlined TAG's decarbonisation strategy for the German real estate portfolio. In addition to an update on the status of acquisitions and disposals, the Management Board reported in particular on the potential acquisition of ROBYG S.A. The Supervisory Board adopted the declaration of conformity for 2021 together with the Management Board at this meeting.

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

Work of the Audit Committee

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 two of the meetings and reported in this connection on the voluntary limited review of the interim financial statements as at 30 June 2021. The focus of the consultations was again on various aspects of the external audit of the annual financial statements, particularly the valuation of the real estate portfolio and the consolidation of the Polish subsidiary Vantage Development S.A. Furthermore, the auditor addressed the revised auditing standard applicable to the risk early detection system (IDW PS 340) and the consequences for TAG. The Audit Committee recommended that the Supervisory Board propose KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor for the 2021 financial year at the Annual General Meeting on 11 May 2021. 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.

External auditor for 2021

The Supervisory Board engaged KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, which had been elected by the shareholders at the Annual General Meeting on 11 May 2021, to audit the annual financial statements and the consolidated financial statements of TAG Immobilien AG for the year ending 31 December 2021.

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 (German Public Accountant/Tax Consultant) has performed the engagement as the principal auditor and, together with Mr Achim Bagehorn (German Public Accountant/Tax Consultant), signed the audit opinion for the annual financial statements and the consolidated financial statements for the year ending31 December 2020. The audit opinions for the annual and consolidated financial state-ments as at 31 December 2021 were signed by Mr Rainer Thiede (German Public Accountant/Tax Consultant) together with Mr Jan Alexander Fischer (German Public Accountant).

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 2021, 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 14 March 2022, 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 14 March 2022, 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 the Management Board 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 0.93 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 the members of the Supervisory Board.

The Supervisory Board does not comply with the recommendation contained in the German Corporate Governance Code (GCGC) dated 16 December 2019 to limit the number of mandates of the members of the Supervisory Board to no more than two supervisory board mandates and to prohibit 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. Under Recommendation F.2 of the GCGC, the mandatory interim financial information should be made publicly available within 45 days from the end of the reporting period. The Company assumes that the interim reports for the first and third quarters of 2022 as well as the interim report for the first half of 2022 cannot be published within the recommended period due to the greater amount of time expected to be required for necessary consolidation accounting as a result of the integration of ROBYG S.A. It is intended to adopt recommendation F.2 of the Code again as of the first quarter of 2023.

The Company's declaration of conformity was adopted for 2021 at the December meeting and updated by electronic resolution on 22 February 2022 with regard to compliance with recommendation F.2 of the GCG. 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 2021.

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 2022

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 NAV, 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.

EPRA EARNINGS

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

in EUR m	2021	2020
Net income Germany	**567.7**	**399.1**
Fair value changes in investment properties and valuation of properties held as inventory	-525.0	-327.0
Deferred income taxes	105.9	64.3
Revenues from sales	-0.1	-40.2
Cash taxes on net revenues from sales	0.0	0.3
Fair value gains and losses on derivative financial instruments	-2.7	54.7
Deferred income taxes	3.6	-0.4
Breakage fees from the early repayment of bank loans	0.0	1.8
Cash dividend payments to minorities	-1.3	-1.3
EPRA Earnings	**148.1**	**151.3**
Deferred income taxes (other than on valuation result)	17.1	5.3
Other non-cash financial results	2.2	5.7
Non-recurring effects	5.8	3.6
Depreciation/amortisation	8.7	7.0
Cash taxes on net revenues from sales	0.0	-0.3
Adjusted EPRA Earnings (FFO I)	**182.0**	**172.6**
Weighted average number of shares (outstanding, in 000)	146,358	146,287
EPRA Earnings per share in EUR	**1.01**	**1.03**
Adjusted EPRA Earnings (FFO I) per share in EUR	**1.24**	**1.18**
Interest expense convertible bond (paid interest)	0.1	1.2
EPRA Earnings, diluted*	**148.2**	**152.5**
Weighted average number of shares (diluted, in TEUR)	147,101	157,681
EPRA Earnings per share in EUR, diluted*	**1.01**	**0.96**

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

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

EPRA METRICS

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

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

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

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

TAG uses EPRA NTA as a key performance indicator for Group management up until the 2021 financial year. Within the NAVs, EPRA NTA remains the main ratio, even though it will no longer have any significant meaning for internal management from 2022 onwards.

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

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

in EUR m	EPRA NRV 12.31.2020	EPRA NTA 12.31.2020	EPRA NDV 12.31.2020
Equity (without non-controlling interest)	**2,602.6**	**2,602.6**	**2,602.6**
Effect from conversion of convertible bond	25.9	25.9	25.9
Deferred taxes on investment properties and derivative financial instruments	577.8	567.4	0.0
Fair value of derivative financial instruments	20.1	20.1	0.0
Difference between fair value and book value of properties valued at cost	40.9	40.9	40.9
Goodwill	0.0	-18.4	-18.4
Intangible assets	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 Metrics (diluted)	**3,749.9**	**3,234.2**	**2,575.1**
Number of shares outstanding (diluted, in '000)	147,333	147,333	147,333
EPRA metrics per share (diluted)	**25.45**	**21.95**	**17.48**

* As of 31 December 2021, previous deferred taxes and minorities not taken into account for reasons of materiality were taken into account when determining difference between fair value and book value for properties valued at cost. In addition, deferred taxes on derivative financial instruments were adjusted for the first time in the EPRA NTA. Without these changes, the EPRA NTA as of 31 December 2021 would have been c. EUR 3,772.3m or EUR 25.77 per share.

All NAVs are calculated on a fully diluted basis. In the previous year, the 2017/2022 convertible bond, which had been called in prematurely in 2021, was "in the money", i.e. the stock market price on the applicable date was above the conversion price. Accordingly, a fictitious full conversion was assumed. As in the previous year, the outstanding convertible bond 2020/2026 is "not in the money", so that it was not necessary to take account of any dilution effects.

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	6,336.8	96%	100%
Other portfolio including properties held for sale	275.6	4%	0%

EPRA NET INITIAL YIELD

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

in EUR m	12/31/2021	12/31/2020
Market value of total real estate assets	6,387.4	5,834.3
Transaction costs deducted (acquisition costs)	523.8	482.6
Market value of total real estate assets (gross)	**6,911.2**	**6,316.9**
Annualised net annual rental income on the reporting date	335.8	334.2
Maintenance expenses	-38.8	-35.0
Non-recoverable charges	-7.0	-7.9
Ancillary costs of vacant real estate	-9.2	-8.7
Rental income after non-rechargeable ancillary expenses and maintenance costs	**280.8**	**282.6**
Adjustments for rental incentives (rent-free periods)	0.0	0.0
Rent after non-allocable utility costs, maintenance costs and rental incentives	**280.8**	**282.6**
EPRA Net Initial Yield in %	**4.1%**	**4.5%**
EPRA 'topped up' Net Initial Yield in %	**4.1%**	**4.5%**

* As of 31 December 2021, maintenance costs and vacancy operating costs were added to the relevant property costs. The figures for the previous year have been restated accordingly.

The decline in the EPRA net initial yield despite almost constant annual net rents and net rental income is mainly due to the valuation gains on the portfolio in Germany, of which a significant portion is attributable to yield compression in addition to the improved assumptions with respect to operating performance.

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	12/31/2021	12/31/2020
Estimated rental income in December	29.6	29.3
Estimated rental income lost as a result of vacancies in December	1.7	1.8
EPRA vacancy rate in %	**5.6%**	**6.0%**

Thevacancy rate increased in the first quarter of the 2021 financial year, mainly as a result of the integration of the previous year's acquisitions, ongoing modernisation programmes to reduce vacancies, and the fact that the Covid 19 pandemic and the resultant lockdown resulted in fewer viewings and therefore fewer lettings. However, it stabilised again in the second quarter of 2021 and was down as of 31 December 2021. However, in view of the positive trend emerging after the difficult first quarter of 2021 due to Covid 19, we are very optimistic about the future and assume that the vacancy rate will continue to decrease steadily.

EPRA COST RATIO

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

in EUR m	2021	2020
Rental expenses (non-rechargeable)	57.8	54.3
Impairment losses (rental business)	3.9	4.0
Net income from property services	-26.3	-26.1
Other operating income	-3.4	-3.0
Personnel expenses	57.1	53.6
Other operating expense	23.0	21.0
Non-recurring effects	-5.8	-3.6
EPRA costs incl. vacancy costs	**106.3**	**100.2**
Vacancy costs	-9.2	-8.7
EPRA costs excl. vacancy costs	**97.1**	**91.5**
Rental income (net rent)	333.1	322.5
EPRA costs ratio incl. vacancy costs in %	**31.9%**	**31.1%**
EPRA costs ratio excl. vacancy costs in %	**29.1%**	**28.4%**

Investment properties are initially recognised at historical cost including transaction costs. Borrowing costs 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. This also includes any trailing extension, conversion or modernisation costs that contribute to an increase in the fair value of the real estate asset. Historical cost includes the costs directly attributable to the real estate asset. Overhead costs are not placed on the balance sheet. In the year under review, directly attributable personnel expenses of EUR 4.3 million (previous year: EUR 4.0 million) were placed on the balance sheet in connection with modernisation expenses carried out by the Group's own employees. No disclosures are made in this regard in connection with joint ventures, as TAG does not hold any interests in joint ventures.

MANAGE MENT REPORT

COMBINED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2021

FOUNDATIONS OF THE GROUP

Overview and corporate strategy

TAG Immobilien AG ('TAG' or 'the Company' in the following) is a Hamburg-based property company focused on the German residential real estate sector. The properties owned by TAG Immobilien AG and its subsidiaries are located in various regions of Northern and Eastern Germany and North Rhine-Westphalia, and, starting in the 2020 financial year, in Poland as well. Overall, at 31 December 2021 TAG managed around 87,600 (31 December 2020: around 88,300) residential units in Germany. Letting activities in Poland commenced in the middle of the year; TAG manages around 400 flats there as at 31 December 2021. In addition, as at the reporting date, there is a contractually secured project pipeline there for the construction of around 12,100 units (31 December 2021: around 8,700 units), of which around 8,800 units (31 December 2020: around 5,700 units) are earmarked for long-term portfolio maintenance, as well as a further 100 or so completed units earmarked for sale. On 22 December 2021, TAG also entered into an agreement to acquire all shares in ROBYG S.A. ("ROBYG"), a leading developer of flats in Poland with a secured pipeline to build a further 23,000 flats. Upon completion, an initial estimate is that up to approximately 12,000 units will be held long-term to complement TAG's rental portfolio in Poland, while the remainder of the development pipeline (approximately 11,000 units) is earmarked for sale. The closing of the transaction is expected to be completed by the end of the first quarter of 2022.

TAG Immobilien AG shares are listed in the MDAX of the Frankfurt Stock Exchange; TAG's market capitalisation at 31 December 2021 EUR 3.6bn (31 December 2020: EUR 3.8bn).

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 repair craftsmen 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 comprises commercial heating to its own portfolio with the aim of optimising energy management. In the medium term, these services are to be further expanded and supplemented with new services for tenants.

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

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

In the 2021 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 focuses on building a portfolio of residential units in Poland, and at present also includes the continuing sale of units that have already been planned and have yet to be built.

The growing Polish residential real estate market is the target of a regional expansion of TAG's business model, which will focus on strong cash returns (i.e. FFO returns in relation to the equity invested). The Polish rental housing market is characterised by a supply shortage. It is considered one of the least saturated housing markets in Europe, with an increasing housing shortage that already exceeds 3.5 million units. 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 can give TAG a competitive advantage in terms of scope, market knowledge, market penetration, and market position.

With the acquisition of ROBYG, TAG is enlarging its platform in the fast-growing Polish rental housing market. In addition to strengthening the portfolio in the existing regions of Wrocław, Poznań and Tricity in particular, this acquisition also enables TAG to enter the Warsaw market on a comprehensive scale.

TAG's medium-term growth target is to build up a portfolio of around 20,000 residential units in Poland over the next six to seven years. The existing sales activities in Poland are also to be continued. Capital spending will focus on the construction of new residential units in large cities with favourable population trends, proximity to universities, and a well-developed infrastructure.

Group structure and organisation

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

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

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

Dr Harboe Vaagt, TAG's CLO, retired at the end of 31 December 2021. The CFO will be responsible for the areas of legal affairs, judicial rent collection, IT, compliance, internal audit and residential real estate management from the 2022 financial year. The Human Resources division will be assigned to the COO as of the 2022 financial year.

The Group consists of additional subgroups, operating subsidiaries and property companies, each of which own real estate portfolios and are included in TAG's consolidated statements. At 31 December 2021, the Group consisted of 101 (previous year: 103) 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 (Leiter/in Immobilienmanagement – Head of Real Estate Management). Each LIM is assigned a regionally delimited property portfolio, which is managed in a decentralised way and largely autonomously within the approved budget. In sum, the regions correspond to the 'Rental' segment presented in the segment reporting. Key areas of decentralised responsibility include direct customer care and tenant satisfaction, letting, technical support for residential units with regard to maintenance measures, as well as receivables management.

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

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

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

Management system

To monitor and steer its business activities, TAG uses a management system that is constantly 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 KPIs at the Management Board level.

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

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

- Change in 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, so-called contribution margins are calculated 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 Net Tangible Assets Value (NTA), which are calculated monthly.

- Funds from operations (FFO)
  FFO I is calculated based on the Group's consolidated EBIT, 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 deferred taxes on the strategic core portfolio within investment properties assuming purchase and sale transactions. An adjustment is also made for the fair value of derivative financial instruments and hidden reserves in the properties measured at cost in property, plant and equipment or inventories are added in. These two effects are taken into account – also taking into account deferred taxes and minorities – for the first time from 2021 when determining the

EPRA NTA. In addition, intangible assets, including goodwill, are adjusted. 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. The EPRA NTA is no longer used as a KPI in the 2022 financial year, as the indicator will no longer be of material importance in internal management from the 2022 financial year on, and will also no longer be taken into account in the Management Board's compensation. For this reason, no forecast is made for this indicator.

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

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.

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

Social conditions and their influence on the residential property market

In accordance with the ifo Economic Forecast Winter 2021, the development of the global economy is still largely determined by the Covid-19 pandemic. After the severe slump in 2020, gross domestic product (GDP) rose to pre-crisis levels again for the first time in the third quarter of 2021. Europe in particular, and also Germany, recovered quickly during the reporting year, and the economy already showed a positive development again in the summer half of the year.

According to the ifo Economic Forecast Winter 2021, the rapid recovery resulted in worldwide supply bottlenecks and price increases, especially for raw materials, intermediate products and finished goods. Commodity prices, for example, measured by the index of the Hamburg Institute of International Economics (HWWI), were around 60% above their pre-crisis level. The price of natural gas is already far above this due to the massive increase in prices in recent months. Although economic output in Germany has increased significantly since Q2 2021 and has thus already reduced the production gap and the underutilisation of capacity, the supply and material bottlenecks, particularly in the manufacturing sector, had not dissipated by the end of 2021 and continue to slow down the economy in Germany. Progress on vaccinations has fallen short of expectations and the production and supply difficulties pose worldwide risks to a positive forecast worldwide.

Price-adjusted gross domestic product (GDP) in Germany was 2.7% higher in 2021 than in 2020 according to initial calculations by the Federal Statistical Office of Germany (Destatis) as reported in January 2022. Economic output increased in almost all economic sectors: noticeable increases were recorded in manufacturing, services and trade, transport, and hospitality. Only the construction industry declined slightly and construction investments increased only marginally due to bottlenecks in labour and materials.

In January this year, Destatis announced a 3.1% year-on-year increase in inflation for 2021 and a peak of +5.3% in December 2021. This is due in particular to price increases in food and energy products. Without taking these sectors into account, the inflation rate in December 2021 would have been +3.7% and +3.8% respectively.

According to the Federal Employment Agency‘s annual review, at the beginning of the year the labour market was still noticeably affected by the pandemic, and also recovered in the summer months. At the end of the year, the average unemployment rate declined by -0.2 percentage points year-on-year, to 5.7%. The labour market continued to be supported to a large extent by the use of short-time work in 2021, but compared to the first Covid-19 year, its use has decreased significantly. The annual average short-time work figure for 2020 was 2.94 million. In contrast, the Federal Employment Agency estimates the number for 2021 to be significantly lower at around 1.85 million.

According to the ifo Institute, the overall economic situation and the excess demand should ease again in the future through adjustments in production processes, mitigation of the pandemic situation, and price allocation mechanisms. This is also indicated by the fact that the majority of business sentiment in most countries remains optimistic.

The current inflation dynamics may have a more significant impact on monetary policy than previously expected, provided that inflation is no longer classified by the ECB as only temporarily high. According to the ifo Economic Forecast Winter 2021, the ECB is likely to end the programme of bond purchases to combat the crisis in March 2022, as planned. To what extent and in what amount further bond purchases will be reduced in the following months and whether there will also be a first increase in key interest rates remains to be seen. However, financial policy will remain accommodative. Should economic activities continue to be restricted by the Covid-19 pandemic, the support measures will be continued. The course of the pandemic so far has shown that supportive measures can contribute to easing private income burdens. Assuming that the fourth wave of the Covid-19 pandemic subsides, a strong recovery in private consumer spending is expected in Germany by the summer of 2022, and the supply bottlenecks and associated production hindrances should also be resolved by the spring of 2022.

With regard to the real estate industry, the development of economic performance has hardly been reflected in the disposable income of households so far, according to Colliers’ Residential Investment Market Report 2021/2022. In Germany, the value has actually increased from 2019 to 2020. Rental prices have risen for existing as well as new-build projects. The growth in prices continues. According to Savills German property market outlook of December 2021, the residential market has offered a perfect investment environment since the financial crisis and the pandemic has even fuelled the attractiveness. The short-term consequences of the pandemic and the accompanying effects on the real estate markets as well as the topic of the pandemic as a whole continue to recede into the background in real estate debates, in contrast to the beginning discussions about the effects of increased inflation.

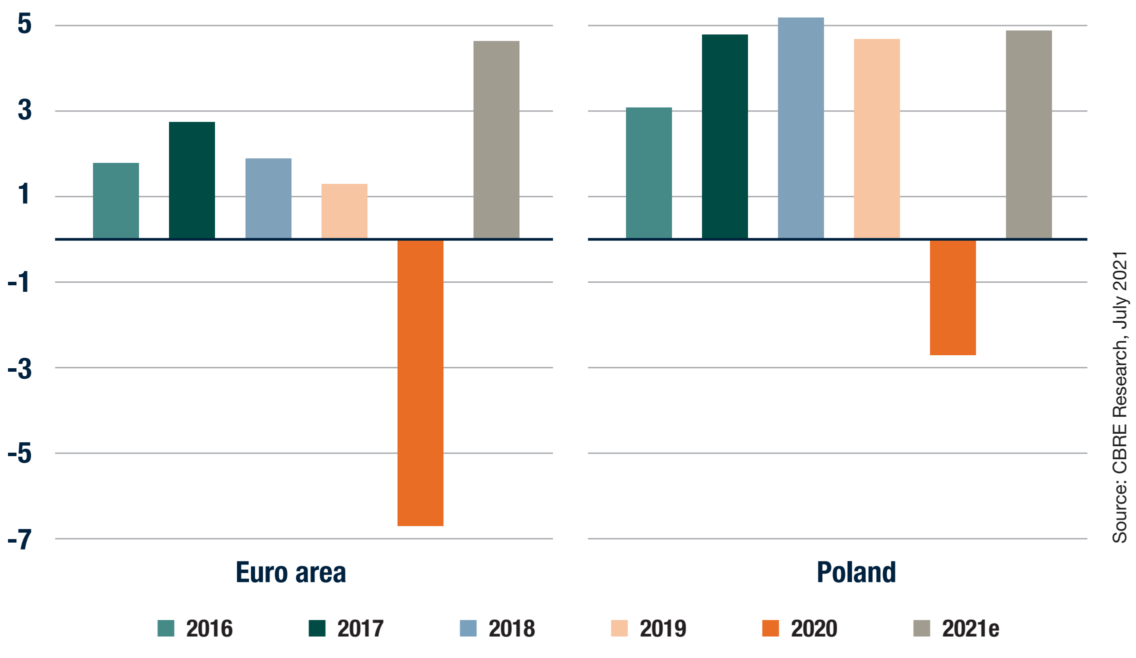
For more information, see the section on “The German real estate and residential property market”

Social conditions in Poland and their influence on the residential real estate market

The Polish economy, too, ended 2020 with the first recession in its recent economic history. According to the CBRE Market Outlook Poland H1 2021, the strong fundamentals of the Polish economy nevertheless enabled one of the lowest GDP declines in Europe.

According to the European Commission's European Economic Forecast, the Polish economy recovered strongly in the first half of 2021 and even reached pre-crisis levels in Q2 2021. The year-on-year change in real GDP was 2021 is 4.9%. The number of jobs on the labour market also returned to pre-pandemic levels in the second quarter of 2021. Poland's unemployment rate is expected to remain low at 3.3% in 2021.

GDP Growth Euro area vs Poland in %



However, in Poland as elsewhere, rising commodity prices, high demand and supply-side bottlenecks led to a steady increase in inflation, which reached 5.6% in September 2021, according to the European Commission's European Economic Forecast. Similar to Germany, persistent price increases are expected in the energy and food sectors, and so a falling inflation rate is not forecast for Poland until 2023. In general, economic growth is expected to remain strong in 2022/2023. Much higher inflation than forecast or an even stronger increase in Covid-19 cases could hamper this recovery.

According to the CBRE report, supply on the residential property market continues to fall while prices are rising. As the pandemic subsides, further positive effects are predicted for both the sales and rental housing markets. Further information on the Polish residential property market can be found in the section on "Development of the Polish property and residential property market" below.

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 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. In the 2020 financial year, we established the TAG Miteinander Stiftung (TAG Together Foundation) to more systematically help ensure that people who live in our residential complexes enjoy good living conditions and a vibrant neighbourhood spirit. As a responsible employer, we have broadened the options for flexible and 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, and our social and environmental measures in turn have a positive effect on TAG's long-term commercial success. And so, in sum, we meet all of our various stakeholders' key requirements.

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

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

* unaudited information

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’). We systematically document our sustainability strategy as well as our goals and activities in accordance with the internationally established GRI standards as well as the recommendations of the European Public Real Estate Association (EPRA). This allows us to compare our results and targets over time, and to review and present our development according to objective criteria.

Our efforts in the area of sustainable corporate development are recognised and rewarded by rating agencies. In a report published on 6 August 2021 by Sustainalytics, a leading company for market research, ratings, and data on ESG (environment, social, governance) issues, TAG ranked 27th out of a total of 1,000 real estate companies analysed worldwide, placing it in the top 3% of all companies in the sector. Our risk is rated as ‘negligible’ at 9.9 points, reflecting – once again – a year-on-year improvement of more than ten points and one category (previous year ‘low risk’ and 12.6 points). Furthermore, on 20 January 2022 TAG received an “AA” (previously “A”) MSCI ESG Rating, the second highest of the seven rating levels possible with this renowned ESG ratings provider. For further details, please see our Sustainability Report. This sustainability report constitutes TAG’s non-financial reporting pursuant to Sections 289b et seq. of the German Commercial Code (HGB).

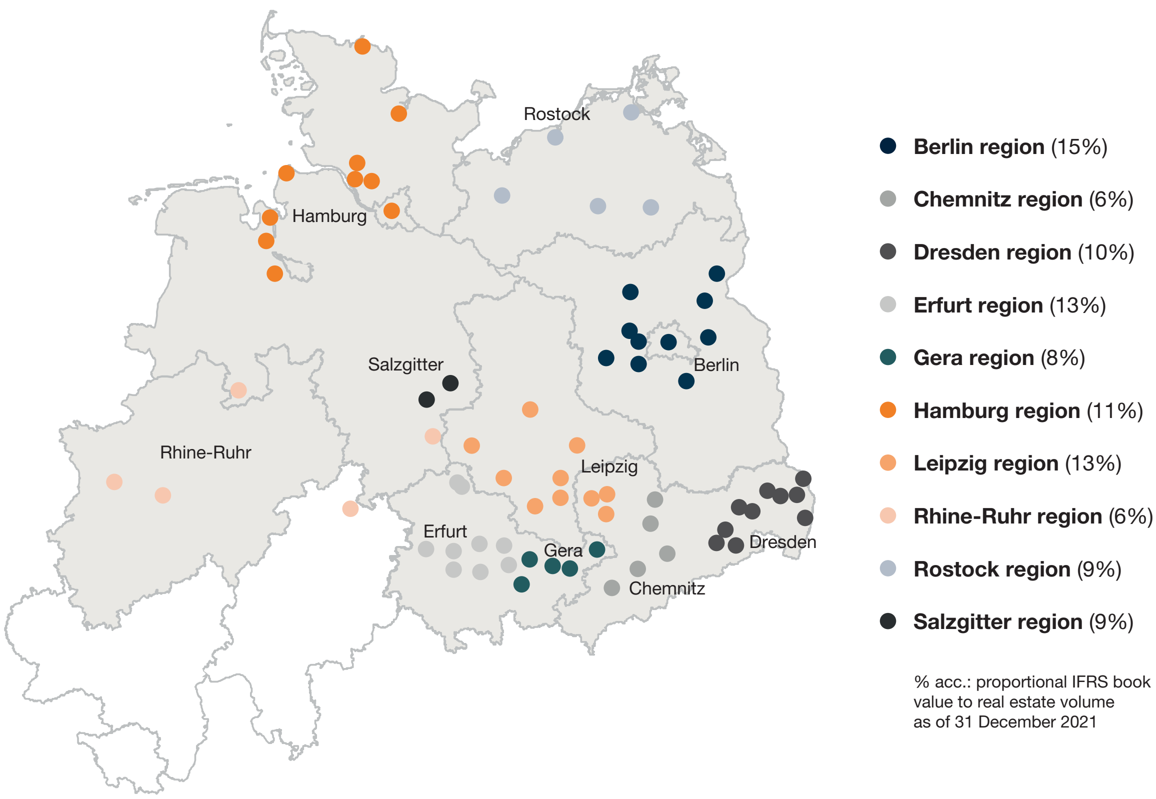
* unaudited information

Research & 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 of the brand TAG Wohnen in particular are copyrighted.

Overview of the portfolio and portfolio strategy

At the end of the 2021 financial year, TAG's property portfolio in Germany comprised approx. 87,600 units and in Poland around 500 completed residential units as well as a contractually secured pipeline for the construction of around 12,100 additional flats. The focus in Germany is on the management of attractive yet affordable housing, with great awareness of our social responsibility towards our tenants. The regional focus in Germany is mainly on the northern and eastern parts of the country, distributed as follows.



Portfolio data	12/31/2021	12/31/2020
Units	87,576	88,313
Floor space in sqm	5,263,883	5,302,495
Real estate volume in EURm*	6,387.4	5,834.3
Annualised net actual rent in EURm p.a. (total)	335.8	334.2
Net actual rent in EUR per sqm (total)	5.64	5.57
Net actual rent in EUR per sqm (residential units)**	5.55	5.48
Vacancy in % (total)	5.7	5.6
Vacancy rate in % (residential units)	5.4	4.5
l-f-l rental growth in %	1.5	1.4
l-f-l rental growth in % (incl. vacancy reduction)	1.3	1.5

* EUR 6,735.3m total real estate volume (5,984.4m in the previous year) (of which EUR 347.9m – EUR 150.1m in the previous year – are 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 growing scarce. Many people are moving to the outskirts of big cities or to the centres of medium-sized cities to find attractive yet affordable living conditions.

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

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

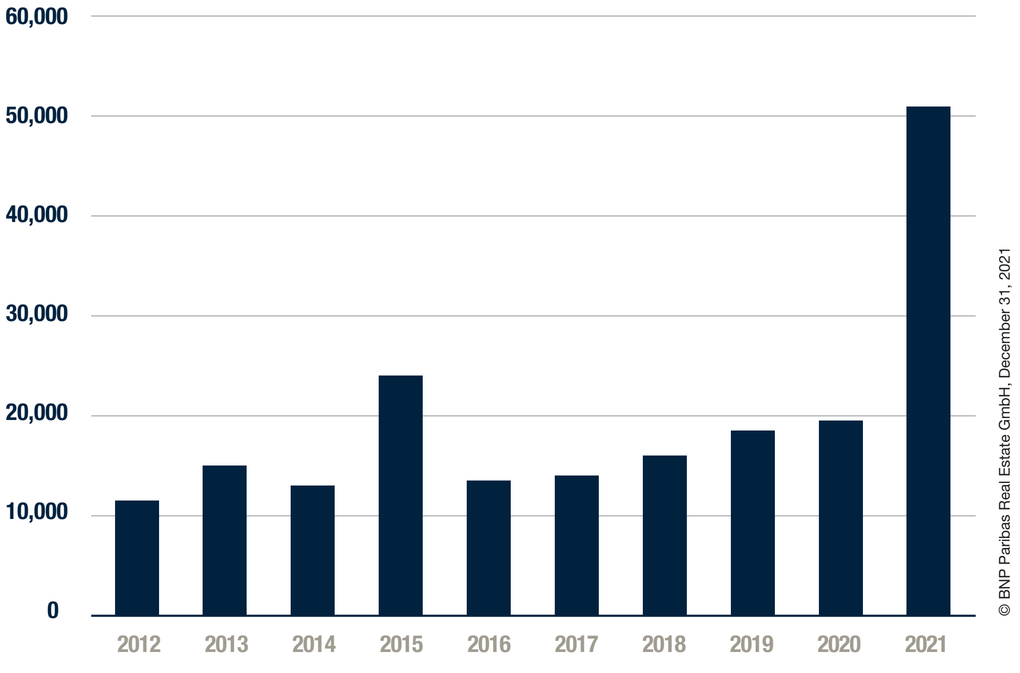
In contrast, TAG is pursuing a different approach in Poland. Although here, too, we concentrate on the rental market for residential real estate, investments are made exclusively in new construction projects and in the country's major cities, because we see substantial growth opportunities in these products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

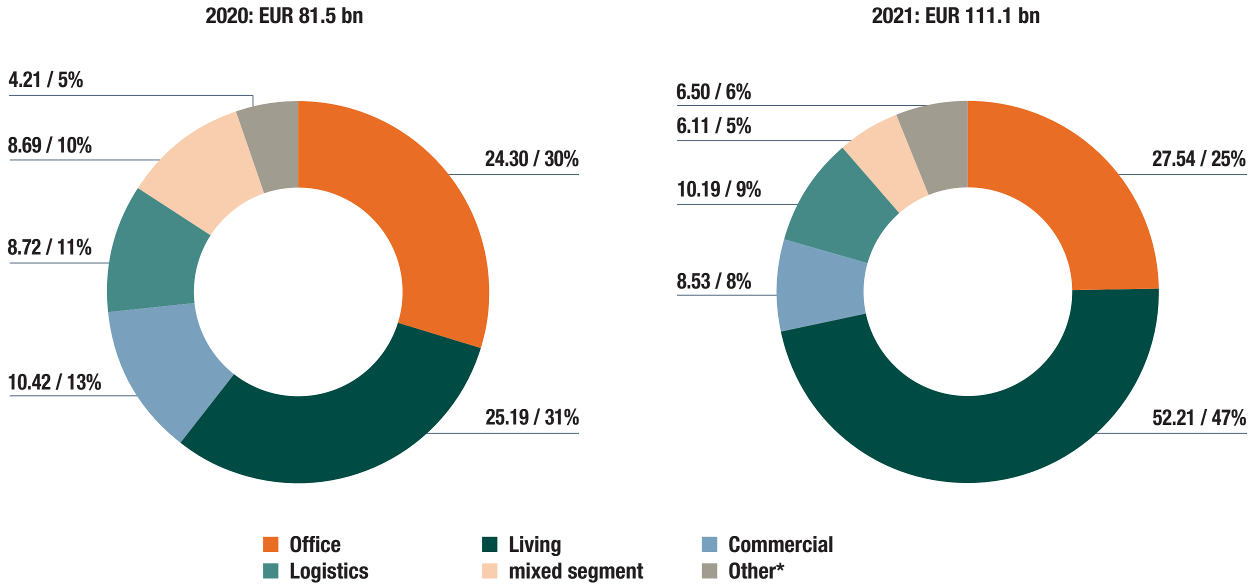
BUSINESS REPORT

Development of the German real-estate or residential real-estate market

According to Savills' January 2022 outlook for the German real estate market, 2021 saw a record turnover of EUR 110.6bn on the real estate market, with a volume in 12-digit range for the first time. Commercial property accounted for EUR 58.8bn and residential property for EUR 51.8bn of this. In residential, another transaction volume record was set in the forth quarter of 2021. This underlines the positive development of the residential investment market, which according to Savills' December 2021 outlook for the German real estate market was already on the upswing before the start of the pandemic and has soared to completely new heights in the past year. The associated confidence of investors in the German residential markets is also rated as unchanged at all levels in the BNP Paribas Residential Investment Market Report.

Residential Real Estate Investments in Euro m





* Special properties. Source: JLL, January 2022

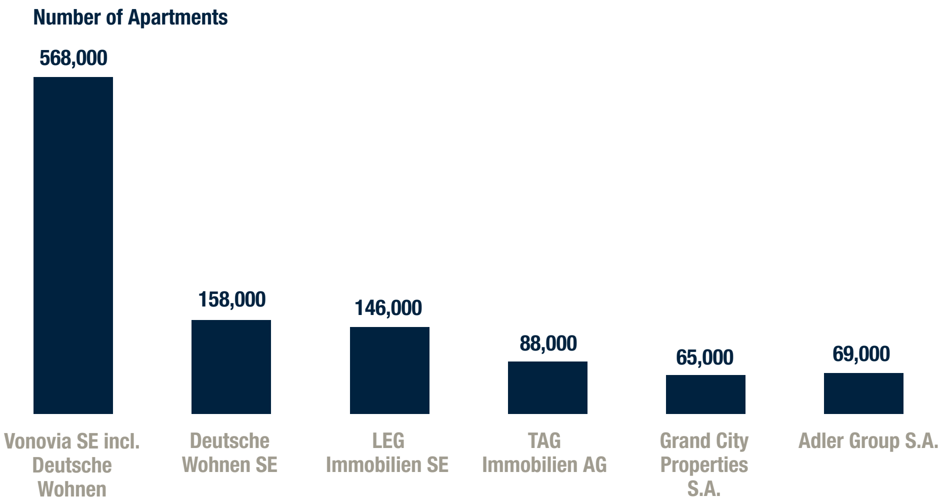
According to the BNP Paribas Residential Investment Market Report, major deals such as the EUR 22bn takeover of Deutsche Wohnen SE by Vonovia SE, but also other transactions such as the sale of the Akelius residential package to Heimstaden, played a significant role in making 2021 a record year. Alongside investment managers, special funds, and pension funds, listed real estate companies thus accounted for 51% of the buyer group. However, another record in the area of transactions in the order of EUR 100m and under makes it clear that the trend is not only due to large mergers. The positive long-term prospects of residential investments continue to be the main focus for investors and the high turnover across all size classes and market segments is evidence of the broad demand.

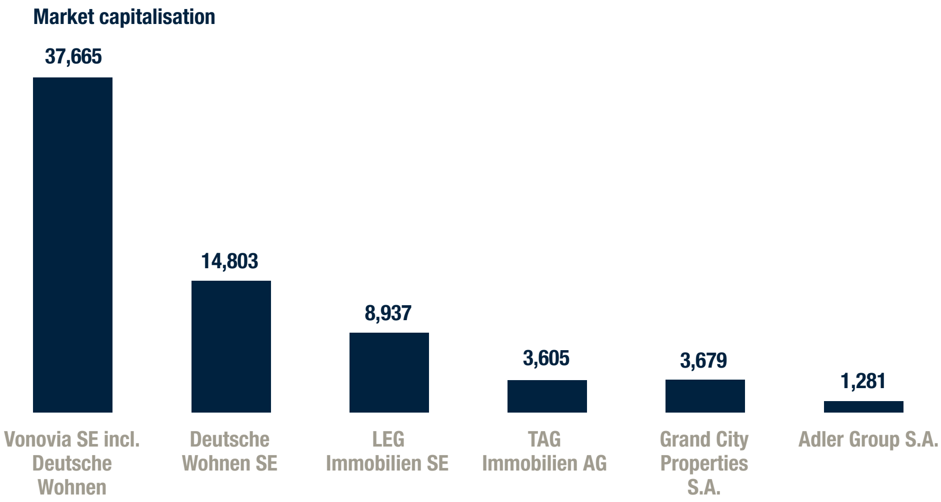
According to Savills German property market outlook of December 2021, the real estate market has offered a perfect investment environment since the financial crisis, and the pandemic has even increased the attractiveness of residential real estate. However, Savills expects that conditions for the residential real estate market will change in future. With the increasing number of housing completions and building permits as well as low population growth, a growing supply is forecast. This is offset in some cases, however, by a surplus demand that has built up over the years from the demand for flats. This continues to apply in particular to "affordable housing" (empirica housing market forecast 2021/22).

The Disclosure Regulation for providers of financial products with regard to the disclosure of sustainability targets, which came into force in March 2021, and the gradual implementation of the EU Sustainability Taxonomy continue to bring movement into the investment market, according to Savills German property market outlook of December 2021. More and more funds and investors are becoming ESG-compliant. ESG requirements can be met in new buildings in particular, which could result in a focus on new construction in the investment market and lead to a noticeable increase in new construction prices. Gradually, however, ESG-compliant investors will also turn to existing buildings, as the costs for the necessary refurbishment of existing buildings will be lower than the costs for acquiring new buildings. Binding regulatory frameworks do not yet exist. As a result, various ESG ratings and strategies can be found on the market. A final formulation of universally valid and accepted criteria has yet to be found.

All in all, residential property remains a safe asset class (Savills German property market outlook of December 2021). The BNP Paribas Residential Investment Market Report also again expects high turnover in the residential investment market for 2022. Jones Lang LaSalle summarises 2021 as an expression of the attractiveness of the German market on the one hand and as evidence of a lack of yield-generating alternatives on the other. For 2022, all the issues that accompanied the market in 2021, including the Covid-19 pandemic, supply bottlenecks, rising inflation, sustainability, or the future of (office) work will remain unchanged.

For the listed residential property companies, the number of flats (as at 30 September 2021, each rounded to full thousands) and the market capitalisation (as at 31 December 2021 in EUR millions) are as follows:





Development of the Polish real estate or residential real estate market

Historically, the majority of the housing stock in Poland is still in the hands of private owners. Increasing urbanisation and a growing demand for modern housing are causing an estimated shortfall of around 1.5 million flats in Poland's big 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.

Ruecker Consult notes that 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 flats, both for sale and rent, 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. According to the Colliers Report "The Living Sector in Poland" (2021), too, the significant supply gap, high urbanisation and immigration, the affordability of housing, and the increasingly popular rental market continue to drive the positive development in Poland.

According to the EY analysis "Record-breaking investments on the Polish real estate market", the high demand and the decreasing supply of building plots as well as the rising construction prices have resulted in an exceptionally high price increase for residential real estate. In addition, a significant increase in institutional investments can be seen in the rental housing sector. Besides the shortage of housing for students at universities and the associated growing market for student housing, demographic change is also creating great potential for the market of senior-friendly construction.

In October 2021, Jones Lang LaSalle published its 'Residential Market in Poland' report. According to the report, the results of the third quarter of 2021 already indicate a year of rising prices and excellent sales results on the Polish residential market. Significantly more flats are being sold than offered, and the interest rates, which are still low compared to the inflation rate, are steadily attracting new buyers.

In the third quarter of 2021, almost 13,800 units were offered for sale on the primary market in Warsaw, Kraków, Wrocław, Tricity, Poznań and Łódź, a decrease of 13% compared to the previous quarter but an increase of 6% year-on-year. As in in the first quarter of 2021, this result was just above the quarterly average of 2020, a year that was strongly impacted by the pandemic, and demonstrates the significant barriers to supply compared to the record sales years of 2017 and 2019.

Development of the individual 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.

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))
123.6 (2019)	1.9m (2020)	6.6% (2021)	12.56 EUR/m² (2021)	5,574 EUR/m² (2021)
118.9 (2018)	1.8m (2019)	7.7% (2020)	12.72 EUR/m² (Q4 2019-Q3 2020)	4,652 EUR/m² (Q4 2019-Q3 2020)

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))
5.6 (2019)	0.1m (2020)	8.5% (2021)	5.72 EUR/m² (2021)	1,509 EUR/m² (2021)
5.9 (2018)	0.1m (2019)	9.5% (2020)	5.57 EUR/m² (Q4 2019-Q3 2020)	1,153 EUR/m² (Q4 2019-Q3 2020)

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 2021, more than six million people were living in the federal states of Berlin and neighbouring Brandenburg (press release from the Federal Statistical Office of Germany). The city's popularity is steadily driving rents up. In particular, there is a lack of affordable housing in the medium-price and 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))
156.8 (2019)	3.7m (2020)	8.8%(2021)	13.14 EUR/m² (2021)	4,919 EUR/m² (2021)
145.6 (2018)	3.7m (2019)	10.1%(2020)	13.16 EUR/m² (Q4 2019-Q3 2020)	4,643 EUR/m² (Q4 2019-Q3 2020)

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

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

According to Wüest Partner Germany (East German Housing Markets: Data & Prospects 2021), the number of employees subject to social security contributions in Eastern German cities has increased by more than 2% on average since 2017. In cities such as Berlin, Rostock, Dresden and Leipzig, growth rates were over 4%. Overall societal trends such as urbanisation and immigration can also be observed in the Eastern German cities. Besides Berlin, Dresden and Leipzig, Erfurt and Chemnitz also reported more than 20,000 commuters in 2020.

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))
9.3 (2019)	0.2m (2020)	6.5% (2021)	5.34 EUR/m² (2021)	1,290 EUR/m² (2021)
8.9 (2018)	0.2m (2019)	7.3% (2020)	5.10 EUR/m² (Q4 2019-Q3 2020)	1,047 EUR/m² (Q4 2019-Q3 2020)

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))
8.8 (2019)	0.2m (2020)	5.1% (2021)	7.78 EUR/m² (2021)	2,803 EUR/m² (2021)
8.5 (2018)	0.2m (2019)	6.4% (2020)	7.54 EUR/m² (Q4 2019-Q3 2020)	2,028 EUR/m² (Q4 2019-Q3 2020)

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))
23.3 (2019)	0.6m (2020)	5.4% (2021)	7.75 EUR/m² (2021)	2,902 EUR/m² (2021)
22.4 (2018)	0.6m (2019)	6.2% (2020)	7.70 EUR/m² (Q4 2019-Q3 2020)	2,397 EUR/m² (Q4 2019-Q3 2020)

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))
2.8 (2019)	0.09m (2020)	6.8% (2021)	5.29 EUR/m² (2021)	997 EUR/m² (2021)
2.7 (2018)	0.09m (2019)	8.2% (2020)	5.13 EUR/m² (Q4 2019-Q3 2020)	860 EUR/m² (Q4 2019-Q3 2020)

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))
22.9 (2019)	0.6m (2020)	6.1% (2021)	7.32 EUR/m² (2021)	2,907 EUR/m² (2021)
21.5 (2018)	0.6m (2019)	7.7% (2020)	7.03 EUR/m² (Q4 2019-Q3 2020)	2,192 EUR/m² (Q4 2019-Q3 2020)

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, trade-shows, culture, education, and services, as well a growing university town. The state of Mecklenburg-Vorpommern created a Digital Innovation Centre is (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))
8.0 (2019)	0.2m (2020)	6.6% (2021)	7.07 EUR/m² (2021)	3,286 EUR/m² (2021)
7.6 (2018)	0.2m (2019)	7.7% (2020)	7.11 EUR/m² (Q4 2019-Q3 2020)	2,898 EUR/m² (Q4 2019-Q3 2020)

North Rhine-Westphalia (Rhine-Ruhr region)

With its extensive volume of production and services, Germany's core industrial region is home to international corporations, but also to many SMEs, as well as big-name retail companies such as Aldi, Metro and Rewe. North Rhine-Westphalia is the most populous German state. Steadily rising population and household counts reflect the state's attractiveness and are also evident in the demand for residential real estate.

Selected data North Rhine-Westphalia (federal state)

GDP in EUR bn	Population/ Inhabitants	Unemployment rate
717.5 (2019)	17.9m (2020)	6.7% (2021)
694.8 (2018)	17.9m (2019)	7.5% (2020)

Operative Business Performance and Portfolio Developments

Impact of the Covid-19 pandemic on operational business performance

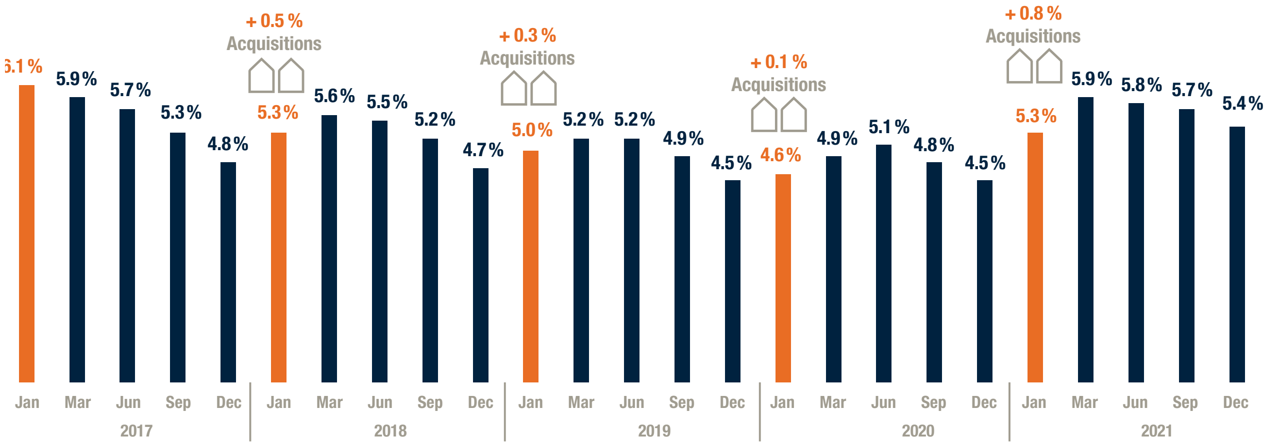
Since January 2020, coronavirus has been spreading worldwide, prompting the World Health Organization (WHO) to declare an international health emergency on 30 January 2020. Since 11 March 2020, the WHO has classified the spread of the virus as a pandemic ('Covid-19 pandemic'). Covid-19 continued to be a particular challenge in 2021, both for the economy at large and for residential real estate companies.

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. We are aware of the special responsibility that we as a housing company bear, especially in these times. 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 several months of 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, as in the previous year, we did not notice any significant ramifications for our business performance in FY 2020 due to the Covid-19 pandemic. Wherever effects are relevant for the reporting, we address them separately in the respective chapters.

Vacancy

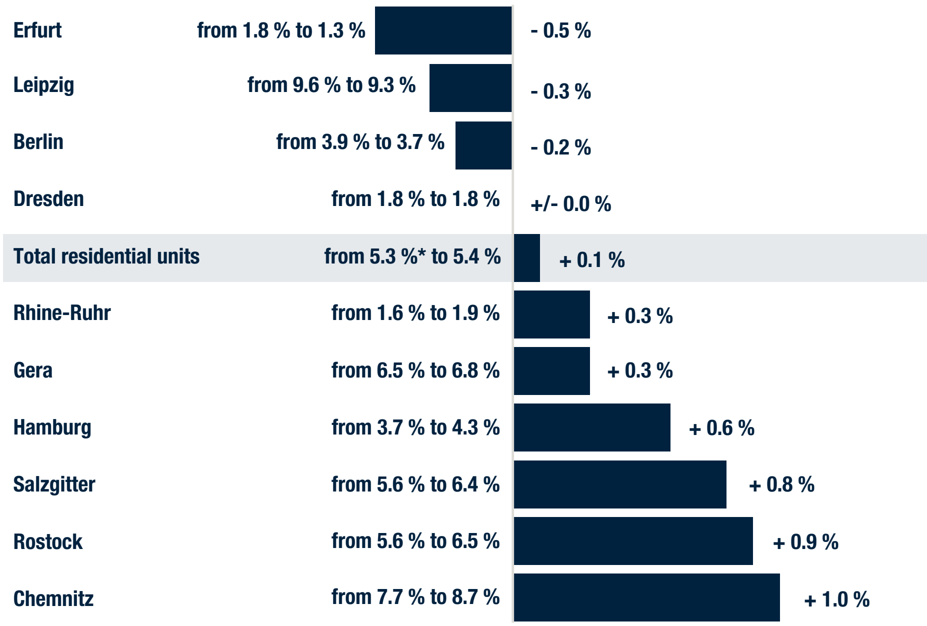
The following diagram (unaudited quarterly figures) highlights once again the positive development of vacancy in the Group's residential units in Germany in the 2017 to 2021 financial years:



Due primarily to the integration of acquisitions from the previous year, ongoing modernisation programmes to reduce vacancy, and the fact that the Covid-19 pandemic and associated lockdowns led to fewer viewings and thus fewer lettings, the vacancy rate increased in the first quarter of the 2021 financial year, but stabilised again in Q2 2021 and fell to

5.4% as at 31 December 2021. Nevertheless, the forecast for 2021 as a whole, which assumed a reduction in vacancy to between 4.8% and 5.0%, was not achieved. However, in view of the positive trend that can be observed after a difficult first quarter in 2021 due to Covid-19, we are very optimistic about the future and expect that vacancy will continue to be reduced steadily.

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



*as at 1 January 2021

Major vacancy reductions were achieved particularly in the regions of Erfurt (vacancy reduction by 0.5 percentage points), Leipzig, and Berlin (-0.3 and 0.2 percentage points, respectively). All regions in TAG's real estate portfolio now have vacancy rates of under 10% as of 31 December 2021.

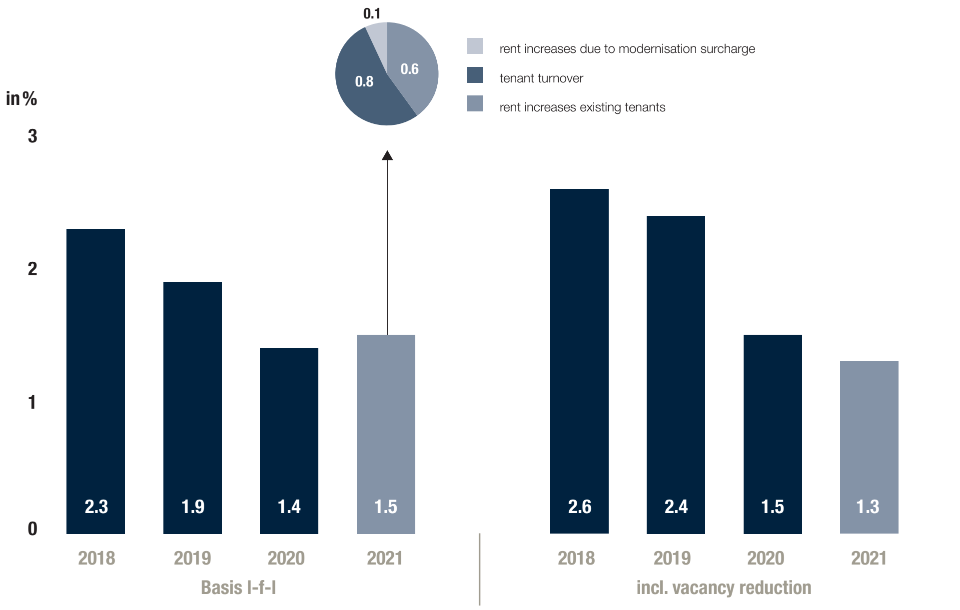
In the overall portfolio, which also includes several commercial units within the residential portfolio, vacancy stood at 5.7% on 31 December 2021, after 5.6% in the previous year.

Growth in rents

Growth in rents in the Group's residential units in Germany amounted to 1.5.% on a like-for-like basis (i.e. not including acquisitions and sales of the previous twelve months), after 1.4% in the previous year. This 1.5% growth in rents consisted of ongoing rent increases for existing tenants (0.6% after 0.6% in the previous year), rent increases in connection with a change of tenant (0.8% after 0.6% in the previous year), and rent increases due to modernisation allocations (0.1% after 0.2% in the previous year). Including the effects of vacancy reduction, total growth in rents on a like-for-like basis was 1.3% (1.5% in FY 2020).

The forecast for total rental growth on a like-for-like basis of 1.5% to 2.0% made for the full 2021 financial year was thus not achieved. This is due to the already described lower than expected effects from vacancy reduction. The 'base like-for-like rental growth', i.e. excluding the effects from vacancy reduction, was slightly above the previous year's level and thus within the expected range.

The following diagram shows the development of growth in rents in the financial years 2018 to 2021:



Average rent in the portfolio's residential units increased from EUR 5.48 per sqm to EUR 5.55 per sqm in 2021. New lettings were made at an average of EUR 5.82 per sqm in the reporting year. This, too, reflects an increase over the previous year (EUR 5.77 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 12/31/2021	In-place yield	Vacancy Dec. 2021 %	Vacancy Dec. 2020** %	Current net rent EUR/sqm	Reletting rent EUR/sqm	l-f-l rental growth (y-o-y)	Total l-f-l rental growth*** (y-o-y)	Maintenance EUR/sqm	Capex EUR/sqm
Berlin	10,406	603,029	959.3	4.4%	3.7%	3.9%	5.99	6.47	2.6%	2.9%	6.07	12.42
Chemnitz	7,897	462,487	403.3	6.3%	8.7%	6.9%	5.03	5.12	1.0%	0.0%	7.98	14.13
Dresden	6,095	394,376	630.6	4.4%	1.8%	1.9%	6.03	6.31	2.2%	2.4%	5.42	8.31
Erfurt	10,560	595,156	784.5	4.8%	1.3%	2.5%	5.38	5.71	0.9%	1.4%	6.35	9.79
Gera	9,452	548,894	470.3	6.7%	6.8%	6.5%	5.13	5.39	0.8%	0.3%	5.90	9.35
Hamburg	6,952	427,987	670.3	4.4%	4.3%	3.7%	6.01	6.48	2.2%	1.7%	9.65	14.57
Leipzig	13,140	765,903	813.3	5.5%	9.3%	6.0%	5.35	5.63	1.3%	1.9%	7.75	17.15
Rhine-Ruhr	4,168	265,108	391.8	4.5%	1.9%	1.6%	5.67	5.92	1.5%	1.2%	13.31	6.49
Rostock	8,314	466,059	569.6	5.2%	6.5%	4.4%	5.66	6.02	1.6%	0.5%	9.42	28.31
Salzgitter	9,179	563,065	592.9	5.8%	6.4%	5.6%	5.47	5.66	0.6%	-0.2%	7.18	9.64
Total residential units	**86,163**	**5,092,064**	**6.285.9**	**5.1%**	**5.4%**	**4.5%**	**5.55**	**5.82**	**1.5%**	**1.3%**	**7.57**	**13.35**
Acquisitions	162	9,689	4.9	7.8%	22.6%	21.6%	4.19	-	-	-	-	-
Commercial units within resi. portfolio	1,105	142,787	-	-	14.5%	16.1%	8.18	-	-	-	-	-
Total residential portfolio	**87,430**	**5,244,540**	**6.290.8**	**5.3%**	**5.7%**	**5.6%**	**5.61**	**5.82**	**-**	**-**	**-**	**-**
Other*	146	19,343	96.6	4.6%	3.7%	6.3%	12.95	-	-	-	-	-
Grand total	**87,576**	**5,263,883**	**6.387.4**	**5.3%**	**5.7%**	**5.6%**	**5.64**	**5.82**	**-**	**-**	**-**	**-**

* Incl. commercial properties and serviced apartments. Incl. EUR 33.6m book value of project developments

** Excl. acquisitionen 2020

*** Incl. effects from vacancy reduction

Revaluation of the portfolio in the financial year under review

As in the previous years, in the 2021 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 2021 financial year was a gain of EUR 525.0m for the portfolio in Germany (previous year: EUR 327.0m). Of this, around EUR 104.6m or approx. 20% (previous year: approx. EUR 50.4 or 15%) is attributable to a better operating performance than projected in the previous valuation, and around EUR 420.4m or approx. 80% (previous year: EUR 276.6m or approx. 85%) to 'yield compression'. Compared with the carrying amount at the beginning of the year, this corresponds to an increase in value, excluding increases in carrying amount due to modernisation measures (capex), of 9.0% compared with 6.2% in the 2020 financial year.

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

Region (in EUR m)	12/31/2021 Fair value (IFRS)	12/31/2021 Fair value (EUR/sqm)	12/31/2021 Implied multiple	FY 2021 Valuation result	Share of operational performance/other market developments	Share of Yield compression	12/31/2020 Fair value (IFRS)	12/31/2020 Fair value (EUR/sqm)	12/31/2020 Implied multiple
Berlin	959.3	1,518.8	21.9	101.8	22.1	79.7	851.3	1,355.6	20.1
Chemnitz	403.3	849.4	15.5	15.7	2.1	13.6	367.2	814.6	14.6
Dresden	630.6	1,551.1	21.8	50.8	18.1	32.6	575.2	1,416.7	20.3
Erfurt	784.5	1,269.4	19.5	73.6	9.2	64.4	706.4	1,121.7	17.6
Gera	470.3	818.5	14.4	21.2	1.9	19.4	444.7	772.5	13.6
Hamburg	670.3	1,532.0	21.8	81.8	8.3	73.5	588.5	1,331.3	19.2
Leipzig	813.3	1,048.2	17.8	66.9	29.3	37.5	611.0	1,018.5	16.6
Rhine-Ruhr	391.8	1,419.5	20.9	44.1	10.5	33.6	346.5	1,249.3	18.7
Rostock	569.6	1,198.7	18.7	44.6	0.1	44.5	504.9	1,102.8	17.1
Salzgitter	592.9	1,050.0	16.9	24.5	2.7	21.9	563.1	997.3	16.0
Total residential units	**6,285.9**	**1,200.8**	**18.9**	**524.9**	**104.3**	**420.6**	**5,558.8**	**1,104.7**	**17.4**
Acquisitions	4.9	501.6	12.6	0.0	0.0	0.0	188.2	751.7	15.9
Total residential units	**6,290.8**	**1,199.5**	**18.9**	**524.9**	**104.3**	**420.6**	**5,747.0**	**1,088.0**	**17.4**
Other*	96.6	3,257.7	21,8	0.1	0.3	-0.2	87.3	3,094.6**	21.0**
Grand total	**6,387.4**	**1,207.1**	**18,9**	**525.0**	**104.6**	**420.4**	**5,834.3**	**1,095.6****	**17.4****

* incl. book value of project developments of EUR 33.6m

** excl. project developments

The valuation multiplier of the portfolio (as a relation of the IFRS book value to net actual rent) increased from 17.4 at the end of 2020 to 18.9 at 31 December 2021. This corresponds to a gross initial yield of 5.3% (previous year: 5.7%). The price per square metre across the total portfolio is now around EUR 1,200 after around EUR 1,100 at 31 December 2020.

As of 31 December 2021, the valuation of the investment properties in Poland rented or planned for rental resulted in a net valuation of EUR 15.1m after EUR 1.4m in the previous year on the basis of a book value of EUR 268.2m (31 December 2020: EUR 72.9m).

Acquisitions in Germany in the 2021 financial year

After purchase agreements for the acquisition of a total of 4,578 apartments had been signed in the previous year, no portfolio acquisitions were made in the 2021 financial year given the sharply increased prices and a highly competitive market.

Property Sales in Germany in the 2021 financial year

TAG is primarily a long-term portfolio holder. However, selective sales of 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, we feel a high degree of capital discipline is becoming increasingly important, especially in the current market environment. The reason for this is that in some segments and regions, the Management Board feels that 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 2021, 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 684 (previous year: 1,009) residential units were sold in Germany over the course of the past financial year, at a total purchase price of EUR 64.3m (previous year: EUR 55.3m). The average factor based on current annual net cold rent for the residential real estate was 23.7 times (previous year: 17.3 times), which corresponds to an annual gross initial yield of 4.3% (previous year: 5.8%). Net cash inflow, i.e. the purchase price remaining after deduction of the loans to be repaid, amounted to around EUR 50.8m in the 2021 financial year (previous year: around EUR 54.3m). The sales resulted in a book gain of EUR 12.0m (previous year: EUR 4.0m).

The following table provides an overview of sales notarised in the 2021 financial year:

Signing	non-core assets	Total 2021	Total 2020
Units	684	684	1,009
Current net rent EUR/sqm/month	5.39	5.39	5.38
Vacancy	19%	19%	18%
Purchase price in EUR m	64.3	64.3	55.3
Current net rent EUR m p.a.	2.72	2.72	3.21
Net cash proceeds EUR m	50.8	50.8	54.3
Book profit in EUR m	12.0	12.0	4.0
Location	diverse	-	-
Closing	2021/2022	-	-
Multiples	23.7	23.7	17.3

Development of the business activities in Poland

Based on an average exchange rate of the Polish złoty (PLN) to the euro of 4.5652:1 in the 2021 financial year, revenue from property sales in Poland amounted to EUR 63.4m after EUR 73.4m in the previous year. With production costs of EUR 51.0m (including effects from the purchase price allocation of EUR 3.3m), the result from sales was EUR 12.4m (previous year: EUR 6.3m).

In total, sales of 412 flats (previous year: 509) were notarised in the 2021 financial year and 575 (previous year: 719) flats were handed over to the buyers. The lower number of sales and transfers goes hand in hand with the strategy, communicated earlier, of focusing business activities on letting rather than selling apartments going forward. As a consequence, the carrying amount of properties intended for rental (investment properties) in Poland amounted to EUR 268.2m as of 31 December 2021, compared to EUR 72.9m at the end of the previous year.

As at 31 December 2021, the portfolio in Poland is as follows:

Region	Units planned	thereof units completed	thereof units under construction	area in sqm	12/31/2021 Fair Value EURm
Wrocław	4,204	368	3,836	197,714	126.2
Poznań	2,498	0	2,498	109,193	75.8
Łódź	1,436	0	1,436	64,405	16.8
Tricity	808	0	808	35,177	28.3
Krakow	243	0	243	13,579	8.2
Units build to hold	**9,189**	**368**	**8,821**	**420,068**	**255.3**
Wrocław	2,740	111	2,629.0	148,568	56.6
Tricity	628	0	628	27,803	22.4
Units build to sell	**3,368**	**111**	**3,257**	**176,371**	**79.0**
Other*	-	-	-	40,611	13.6
Total portfolio	**12,557**	**479**	**12,078**	**637,050**	**347.9**

According to current planning, of the total of 12,557 flats planned, around 3,400 flats are intended for sale, while around 9,200 are to be let after completion. Initial rental income started being generated in Poland with the completion of the first letting projects, since June 2021; 368 flats were rented as at 31 December 2021.

Acquisition of ROBYG S.A.

On 22 December 2021, TAG signed a purchase agreement via a wholly owned German subsidiary to acquire all shares in ROBYG S.A. (ROBYG). The final purchase price is based on a transaction value of PLN 3,150m (approx. EUR 694m) and is subject to various distributions to the sellers of up to PLN 700m (approx. EUR 154m) to be made prior to the closing of the transaction. The purchase price is expected to be in the range of approx. PLN 2,450-2,550m (approx. EUR 540-560m, based on a EUR/PLN exchange rate of 4.53). The acquisition is expected to close by the end of the first quarter of 2022.

The purchase price, possible repayments of existing financial liabilities of ROBYG, and further working capital for ROBYG's investments will be financed through bridge financing of up to EUR 750m, provided by four banks. Refinancing of this bridge financing is planned to take place in the course of 2022 through capital market instruments.

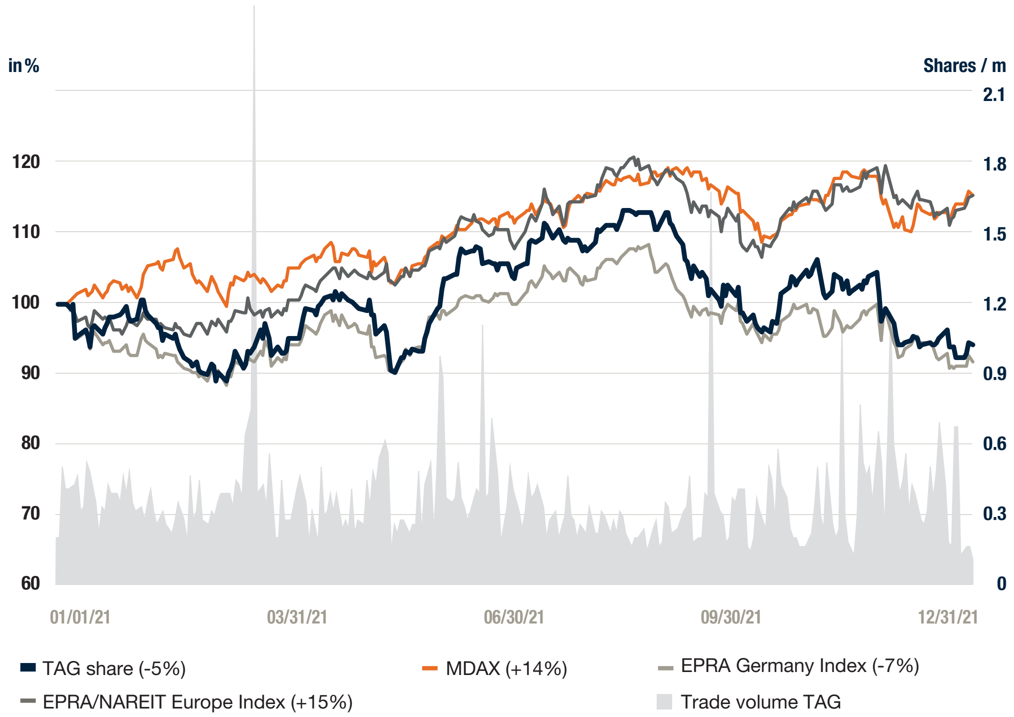
ROBYG is Poland's largest residential real estate developer with a focus on the country's big cities. In the last 20 years, the company has completed and handed over more than 26,000 residential units. At the time of signing, the secured pipeline consisted of residential projects in Warsaw, Wrocław, Tricity and Poznań with a total of approximately 23,000 unsold units. Of these, according to TAG's current plans, up to approx. 12,000 units will be held long-term after completion to supplement TAG's rental portfolio in Poland, while the remainder of the development pipeline (approx. 11,000 units) is earmarked for sale. So, together with TAG's existing contractually secured pipeline in Poland of around 9,200 rental flats as at 31 December 2021, it is now planned to build a rental flat portfolio of around 20,000 flats in Poland over the next six to seven years. ROBYG and Vantage will together form TAG's platform in Poland. The Management Board reckons that Vantage's strong presence in Wrocław, Wrocław and Łódź combined with its existing experience in the rental business, and ROBYG's strong position in the Warsaw and Tricity markets, give TAG a an opportunity to become the leading provider in the Polish residential real estate market in both the rental and sales segments.

The TAG share and the capital market

The price of the MDAX-listed TAG share was volatile in FY 2021. After a closing price of 25.90 at the end of 2020, the stock traded at prices that peaked at around EUR 29.09 in August 2021 (12 Aug 2021) and dropped to lows of around EUR 23.28 in March 2021 (03 Mar 2021) . At year-end 2021, the share price stood at EUR 24.61, a 5% decrease compared to the beginning of the year. Additionally taking into account the dividend of EUR 0.88 per share paid out to shareholders in May 2021, the overall performance of the TAG share in 2021 was -2% (previous year: +21%).

By comparison, the EPRA index, comprised of various European real estate companies listed on international stock exchanges, recorded a 15% increased (previous year: -13%). At the national level, the MDAX rose by 14%.

The EPRA Germany index, which comprises the main German real estate stocks, was down 7% (previous year: up 12%) and thus underperformed the TAG share, as shown in the diagram below:

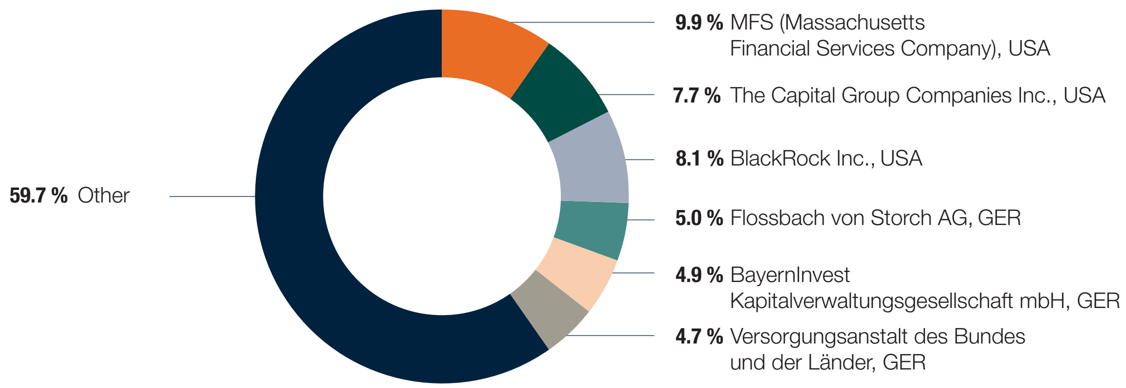


Share capital and shareholder structure

TAG's market capitalisation was EUR 3.6bn on 31 December 2021, compared to EUR 3.8bn on 31 December 2020. The share capital and number of shares at 31 December 2021 were EUR 146,498,765.00 and 146,498,765 shares, the same as at the end of the previous year.

Free float at the reporting date was 99.92% of the share capital; 0.08% of the share capital (119,264 shares at 31 December 2021 after 203,884 at 31 December 2020) 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 2021) shows:



TAG lets its shareholders participate substantially in the Company's success by paying an attractive dividend. At this year's Annual General Meeting, which took place on 11 May 2021 in Hamburg, a dividend of EUR 0.88 per share, after EUR 0.82 per share in the previous year, was approved and subsequently paid out for the 2020 financial year.

In order to continue to maintain the share as an attractive dividend stock in the future, we plan to distribute another increased dividend of EUR 0.93 per share for the 2021 financial year; as before, this corresponds to a pay-out ratio of 75% of FFO I.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSET POSITION

Results of operations

Rental revenues and net rental income
2021 once again saw a positive development in rental revenues. Although overall rental growth, at 1.3% p.a. was down year on year in 2021 (1.5% p.a. in 2020), including rent increases and reductions from acquisitions in the previous year and from disposals, the Group's net actual rent ('cold rent') increased by 3.3% to EUR 333.1m.

Including the additional income to be reported under rental revenues (mainly third-party operating and utility costs), total rental revenues increased from EUR 426.4m to EUR 436.9m despite the slight increase in vacancies over the course of the year. The rental business in Poland, which only started in June 2021 with the completion of the first projects and generated net actual rent of EUR 0.5m (previous year: EUR 0.0m), had no significant influence on rental revenues as of the reporting date. The Covid-19 pandemic had no significant impact on the development of turnover. As a result of the pandemic and the associated lockdowns, fewer viewing appointments and thus also fewer lettings took place. As a result, the vacancy rate increased slightly over the course of the year (5.4% at the end of the year; 5.3% at the beginning of the 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 246.1m in the previous year to 271.3m in 2021.

For the Rental segment, the segment result II, after deduction of operating costs and directly ©attributable personnel and material costs, is EUR 230.9m (previous year: EUR 220.5m).

Results from sales of investment properties and properties held as inventories
At EUR 117.7m, revenues from the sale of inventory and investment properties were below the previous year's EUR 198.6m. Revenues generated in Poland from the sale of inventory properties amounted to EUR 62.4m after EUR 73.4m in the previous year (cf. also the comments in 'Operative Business Performance and Portfolio Developments' in the section on 'Development of the business activities in Poland').

In Germany, revenues from sales related to the ongoing, smaller-scale sales of individual apartments and multi-family buildings. Overall, this resulted in a sales result of EUR 12.5m in 2021, compared to EUR 46.5m in the previous year. In particular, in the previous year the sale of the first of two construction phases of a hotel and office project development in Munich dating back to TAG's past was reported in Germany.

Besides the book profits, the sales results also include commission expenses for ongoing sales, allocations to accruals for compensation risks and litigation costs from building projects and sales from previous years, and other selling costs. In all, the expenses amounted to EUR 1.7m (previous year: EUR 3.1m).

Revenues from services and net service income
The revenues from services, totalling EUR 57.5m (previous year: EUR 56.2m) 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 2.1m (previous year: EUR 1.9m) 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 26.3m (previous year: EUR 26.1m).

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 10.6m (previous year: EUR 10.7m).

Other operating income
Other perating income increased to EUR 7.6m in FY 2021 (previous year: EUR 6.2m), mainly attributable to capitalization 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 considerably higher year-on-year valuation result of EUR 540.1m (previous year: EUR 328.4m; cf. also the 'Operative Business Performance and Portfolio Developments - Revaluation of the portfolio in the financial year under review' (section above).

Personnel expenses
In the reporting period, personnel expenses increased to EUR 63.0m (same period of the previous year: EUR 58.6m). In addition to the increased number of employees (particularly in the area of caretakers) and ongoing salary increases or bonus payments for employees, the new Management Board remuneration resolved at the Annual General Meeting on 11 May 2021 was also recognised, which, among other things, provides for an increase in the target and maximum remuneration for the variable Management Board remuneration and resulted in additional expenses of EUR 0.2m compared to the previous year. In addition, expenses of EUR 1.1m were recognised from the Long-Term Incentive Plan for 2018–2020, under which TAG shares were allocated to the Management Board members in the second quarter of 2021.

As at 31 December 2021, TAG employed 1,390 employees including the employees in Poland, compared to 1,354 employees at the end of 2020.

In this connection, a total of EUR 33.6m (previous year: EUR 36.0m) in personnel expenses is allocated to individual segments. Of this, EUR 14.7m (previous year: EUR 18.3m) relates to the Rental segment and EUR 19.0m (previous year: EUR 17.6m) to the Services segment.

Depreciation/amortisation of intangible assets and property, plant and equipment
The amortisation of intangible assets and property, plant and equipment of EUR 8.8m (previous year: EUR 7.2m) 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.

Other operating expenses
At EUR 24.5m, other operating expenses were above the previous year's level of EUR 22.2m. In connection with the acquisition and purchase price financing of the shares in ROBYG S.A., expenditures such as consulting and brokerage fees totalling EUR 5.8m are reported as a special effect. The previous year had included a special effect of EUR 3.6m from payments to the 'TAG Miteinander Stiftung' (TAG Together Foundation), a charitable institution newly established in the 2020 financial year. The other items mainly refer to legal, consulting and audit costs, as well as costs for business premises and costs of communications.

A total of EUR 0.2m (previous year: EUR 1.4m) in directly allocable expenditure (and income) is assigned to the individual segments. Of this, EUR 3.5m (previous year: EUR 3.6m) is attributable to the rental segment, while the Services segment accounts for income of EUR 3.3m (previous year: EUR 2.2m).

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 -43.3 (previous year: EUR -107.0m m), mainly due to the higher valuation effects from derivatives reported in the previous year. Eliminating the financial result from operations in Poland, non-recurring effects, as well as non-cash gains or losses e.g. from derivatives, leads to a P&L cash financial result excluding special items of EUR -42.1m for the 2021 financial year (after EUR -45.1m in FY 2020); this amount is included in the calculation of the FFO.

This development clearly shows the further, continual improvement in financing costs. The average interest rate on bank loans was reduced to 1. 6% on 31 December 2021 (previous year: 1.8%); the total average cost of borrowing at the reporting date was 1.4% after 1.5% at the end of the previous year.

Income from investments, impairment of financial assets, and currency translation effects amounted to EUR 3.1m (previous year: EUR -0.7m).

Taxes on income

Taxes on income and earnings amounted to EUR 132.5m in 2021, after EUR 73.6m in 2020. The proportion of actual tax expenses in 2021 was EUR 4.2m (previous year: EUR 6.9 m), the remaining expenses of EUR 128.2m (previous year: 66.7m) 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 2021 financial year TAG achieved consolidated net profit of EUR 585.6m (previous year: 402.6m). The main reason for the EUR 183.0m increase in consolidated net income was a EUR 211.7m higher valuation result and a EUR 56.4m decrease in interest expenses. This was offset in particular by a EUR 33.9m lower sales result and a EUR 58.9m increase in expenditure on - mainly deferred - income taxes.

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 2021 financial year:

in EUR m	2021	2020
EBIT	**736.7**	**578.8**
Revaluations	-525.0	-327.0
Depreciation	8.7	7.0
One-off's (provisions for real estate transfer tax risks; acquisitions)	5.8	3.6
Valuation result	-0.1	-40.2
EBITDA (adjusted)	**226.1**	**222.3**
Rental income (net rent)	332.5	322.5
EBITDA Margin (adjusted)	**68.0%**	**68.9%**

The increase in adjusted EBITDA can mainly be attributed to the rise in rental income. At 68.0%, the EBITDA margin is below the prior-year level, which is due in particular to the EUR 3.8m increase in maintenance expenses compared to 2020. The special effects relate in full to expenses in connection with the acquisition of the shares in ROBYG S.A. (previous year: payments in the amount of EUR 3.6m to the TAG Miteinander Stiftung, a new charitable foundation established in fiscal 2020).

Funds from Operations (FFO)

FFO I is calculated based on the Group's consolidated EBT in Germany, adjusted for non-cash items, such as evaluation results, depreciation, amortisation (without adjustment for impairment of rent receivables), non-cash interest expense, and without regularly 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 rental activities in Poland (rental income of EUR 0.5m in 2021) were not included in FFO I for reasons of materiality. The contributions of the business activities in Poland to TAG's consolidated net income, and to the TAG Group's FFO II, are as follows in for FY 2021:

in EUR m	2021	2020
Net income from Poland	17.9	3.6
Non-recurring set-up costs rental business	0.0	0.5
Result of effects from purchase price allocation	3.3	6.8
Valuation result Poland	-15.0	-1.4
Deferred taxes	3.8	0.3
Minority interests Poland	-3.3	-0.7
Result operations Poland (contribution to FFO II)	**6.7**	**9.1**

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/ - 12/31/2021	01/01/ - 12/31/2020
Net income	**585.6**	**402.6**
Elimination net income Poland	-17.9	-3.6
Net income Germany	**567.7**	**399.0**
Taxes	127.4	72.5
Financial result	41.6	107.2
EBIT	**736.7**	**578.8**
Adjustments		
Valuation result	-525.0	-327.0
Depreciation	8.7	7.0
One-off's	5.8	3.6
Sales result	-0.1	-40.2
EBITDA (adjusted)	**226.1**	**222.3**
Rental income (net rent)	332.5	322.5
EBITDA (adjusted)	**68.0%**	**68.9%**
Net finance income (cash, without one-time invoice)	-42.1	-45.1
Income taxes (cash)	-0.7	-3.3
Guaranted dividend minorities	-1.3	-1.3
FFO I	**182.0**	**172.6**
Capitalised maintenance	-16.5	-17.2
AFFO (before modernisation capex)	**165.5**	**155.4**
Modernisation capex	-51.6	-54.5
AFFO	**113.9**	**100.9**
Net income from sales Germany	0.1	40.2
Result operations Poland	6.7	9.1
FFO II (FFO I + net revenues from sales and result operations Poland)	**188.8**	**221.9**
Weighted average number of shares (outstanding, in 000)	146,358	146,288
FFO I per share (in EUR)	**1.24**	**1.18**
AFFO per share (in EUR)	**0.78**	**0.69**
Weighted average number of shares fully (diluted, in 000)	147,101	157,681
FFO I per share (in EUR)	**1.24**	**1.09**
AFFO per share (in EUR)	**0.77**	**0.64**

FFO I increased significantly year-on-year, both in absolute terms (from EUR 172.6m to 182.0m) and on a per-share basis (from EUR 1.18 to EUR 1.24, without dilution effects), or about 5.4% in each case.

In the previous year, the Group had forecast an FFO I of EUR 1.23 per share for FY 2021, which in absolute terms corresponded to an FFO I of EUR 178m to EUR 182m. With FFO I of EUR 182.0m and FFO I per share of EUR 1.24 for the 2021 financial year, this forecast was met at the upper end of the range or, in the case of FFO I per share, slightly exceeded.

Assets position

Assets

Assets at 31 December 2021 totalled EUR 7.1bn after EUR 6.5bn at 31 December 2020. In addition to investment properties of EUR 6,540.4m (previous year: EUR 5,819.2m), the Group's total real estate assets also include properties reported under property, plant and equipment totalling EUR 9.1m (previous year: EUR 9.4 m), as well as inventories of EUR 113.8m (previous year: EUR 102.0m). Beyond this, real estate of EUR 72.0m (previous year: EUR 53.9m) is reported under non-current assets held for sale. At 31 December 2021, total real estate assets amounted to EUR 6,735.3m, as compared to EUR 5,984.4m at the end of the previous year, of which EUR 6,387.4m (previous year: EUR 5,834.3m) is attributable to German properties and EUR 347.9m (previous year: EUR 150.1m) to properties in Poland.

Cash and cash equivalents at 31 December 2021 totalled EUR 96.5m compared to EUR 324.3m at 31 December 2020. The advance payments of EUR 67.9m already made on the purchase price for the acquisition of ROBYG S.A. as of the reporting date are shown as a separate item in the balance sheet.

Investments and Capex reporting

There were no portfolio acquisitions for the German portfolio in the 2021 financial year (previous year: around 4,578 units at a total purchase price of EUR 174.7m).

In 2021, TAG spent a total of EUR 106.9m (previous year: EUR 105.4m) on ongoing maintenance and modernisation in its like-for-like portfolio in Germany, i.e. excluding the acquisitions of the financial year and project developments. EUR 38.8m (previous year: EUR 35.0m) was spent on maintenance recognised in profit or loss, and EUR 68.1m (previous year: EUR 71.3m) on capitalisable modernisations, broken down as follows for the German portfolio:

in EUR m	2021	2020
Large-scale measures (e.g. modernisation of entire residential complexes)	33.2	38.8
Modernisation of apartments		
Previously vacant apartments	18.3	15.6
Change of tenants	16.5	16.9
Total modernisation costs like-for-like portfolio	**68.1**	**71.3**

Total investments (ongoing maintenance recognised in profit and loss and capitalised renovation and modernisation) in the Group's like-for-like portfolio amounted to EUR 20.92 per sqm in 2021, after EUR 21.56 per sqm in the previous year, and to EUR 20.31 per sqm across the whole portfolio (previous year: EUR 20.13 per sqm).

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

in EUR m	2021	2020
Acquisitions in the financial year	4.6	187.0
Modernisation expenses	0.0	0.4
Project developments	177.9	46.0
thereof capitalised interest	1.7	0.6
ike-for-like Portfolio Germany[1]	67.8	71.0
thereof investments in existing areas	67.8	71.0
Other[2]	0.0	0.0
Total investments in investment properties	**250.3**	**304.0**

[1] Capex on investment properties EUR 67.8m (previous year: EUR 71.0m), capex on properties held for sale EUR 0.3m (previous year: EUR 0.1m)

[2] Rent incentives, e.g. rent-free periods for tenants for modernisation work performed by the tenant themselves, are of secondary importance with a total volume of approx. TEUR 20 p.a.; information on modernisation expenses in connection with joint ventures is omitted as TAG does not hold any interests in joint ventures.

The project developments relate entirely to investments in new residential construction in Poland, designed to build up the rental business. Including the project developments reported under current assets, EUR 8.7m (previous year: EUR 30.8m) was invested in Germany and EUR 234.9m (previous year: EUR 90.4m) in Poland.

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

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

The Group's segment reporting shows maintenance expenses and investment costs totalling EUR 68.8m (previous year: EUR 65.2m). This amount, which follows the internal reporting methodology, does not include some items that are capitalised in IFRS accounting, such as in the area of apartment modernisation.

Goodwill

The initial consolidation of Vantage Development S.A., Wrocław/Poland in 2020 resulted in goodwill of EUR 19.8m, which was reduced to EUR 18.3m as at 31 December 2021 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.

Financial position

Equity

In 2021, the equity base was increased by EUR585.6m (previous year: EUR 402.6m) as a result of the Group's ongoing performance. In May 2021, a dividend payment in the amount of EUR 128.8m (previous year: EUR 119.9m) was made for the 2020 financial year. As of the balance sheet date, Group equity totalled EUR 3,129.5m (31 December 2020: EUR 2,681.5m). The equity ratio at the end of the 2021 financial year was 44.1%, compared with 41.4% at the end of the previous year.

EPRA Net Tangible Assets (NTA)

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

in EUR m	12/31/2021	12/31/2020
Equity (before minorities)	3,039.7	2,602.6
Effect from conversion of convertible bond	0.0	25.9
Deferred taxes on investment properties and derivative financial instruments	653.8	567.4
Fair value of derivative financial instruments	16.6	20.1
Difference between fair value and book value for properties valued at cost	51.2	40.9
Goodwill	-18.3	-18.4
Intangible assets (book value)	-4.9	-4.3
EPRA NTA (diluted)	**3,738.2**	**3,234.2**
Number of outstanding shares (diluted, in 000)	146,380	147,333
EPRA NTA per share in EUR (diluted)	**25.54**	**21.95**

* As of 31 December 2021, deferred taxes on derivative financial instruments were taken into account; deferred taxes and minorities were also taken into account for the first time to determine the hidden reserves on property, plant and equipment and inventories. Adjusted for these changes, the NTA as of 31 December 2021 would have equalled approximately EUR 3,772.3m or EUR 25.77 per share.

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	6,336.8	96%	100%
Other portfolio including properties held for sale	275.6	4%	0%

The Group had forecast an NTA (diluted) of EUR 22.30 to EUR 22.50 per share for the 2021 financial year. With NTA on a diluted basis at EUR 25.54 per share, or EUR 25.77 per share according to the approach of the previous year, this forecast was clearly exceeded. However, the forecast does not regularly take into account any results from the valuation of investment properties and inventory properties, and no deferred tax effects from the use of tax loss carryforwards. Adjusted for these effects, NTA amounts to EUR 22.03 using the approach of the previous year, which means that the forecast was not met. If the effects from the early termination and the valuation of the convertible bonds and the derivative financial instruments, which were also not taken into account in the forecast, were additionally included, the NTA would be EUR 22.37 per share, which would mean that the forecast was reached.

Financing and liquidity

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

in EUR m	12/31/2021	12/31/2020
Liabilities to banks	2,066.5	1,977.9
Liabilities from corporate bonds and other loans	546.3	495.9
Liabilities from convertible bonds	457.8	565.4
Cash and cash equivalents	-96.5	-324.3
Net financial debt	**2,974.1**	**2,714.9**
Investment properties	6,540.4	5,819.2
Property reported under tangible assets	9.1	9.4
Property held as inventory	113.8	102.0
Property reported under non-current assets held for sale	72.0	53.9
Real estate volume (book value)	**6,735.3**	**5,984.4**
Book value of property for which purchase prices have already been paid in advance	67.9	-8.0
Difference between fair value and book value for properties valued at cost	81.7	40.9
Relevant real estate volume for LTV calculation	**6,884.9**	**6,017.3**
LTV	**43.2%**	**45.1%**

The TAG Group's LTV improved to 43.2% as at 31 December 2021, after LTV of 45.1% in previous year.

TAG bases its funding on various pillars. In addition to bank loans secured by property in its subsidiaries, the Company also uses capital market-based financing, such as corporate bonds, 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') as well as promissiory note loans. 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. As a result of the planned acquisition of all shares in ROBYG and the associated stronger involvement of TAG in Poland, Moody's confirmed the rating in January 2022 and changed the outlook of the rating from positive to negative.

The convertible bond 2020/2026 with a nominal value of EUR 470.0m has a term of six years, is unsecured, and carries a coupon of 0.625% p.a.. The conversion price as of the reporting date is EUR 33.92. This conversion price will be adjusted if future dividend payments exceed a value of EUR 0.8179 per share.

The unsecured convertible bond 2017/2022 with an original nominal value of EUR 262.0m and which also carries a coupon of 0.625% p.a., was terminated with effect from 15 October 2021 in a notification dated 13 September 2021. Convertible bonds 2017/2022 with a total nominal value of EUR 244.5m were already repurchased (nominal value of EUR 131.0m) or submitted for conversion (nominal value of EUR 113.5m) in the 2020 financial year, so that convertible bonds with a nominal value of EUR 17.5m were still submitted for conversion in the 2021 financial year. TAG exercised the cash settlement option in each case. This resulted in a further cash outflow of EUR 26.7m in 2021.

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

Convertible bond 2020/2026 WKN A3E46Y
Volume: EUR 470m
Nominal value per bond: EUR 100,000.00
Maturity: 6 years to 08/27/2026
Interest rate: 0.625%
Issue price: 100%
Conversion price: EUR 33.9249

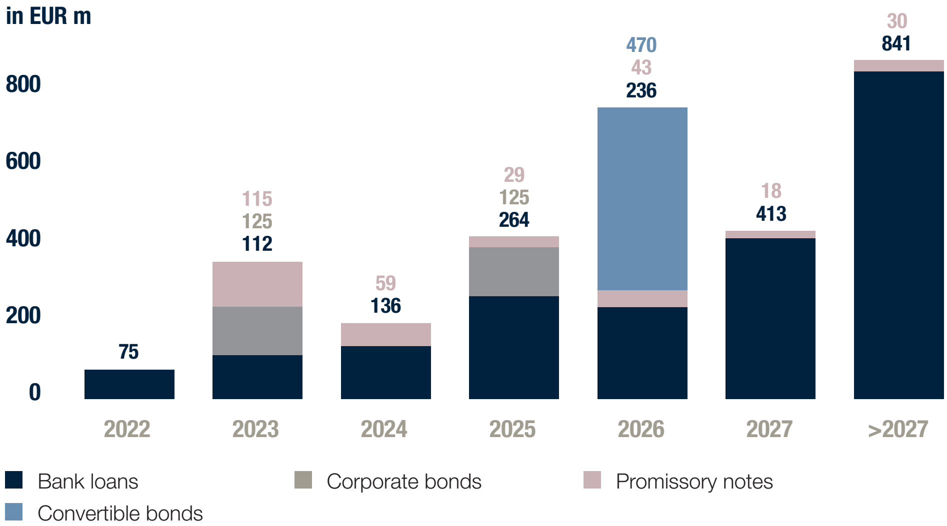
The key data of the corporate bonds outstanding as at 31 December 2021 is as follows:

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. In addition, another promissory note loan for EUR 100.0m and a term of two years was issued in the 2021 financial year. The interest rate is 0.1% per annum. With an average remaining term of 3.2 years, this results in an average interest rate of 1.1% p.a.

TAG has concluded bridge financing of up to EUR 750.0m and a term of 18 months until mid-2023 for the acquisition of the shares in ROBYG S.A., for possible repayments of existing financial liabilities of ROBYG, and for further working capital for the investments of ROBYG, which, however, had not yet been utilised as of the reporting date. Refinancing of this bridge financing is to take place in the course of 2022 through capital market instruments.

The following table shows the maturity of all liabilities as of 31 December 2021:



If one adds to the bank loans of EUR 323m maturing in the next three years those for which fixed interest rates will end, the total refinancing volume for bank loans for the period up to 31 December 2024 is EUR 374.5m. The average interest rate of these bank loans is 2.12%.

The average volume-weighted residual maturity of all bank loans as of the balance sheet date was 7.6 (previous year: 7.9) years; the average term of all financial liabilities was 6.3 (previous year: 6.8) years. The average interest rate on bank loans as at 31 December 2021 was 1.6% (previous year: 1.8%), and that on total financial liabilities was 1.4% (previous year: 1.5%). 99% (previous year: 97%) of total financial liabilities have fixed interest rates.

The Management Board expects that all loans maturing in 2022, nearly 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	**2021**	**2020**
Cash flow from operating activities	164.0	254.0
Cash flow from investment activities	-272.2	-215.7
Cash flow from financing activities	-119.3	196.8
Effects from currency changes	1.6	-3.7
Cash and cash equivalents at the beginning of the period	320.0	88.7
Cash and cash equivalents at the end of the period	**94.1**	**320.0**

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. Cash flow from financing activities mainly includes the results from the issuance of a promissory note, the results from the repayment of convertible bonds, and the assumption and repayment of bank loans.

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

in EUR m	12/31/2021	12/31/2020
Cash and cash equivalents according to consolidated balance sheet	96.5	324.3
Cash and cash equivalents not available at balance sheet date	-2.4	-4.3
Cash and cash equivalents as per consolidated cash flow statement	**94.1**	**320.0**

Above and beyond this, TAG has available credit lines totalling EUR 145.0m at various banks (previous year: EUR 120.0m). As of 31 December 2021, 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, the Management Board feels that TAG again achieved excellent results in 2021 financial year. The residential portfolio in Germany, which was expanded through acquisitions in the 2020 financial year, was a key operational success factor contributing to the Group's positive result. At EUR 182.0m, FFO I was well above the previous year's level of EUR 172.6m (approx. 5.4% increase); FFO I per share rose to EUR 1.24 after EUR 1.18 in 2020. At EUR 25.54, NTA per share was well above the level of EUR 21.95 at 31 December 2019 (approx. 16.5% increase).

So in the view of the Management Board, the earnings and asset situation continues to develop exceedingly positively. TAG has sufficient liquidity and is solidly financed.

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 2021 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 achieved a net profit of EUR 104.6m in the 2021 financial year, compared to EUR 34.9m in 2020. The increase in net income is mainly due to higher income from participations and profit-and-loss transfer agreements. Opposing effects resulted mainly from the loss of income from the sale of real estate and a holding, and from the one-time expense from the early termination/cancellation of Convertible Bond 2017/2022.

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 a single entity:

in EUR m	2021	2020
Consolidated net income as reported in the income statement	104.6	34.9
Income from profit transfer agreements	-153.4	-69.7
Expenses from convertible bond 2017/2022	9.1	50.9
Emission costs from convertible bond 2020/2026	0.0	4.3
Expenses from write-down of convertible bond 2017/2022	58.1	0.0
Expenses relating to bridge financing ROBYG	0.8	0.0
Gains / losses from disposals and disposals of associates	0.0	-39.7
Effects from currency conversion	-0.6	2.2
Founding expenses („TAG Miteinander Stiftung")	0.0	0.9
Income taxes and deferred income taxes	2.5	11.2
Investment income	-33.1	-4.7
Effect from valuation of purchase price guarantees	-0.4	0.1
Result after adjustments	**-12.4**	**-9.6**

On this basis, the Company achieved a net result of EUR -12.4m, below the previous year (EUR -9.6m) 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 13.0m and EUR 15.0m, was narrowly exceeded.

Revenues increased from EUR 45.2m in the 2020 financial year to EUR 46.8m in the 2021 financial year. Of this amount, EUR 46.3m (previous year: EUR 44.6m) is attributable to the allocation of costs within the Group.

Other operating income fell from EUR 41.7m in the previous year to EUR 4.2m. The previous year's figure included a book profit of EUR 39.8m from the sale of shares in a property-holding subsidiary. Other operating income mainly includes EUR 2.0m in income from currency translation (previous year: EUR 0.2m). In addition, income from the reversal of provisions, from cost reimbursements, and from benefits in kind are reported.

Personnel expenses rose from EUR 39.0m to EUR 41.2m in the 2021 financial year. In addition to ongoing salary increases and bonus payments for employees, the new Management Board remuneration resolved at the Annual General Meeting on 11 May 2021 was also recognised, which, among other things, provides for an increase in the target and maximum remuneration for the variable Management Board remuneration and led to additional expenses of EUR 0.2m compared to the same period of the previous year. In addition, expenses of EUR 1.1m were recognised from the Long-Term Incentive Plan for 2018–2020, from which TAG shares were allocated to the Management Board members in the second quarter of 2021.

Amortisation of intangible assets and depreciation of property, plant and equipment were above the previous year's level at EUR 2.7m (previous year: EUR 1.7m) and mainly relate to ERP software.

At EUR 89.1m (previous year: EUR 77.9m), total other operating expenses were above the previous year's level. The cancellation of the convertible bond 2017/2022 resulted in expenses of EUR 9.1m (previous year: EUR 50.9m), the difference between the repayment obligation and the carrying amount. In addition, the repurchased convertible bonds 2017/2022 reported under current assets in the previous year were cancelled in the 2021 financial year. The expense resulting from this was EUR 58.1m (previous year: EUR 0.0m). In the previous year, issuing costs of EUR 4.3m for the new EUR 470.0m convertible bond 2020/2026 placed in 2020 and an amount of EUR 0.9m in formation expenses for the "TAG Miteinander Stiftung" (TAG Together Foundation) established in the 2020 financial year were also reported.

Some of the remaining items in other operating expenses were legal and consulting costs, including IT consulting costs, of EUR 4.9m (previous year: EUR 5.4m), business premise rentals of EUR 3.8m (previous year: EUR 3.7m) and IT costs of EUR 1.4m (previous year: EUR 1.5m). Expenses from currency translation amounted to EUR 1.3m in the financial year (previous year: EUR 2.4m) and include exchange rate losses for the Polish złoty.

Income from investments of EUR 33.1m (previous year: EUR 4.7m) includes income from phased-in profits of EUR 15.8m (previous year: EUR 0.0m). In 2021, TAG Immobilien AG generated income of EUR 153.4m (previous year: EUR 69.2m) from control and profit transfer agreements. This includes an additional distribution of EUR 71.7m from subsidiaries for the previous year as well as phased-in earnings of earnings of EUR 7.8m from other subsidiaries in the same period.

In the year under review, net interest income declined to EUR 3.1m (previous year: EUR 4.0m). Interest income from affiliated companies increased to EUR 17.7m (previous year: EUR 16.7m). Interest expenses increased from EUR 12.7m in 2020 to EUR 14.8m in 2021. Promissory note loans, corporate bonds, and convertible bonds accounted for current interest expense of EUR 10.3m (previous year: EUR 8.5m) in the 2021 financial year. Interest expenses to affiliated companies increased from EUR 3.5m to EUR 4.1m.

Financial position and net assets

Total assets decreased by EUR 124.5m to EUR 2,563.1m as of 31 December 2021 (previous year: EUR 2,687.6m). This decrease was mainly due to the cancellation or destruction of convertible bond 2020/2026 during the year under review. Cash and cash equivalents at the end of the financial year amounted to EUR 43.5m (previous year: EUR 289.6m).

Shareholders' equity decreased from EUR 944.6m to EUR 921.0m at the end of 2021. Apart from the EUR 104.6m increase due to the net profit for the year, the dividend distribution of EUR 128.8m for the 2020 financial year had an equity-reducing effect. The equity ratio increased from 35.1% in the previous year to 35.9% as at 31 December 2021.

Tax provisions exclusively comprise provisions for taxes on income. Other provisions include provisions for bonuses of EUR 1.5m (previous year: EUR 1.2m), costs for outstanding invoices of EUR 1.1m (previous year: EUR 1.0m), provisions for impending losses on purchase price guarantees to minority shareholders of subsidiaries amounting to EUR 2.5m (previous year: EUR 2.8m), and various other provisions totalling EUR 1.9m (previous year: EUR 1.7m).

Overall liabilities decreased to EUR 1620.0m (previous year: EUR 1,722.3m) and include the corporate bonds, convertible bonds, commercial papers, and promissory notes issued by the Company as described above.

As of the balance sheet date, various banks have granted the Company credit lines of EUR 80.0m (previous year: EUR 55.0m), and an unsecured loan of EUR 50.0m (previous year: EUR 0.0m). As of 31 December 2021, as in the previous year, the credit lines had not been utilised.

In December 2021, the Company also signed an agreement for bridge financing of EUR 750.0m for the acquisition of 100% of the shares in ROBYG S.A., which, however, had not yet been drawn down as at the reporting date.

General statement by the Management Board on the business situation

Overall, the Company's earnings situation is satisfactory. Much like previous years, TAG Immobilien AG's financial year 2021 was characterised by one-off effects and the results from the subsidiaries. The effects from the termination and cancellation of the convertible bond 2017/2022 totalling EUR 67.3m dominate the expense side. Meanwhile, income from equity interests and profit-and-loss transfer agreements increased from EUR 74.4m in the previous year to EUR 186.6m, resulting in net profit for the year of EUR 104.6m after EUR 34.9m in the previous year.

In the Management Board's view, the Company's equity ratio remains at a good level at 35.9% (previous year: EUR 35.1%). The Company has sufficient liquidity and, in the opinion of the Management Board, 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 3.7% is expected for Germany for 2022, while unemployment is expected to change from currently 5.7% to 5.2% (ifo Economic Forecast Winter 2021). From today's perspective, GDP growth of 5.2% is forecast for Poland, with unemployment expected to fall from currently 3.3% to 3.1% (European Economic Forecast, Fall 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 2022, 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 despite the Covid-19 pandemic, we expect the positive trend in rents and vacancies seen in past financial years to continue in 2022, 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 2021. 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 foreseeable end in sight 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. However, if the current inflation trend in the euro area were to become entrenched, the ECB could adopt a more restrictive stance, which would have an impact on financing conditions in the medium term.

Group forecast for the 2022 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 Corona 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 87,600 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 six to seven years, approx. 20,000 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.

For the following forecast, the purchase agreement signed in December 2021 for 100% of the shares in ROBYG S.A. is not taken into account, as the closing of the acquisition has not yet taken place.

Although initial rental income has been generated In Poland since June 2021, the rental business is still being built up; we expect a roughly balanced result here for 2022. Against this backdrop, as in the previous year, TAG's FFO I for 2022 is forecast exclusively based on the rental business in Germany. The first FFO forecast for the entire portfolio is planned for the 2023 financial year.

As a result, our forecast for the 2022 financial year is as follows

- FFO (as FFO I excluding disposals and dilutive effects) of between EUR 188m and EUR 192m (2021: EUR 182.0m), or EUR 1.30 (2021: EUR 1.24) per share, and
- a dividend per share for FY 2022 of EUR 0.98 (for 2021: EUR 0.93) per share.

The increase in FFO of around EUR 8.0m expected for the 2022 financial year compared to the 2021 financial year is mainly based on the assumption of

- an increase of around EUR 4.0m in net actual rent,
- an improvement in the result from services of around EUR 2.0m,
- lower financing costs by around EUR 3.0m
- and the change in other income and expense items, which in total lead to an expected reduction in earnings of around EUR 1.0m.

As in previous years, further acquisitions and disposals are not assumed for the purposes of the 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 2022.

Excluding further acquisitions and disposals, we expect vacancy to decrease by around 0.3 to 0.5 percentage points in relation to the Group's residential units in Germany (1 January 2022, including acquisitions effective as of 31 December 2021: 5.3%). For rent, we expect growth on a like-for-like basis including effects from vacancy reduction in the range of around 1.5% to 2.0% (2021: 1.3% p.a.).

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 2022 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 11.0m and 14.0m for the year in its single-entity financial statements prepared in accordance with the German Commercial Code (HGB) for the 2022 financial year, i.e. roughly on a par with 2021.

OPPORTUNITIES AND RISK REPORT

Risk management

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

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

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

Risk identification and assessment

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

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

The following classifications were chosen for quantifying the damage potential:

Amount of damage	**Value**
Significant:	> € 1m to € 5m
Serious:	> € 5m to € 15m
Particularly serious:	> € 15m

Probability of occurrence	**Value**
Rare:	< 5%
unlikely:	> 5% to 25%
possible:	> 25 % to 50%
probable:	> 50% to 75%
almost certain:	> 75%

All risks at TAG are classified in a closed 25-field matrix (risk map) according to the amount of damage and the probability of occurrence. A summary aggregation of the reported expected values, taking into account interdependencies, is carried out as part of risk reporting.

Risk management

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

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

Risk-bearing capacity

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

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

Risk communications

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

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

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

Internal audit

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

Compliance management

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

The internal control system (ICS), which is also not part of the risk management system, comprises the principles, procedures and measures (rules) introduced by the Management Board at TAG to ensure (i) the effectiveness and efficiency of business activities, (ii) the correctness of accounting and (iii) compliance with the legal provisions relevant to TAG. The ICS consists of the components control environment, risk assessment, control activities, information and communication, as well as monitoring activities, which are mostly integrated in the corporate processes. The ICS thus helps to ensure, with corresponding regulations, that the organisation and processes are properly set up, and supports the optimal flow of the corporate processes.

Individual risks with regard to their future development

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

- Market risks
  - Economic and sector risks
  - Regulatory and political risks
  - ESG risks
- Performance risks
  - Rental risks
  - Portfolio valuation risks
  - Project development risks
  - Risks related to the Covid-19 pandemic
- Financial risks
  - Liquidity risks
  - Interest risks
  - Currency risks
- Other risks
  - Legal risks
  - Tax risks
  - IT risks
  - Data quality risk
  - Data protection risk
  - Personnel risk

Economic and sector risks
The German real estate market depends on macroeconomic developments and the demand for real estate in Germany. Demand for real estate is influenced, in particular, by demographic trends, the job market, private debt levels and real incomes, as well as the activities of international investors in Germany, and is largely dependent on the regional situation. 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 tradesmen 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 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 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 2022 financial year'), in particular FFO I and EBT, would not be achieved.

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

Regulatory risks

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

In particular with regard to future tenancy law, there is currently a risk of significant adverse changes for landlords, some of which have already been implemented into law. In addition to the tightening of rent controls (the so-called "rent brake") as defined in Section 556d of the German Civil Code (BGB) in previous years, and the now reduced apportionment for modernisation expenses in accordance with Section 559 of the German Civil Code (BGB), further regulatory measures have been taken in recent months, such as the extension of the reference period for rent indices for rent increases in current tenancies in accordance with Section 558 of the German Civil Code (BGB). The extension of the reference period for rent indices for rent increases leads 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. Further tightening may occur in the future as a result of the implementation of the government programme of the new federal government that has been in office since the end of last year.

In view of adverse changes in rental law, the Berlin Senate decided in June 2019 not to permit any further rent increases for existing apartments in the state of Berlin within the next five years ('rent cap'), with only few exceptions. In November 2020, the second stage of the Berlin rent cap came into force. It provided for reductions in existing rents if the rent was more than 20% above a defined upper limit. With regard to the 'rent cap', the Federal Constitutional Court ruled on 25 March 2021 that the Berlin Senate lacks the legislative authority in this regard and declared the Berlin rent cap null and void. Nevertheless, there is still support in the political discourse for this and similar considerations, all of which are aimed at a stronger limitation of rent increases in future.

The risk of adverse changes in tenancy law is classified as low for TAG. Although the probability of occurrence is high, the economic impact for TAG is not significant, as far as can be seen at present, since the Group's investment focus is neither on rent increases through modernisation levies nor on sharp rent increases in metropolitan areas, which are particularly dependent on 'rent control' and the development of the rent indexes. In our view, however, the current discussions are essentially focused on two areas, namely the sharp rise in new rents in large cities in recent years and extensive rent increases as a result of modernisation measures. In this connection, many tenants fear that current or future rents will no longer be affordable. This is to be counteracted by tighter rent regulation. However, TAG's investments are not being made in Germany's major cities but deliberately in '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 180 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. Modernisation programmes for existing tenants are only carried out to a very limited extent (in FY 2021, they contributed only 0.1% (previous year: 0.2%)) 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 restrictions on rent increases), will affect our locations significantly. Although we consider the probability to be low, there is nonetheless a risk that TAG, too, will not be able to increase its rents in the future or will only be able to do so to a limited extent in the event of stricter regulation of rents across Germany. Although this would not endanger the survival of the Group, it could have significant disadvantages for the future development of rents (like-for-like rental growth), FFO, and NTA as presented in the forecast.

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

All other 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.

ESG risks

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

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

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

Rental risks

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

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

Although there are always individual risks of default (default risk on receivables from letting), we 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 4.3m (previous year: EUR 4.6m) were recognised in the 2021 financial year. Based on the net actual rent of EUR 333.1m (previous year: EUR 322.5m), this corresponds to a bad debt ratio of 1.3% (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 and EBT. In such a situation, it would not be possible to meet the expectations set out in the forecast for the 2022 financial year.

In Poland, too, TAG will focus 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 portfolio, such as lead pipes, can influence the appraisal.

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

The assumptions used in valuing the properties are made by the independent appraiser based on their professional experience and are subject to uncertainty. Please refer to the section 'Notes on 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 2022, 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

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

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

Although we assess 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 KPIs may not be met.

Risks in connection with the Covid-19 pandemic

A significant new risk since the 2020 financial year is the 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'.

We classify the risks resulting from the pandemic as low, 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 just EUR 5.55 per square metre as of 31 December 2021, 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.

Liquidity risks

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

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

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

The Group has loans totalling EUR 1,692.8m (previous year: EUR 1,657.0m), for which the banks have specified financial covenants regarding capital service ratios and equity or 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 may be subject to a right of premature termination.

TAG has had an investment grade rating from Moody's (Baa3) since the 2017 financial year, but the outlook for this rating was changed from "positive" to "negative" at the beginning of 2022 as a result of TAG's increased involvement in Poland. Although the risk of TAG losing its investment grade rating is considered low, a downgrade of the rating e.g. at Moodys would nevertheless lead to a rating outside the investment grade range. Potential rating downgrades, which cannot be ruled out in view of the planned conclusion of the purchase agreement to acquire ROBYG S.A., would significantly restrict refinancing options on the capital market and significantly increase refinancing costs. Increased refinancing costs would have a negative impact on FFO I and the result from operating activities in Poland. TAG assesses this risk as medium.

After the completion of the acquisition of all shares in ROBYG, which is expected for the end of the first quarter of 2022, and payment of the purchase price in the amount of approximately EUR 540.0m to EUR 560.0m, TAG will be exposed to a refinancing risk in relation to this purchase price, which, if TAG uses debt financing, will be influenced by the development of the rating, particularly with regard to the conditions. The bridge financing granted for the acquisition of the shares, which also includes the possibility to refinance ROBYG's loans and provide further working capital for ROBYG, has a total amount of EUR 750.0m and a term of 18 months through mid-2023. It is planned to refinance the bridge financing and the purchase price in the course of 2022 using capital market instruments. However, TAG is dependent on the performance of the capital markets and general financing conditions. A difficult capital market environment may also result from international crises, such as the military conflict in Ukraine, over which the Group has no influence. TAG is therefore exposed to liquidity risks for the duration of the bridge financing. However, TAG expects in its own estimation that sufficient liquidity could be procured if necessary through corresponding capital market refinancing or by taking out new bank loans or extending existing ones.

Interest rate risks

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

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 – with the exception of the bridge financing for the acquisition of ROBYG S.A. With regard to this bridge financing, there is a risk that, in refinancing it, TAG will achieve poorer borrowing conditions compared with the current average interest rate on financial liabilities if it takes up debt capital. With regard to the acquisition of ROBYG S.A., a short-term bridge financing of EUR 750m was agreed with a bank consortium with a term of 18 months through mid-2023. With regard to the follow-up financing, there are interest rate risks and financing cost risks in addition to the risks of refinancing. Interest rate risks can be classified as low at the level of TAG Immobilien AG's separate financial statements as well. All financial liabilities have fixed interest rates and, as of the balance sheet date, have remaining maturities of 4.7 years (convertible bonds), around 1.5 to 3.5 years (corporate bonds), and around 1.2 to 8.6 years (promissory notes) for the main borrowings.

Currency risks

Due to the launch of business activities in Poland, TAG is exposed to currency risks as of the beginning of 2020. All of the Group's revenues (sales and rents) in Poland are currently and will continue to be generated in Polish złoty, whose exchange rate is subject to fluctuations in relation to the euro. Future financing of the business in Poland via TAG in euros is likewise subject to an exchange rate risk. Even though the business model in Poland is geared to the long term, significant exchange rate losses may occur if it becomes necessary to realise assets or repay financial liabilities at short notice. As of the reporting date, the unrealised loss from currency risks amounted to EUR 0.3m (previous year: EUR 2.4m). With regard to the expected purchase price payment for the acquisition of the shares in ROBYG, which is to be made in Polish złoty there is no longer any currency risk, as corresponding hedging instruments have already been contracted. However, with the expansion of the business in Poland, the associated currency risks will increase in the future. Overall, this risk is assessed as medium. In the event of this risk materialising, there may be corresponding outflows of liquidity.

Legal risks

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

Legal risks stem from the Company's past activity in the property development business. As the judicature often does not consider final inspections of buildings carried out years ago by purchasers to be effective, claims of construction defects by purchasers or homeowner associations are possible years later and after the usual warranty periods of five years. A number of these proceedings are still pending in the courts, for cases where works were completed more than ten years ago. There is also the risk of claims of environmental contamination or hazards arising from construction materials, or warranty claims in connection with the sale of real estate, which may exceed the corresponding rights of recourse available. Appropriate provisions have been formed for these risks from legal disputes, claims for damages, or warranty claims. The situation is aggravated by the fact that legal proceedings are delayed for Covid-related reasons and the courts do not process or decide on these proceedings promptly due to their complexity and the involvement of various parties.

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

Several legal risks are assessed as high with regard to the probability of their occurrence. For this reason, provisions of EUR 3.4m (previous year: EUR 3.7m) 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 0.4m) were recognised in the separate financial statements of TAG Immobilien AG. Beyond this, the occurrence of these risks could have a negative impact on NAV, and the expectations presented with regard to these KPIs might not be met should the actual amount/utilisation exceed the provisions formed.

Tax risks

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

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

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

Provisions amounting to EUR 5.8m (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.

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

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

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

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

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

In the view of the Management Board, the above-mentioned other risks are currently considered to be low with a tendency to increase in the future.

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 appraisal 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 the financial year 2020 to finance the activities of its Polish subsidiaries. Please refer to the section ‘Currency risks’ for further details.

Opportunities for future development

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

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

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

With regard to the forecasts already presented, there is therefore also a chance that the planned figures for rents, vacancies and thus also FFO I for the 2022 financial year 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 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.

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

With the acquisition of the shares in ROBYG S.A., and in combination with the already existing platform of Vantage, TAG will have the opportunity to become the leading provider on the Polish residential real estate market in both the rental and sales segments.

In the medium term, i.e. within the next six to seven years, 20,000 apartments are to be acquired or constructed for the rental portfolio in Poland.

Beyond this, there will continue to be cash inflows from the sale of apartments to owner-occupiers in Poland. Initial rental income started being generated in Poland with the completion of the first letting projects, since June 2021. Against this background, TAG's FFO I was influenced only to a minor extent by its acquisitions in Poland in 2021. The chance of generating significant rental income and substantial FFO I contributions from business activities in Poland in the medium term, in addition to the attractive sales business already in place, is regarded as high.

Overall assessment by the Management Board

In line with the very positive performance during the reporting period, the overall risk situation has changed only marginally year on year. 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 has taken 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 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 and the Group as a whole, are checked by Controlling and reconciled with the budgets and prior periods. The most important findings from these figures are submitted to the Management Board in a monthly report and are also forwarded to the Supervisory Board.

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

DISCLOSURES IN ACCORDANCE WITH SECTION 289A AND SECTION 315A (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 315a (1) of the German Commercial Code. The information provided in the following is based on the conditions that existed as of 31 December 2021:

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 (1) 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 119,264 treasury shares (previous year: 203,884) that are earmarked for issue as employee shares and for long-term variable remuneration of the Management Board. The Company's Articles of Association do not provide for restrictions on voting rights. The Company's shareholders are not limited by the law or by the Articles of Association when it comes to the acquisition or sale of shares. The Management Board is not aware of any contractual restrictions on voting rights or the transfer of shares

Direct or indirect voting shares exceeding 10%

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

Shares with special rights conferring powers of control

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

Voting right controls on shares held by employees

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

Appointment and dismissal of members of the Management Board, Amendments to the Articles of Association

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

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

Amendments to the Articles of Association are based on Sections 179 and 133 of the German Stock Corporation Act and the provisions of the Articles of Association. Any amendment to the Articles of Association requires a resolution by the Annual General Meeting. However, the Company's Supervisory Board is authorised in accordance with Section 11 of the Articles of Association to resolve amendments that only affect the Articles of Association. Section 20 of the Articles of Association provides that in accordance with Section 179 (2) sentence 2 of the German Stock Corporation Act – in the absence of mandatory legal provisions to the contrary – a shareholders' resolution to change the Articles of Association can in principle 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 11 May 2021, the 'Authorised Capital 2018' agreed on 23 May 2018 was cancelled and replaced by the 'Authorised Capital 2021'. Based on the 'Authorised Capital 2021', the Management Board, subject to the Supervisory Board's approval, is authorised to increase the Company's share capital by a total amount of no more than EUR 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 10 May 2024. The Management Board has not utilised this authorisation to date.

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

By resolution of the Annual General Meeting on 11 May 2021, the Conditional Capital 2018/I approved by the Annual General Meeting on 23 May 2018 was redefined as Conditional Capital 2021/I. The Management Board was authorised to conditionally increase the Company's share capital by up to EUR 29,000,000.00 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 23 May 2018 and 11 May 2021. 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.

Beyond this, the ordinary general meeting on 11 May 2021 issued a new authorisation to acquire treasury shares representing up to 10% of the available share capital on the effective date or upon exercise of this authorisation, whichever is lower, up until 10 May 2023. The Company may not utilise this authorisation for the purpose of trading in treasury shares. In addition to the usual, legally mandated use options, it also includes the authorisation to assign and transfer the shares to members of the Management Board as part of their variable remuneration. The Company has not exercised this new authorisation yet. At 31 December 2021, the total number of treasury shares held based on the earlier authorisation of

17 June 2016 was 119,264 (previous year: 203,884) 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 65.0m (previous year: EUR 40.0m), which require the bank's approval in the event of a change of shareholder, or in the case of a change of control at the level of TAG Immobilien AG, may otherwise lead to the loans being terminated. In addition, there are numerous change-of-control provisions in the subsidiaries' loan agreements and in their general terms and conditions. Although these primarily apply only at the level of the subsidiaries and in the event of a change in their shareholders, the possibility of the lender invoking change-of-control rights in the event of a change in the indirect shareholder cannot be ruled out.

The two corporate bonds totalling EUR 250.0m issued, and the two promissory notes totalling EUR 294.0m, have special change-of-control provisions, which obligate the Company to buy back the bonds or promissory notes at terms stated in detail in the terms of the bond or the promissory note. In the case of convertible bond 2020/2026 issued 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.

Beyond this, there are regulations for the bridge financing of up to EUR 750.0m for the acquisition of the shares in ROBYG S.A., that provide for renegotiations or the right to withdraw from the contract by the financing banks in the event of a change of control.

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

Company compensation 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)[1]

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

REPORT ON THE COMPANY'S REMUNERATION SYSTEM (REMUNERATION REPORT UNDER STOCK CORPORATION LAW IN ACCORDANCE WITH SECTION 162 OF THE GERMAN STOCK CORPORATION ACT AKTG)[2]

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

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

Remuneration scheme for the Supervisory Board

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

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

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 365 (previous year TEUR 354), plus expenses and VAT. The remuneration of the Supervisory Board is distributed as follows:

Supervisory Board Member	2021 in TEUR	2020 in TEUR
Rolf Elgeti	175	175
Lothar Lanz	105	105
Dr Philipp K. Wagner	20	20
Prof Dr rer. pol. Kristin Wellner	25	22
Harald Kintzel (until 22 May 2020 / from 21 August 2020)	20	17
Katja Gehrmann (from 21 August 2020 until 21 December 2021)	20	7
Fatma Demirbaga-Zobel (from 22 December 2021)	0	0
Marco Schellenberg (until 22 May 2020)	0	8
Total	**365**	**354**

[1] Unaudited information
[2] Unaudited information

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

Remuneration scheme for the Management Board

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.

Members of the Management Board are not entitled to claim any further bonuses or additional remuneration if they simultaneously serve on the Management Board or Supervisory Board of other companies in the Group. 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, e.g. through the merger with or the acquisition of the majority of voting rights by third parties, the members of the Management Board are entitled to terminate their service contract subject to advance notice of three or six months (special right of termination). If this special right of termination is exercised, the Company undertakes to pay a gross settlement amount on the date of departure that is equal to the annual gross salary, provided that the service contract still has a remaining period of at least 24 months as of the date of termination. If the remaining term is shorter at the time of termination of the Management Board contract, the Management Board contracts contain provisions that provide either as a gross compensation the amount that is the gross salary for the remainder of the remaining term, or a gross settlement that is reduced pro rata temporis over the last 24 months based on a full gross annual salary.

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

Details of the variable remuneration ('Old regulation')

The variable remuneration scheme in force since the 2018 financial year and for the 2020 financial year 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 (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. The peer group for the 2020 financial year is made up of listed real estate companies that, as portfolio holders, have substantial residential real estate in Germany. As in the two previous year, the group comprised in the 2020 financial year 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.

Details of the variable remuneration ('New regulation')

Pursuant to section 87, paragraph 1 of the German Stock Corporation Act (AktG), the total remuneration of a member of the Management Board must be commensurate with the duties and performance of the Management Board member as well as the situation of the Company, and may not exceed the usual remuneration without special reasons. The remuneration structure shall be aligned not only with sustainable corporate development, but also with the Company's long-term development in accordance with the Act Implementing the Second Shareholders Rights Directive (ARUG II), which came into force on 1 January 2020. Variable components of the remuneration shall be assessed across several years; a possibility of limitation shall be agreed for extraordinary developments.

In addition to the ARUG II, a new version of the German Corporate Governance Code ('DCGK' in the following) was announced with effect from 20 March 2020, which contains specific recommendations for determining variable Management Board remuneration. Against this background, the Personnel Committee of the Supervisory Board of TAG first dealt with an update and adjustment of the regulation on determining variable Management Board remuneration (also referred to as 'old regulation' in the following) that has been in place since 11 December 2017 and was approved by the Annual General Meeting of the Company in 2018, and then adopted the following regulations – in agreement with the members of the Management Board – with effect from 1 January 2021. Their approval by the Annual General Meeting took place on 11 May 2021.

The variable remuneration valid since the 2021 financial year distinguishes between a

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

The STIP is determined based on the criteria listed below:

- Development of the EPRA NTA per share in the financial year (after elimination of the dividend paid in the financial year; each increase in the NTA per share by EUR 0.01 is multiplied by EUR 200.00)
- Increase in FFO I per share in the financial year (each increase in FFO I per share by EUR 0.01 is multiplied by EUR 17,750.00)
- Achievement of non-financial targets, the achievement of which is defined as between 'negligible' and 'high' based on the risk assessment by an external ESG rating agency. Remuneration for the achievement of non-financial targets ranges from EUR 25,000 ('negligible') to no remuneration ('high').
- Achievement of individual targets agreed between the Chairman of the Supervisory Board and the member of the Management Board, which are to be based on the respective activities of TAG and its business strategy, including sustainable corporate development. Depending on the degree of target achievement, the variable remuneration can be increased by up to 10%, remain unchanged, or be reduced by up to 10% based on the above criteria.

The cash remuneration under the STIP is paid out in full after the Supervisory Board has decided on the variable remuneration for the respective financial year, and is limited to EUR 200,000 p.a. (cap). The target amount for the STIP is EUR 150,000 p.a.

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

In each case, the basis of assessment for the share price performance is the volume-weighted average price (VWAP) of TAG shares over a period of two months prior to the reporting date of the financial year at the beginning and at the end of the performance period. The target TSR was set at 30% for the three-year performance period and 40% for the four-year performance period, and leads to the following remuneration:

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

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

The variable share compensation in the form of the LTIP is capped at TEUR 400 p.a. for the three-year performance period and at TEUR 500 p.a. for the following four-year performance periods. The TAG shares to which the Management Board is entitled under the LTIP are transferred after the Supervisory Board has passed a resolution on variable remuneration at the end of the respective three-year period. The basis of assessment for the number of TAG shares to be transferred is the VWAP of the TAG share over a period of two months prior to the end of the respective financial year.

Remuneration paid to the Management Board in the financial year under review
Remuneration accruing to the Management Board in the year under review came to TEUR 2,538 (previous year: TEUR 1,844).

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 4,974 (previous year: TEUR 2,264) and include the value of shares allocated as part of the payment of long-term remuneration components, in 2021 in particular the LTIP 2018–2020, in the amount of TEUR 3,306 (previous year: TEUR 594).

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			
	2020 (Actual)	2021 (Actual)	2021 (Min.)	2021 (Max.)	2020 (Actual)	2021 (Actual)	2021 (Min.)	2021 (Max.)	2020 (Actual)	2021 (Actual)	2021 (Min.)	2021 (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	13	11	11	11
Total	**435**	**435**	**435**	**435**	**427**	**427**	**427**	**427**	**433**	**431**	**431**	**431**
One-year variable remuneration	125	200	0	200	125	200	0	200	125	200	0	200
Multi-year variable remuneration	58	215	0	400	58	215	0	400	58	215	0	400
Total	**183**	**415**	**0**	**600**	**183**	**415**	**0**	**600**	**183**	**415**	**0**	**600**
Utility expenses	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration	**618**	**850**	**435**	**1,035**	**610**	**842**	**427**	**1,027**	**616**	**846**	**431**	**1,031**
Share of fixed remuneration	**70%**	**51%**	**100%**	**42%**	**70%**	**51%**	**100%**	**42%**	**70%**	**51%**	**100%**	**42%**
Share of variable remuneration	**30%**	**49%**	**0%**	**58%**	**30%**	**49%**	**0%**	**58%**	**30%**	**49%**	**0%**	**58%**
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	13	11	11	11
Total	**435**	**435**	**435**	**435**	**427**	**427**	**427**	**427**	**433**	**431**	**431**	**431**
One-year variable remuneration	125	125	0	125	125	125	0	125	125	125	0	125
Multi-year variable remuneration	198	1,102	0	1,150	198	1,102	0	1,150	198	1,102	0	1,150
Total	**323**	**1,227**	**0**	**1,275**	**323**	**1,227**	**0**	**1,275**	**323**	**1,227**	**0**	**1,275**
Utility expenses	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration	**758**	**1,662**	**435**	**1,710**	**750**	**1,654**	**427**	**1,702**	**756**	**1,658**	**431**	**1,706**
Number of shares	**10,617**	**24,000**	**0**	**0**	**10,617**	**24,000**	**0**	**0**	**10,617**	**24,000**	**0**	**0**

Remarks on the application of the performance criteria in the 2021 financial year

For presenting the performance criteria of the variable remuneration components awarded in the 2021 financial year, the KPIs of the 2020 financial year apply for the STIP. For the LTIP, the reference elements are presented separately.

STIP

To achieve the performance criteria, a NAV per share for the 2020 financial year of EUR 21.40 (ACTUAL: EUR 22.18 per share), FFO I per share for the 2020 financial year of EUR 1.15 (ACTUAL: EUR 1.18 per share) and EBT per share for the 2020 financial year of EUR 1.16 (ACTUAL: EUR 1.38 per share) were required. For the STIP, the cap of EUR 125,000 per Management Board member was applied.

LTIP
In 2021, the claims from the Management Board remuneration for 2017 and 2018 were duly settled. For the transfer of shares from 2017, the vesting period of three years expired in the 2021 financial year. The entitlement from 2018 is based on the performance period 2018-2020, in which an ACTUAL TSR of 75.9% and thus the maximum remuneration (cap) was achieved. The cap was also applied to the Management Board remuneration entitlements for 2019 and 2020, which were redeemed early and whose performance period had not yet been completed.

The relevant remuneration system was thus complied with in the 2021 financial year. No variable remuneration components were recalled.

Comparative presentation pursuant to section 162 para. 1 sentence 2 no. 2 AktG
For the comparative presentation, all operational and central divisions of TAG Immobilien AG were included for / in calculating the average employee remuneration. All active employees were taken into account as the basis for the average FTEs (Full Time Equivalents) (without trainees). Tradesmen and caretakers are employed exclusively in the service companies.

For the development of Management Board remuneration, the amounts received in the financial year were stated.

The NAV per share and the EBT per share were last calculated for the last time for the 2020 financial year. The NAV per share was replaced by the KPI NTA per share in financial year 2020.

	2017	2018	2019	2020	2021
Earnings performance					
Net income TAG AG in TEUR	76,295	27,277	66,375	34,910	104,597
relative change p.a.	-	-64.25%	143.34%	-47.40%	199.62%
FFO I per share:	0.87	1.00	1.10	1.18	1.24
FFO I per share: relative change p.a.	-	14.94%	10.00%	7.27%	5.08%
NAV per share:	13.80	17.32	20.45	22.18	-
NAV per share: relative change p.a. :	-	25.51%	18.07%	8.61%	-
NTA per share:	-	17.35	20.22	21.95	25.79
NTA per share: relative change p.a. :	-	0.00%	16.54%	8.56%	17.49%
EBT per share:	0.72	0.98	1.11	1.38	-
EBT per share: relative change p.a. :	-	36.11%	13.27%	24.32%	-
Average employee remuneration					
Central / operating	53,915	54,687	55,344	56,226	57,563
relative change p.a.	-	1.43%	1.20%	1.59%	2.38%
Management Board remuneration					
in TEUR	1,814	2,132	2,070	2,264	4,974
relative change p.a.	-	17.53%	-2.91%	9.37%	119.70%
Claudia Hoyer	627	721	693	758	1,662
Claudia Hoyer relative change p.a.:	-	14.99%	-3.88%	9.38%	119.26%
Martin Thiel	560	693	685	750	1,654
Martin Thiel relative change p.a.:	-	23.75%	-1.15%	9.49%	120.53%
Harboe Vaagt	627	718	692	756	1,658
Harboe Vaagt relative change p.a.:	-	14.51%	-3.62%	9.25%	119.31%

Contribution of remuneration to the promotion of the business strategy and long-term development
The variable remuneration components are intended to provide incentives for the sustainable and long-term development of TAG and the creation of sustainable corporate values along the value chain, to further harmonise the interests of the shareholders with those of the Management Board, and to contribute to the long-term commitment of the Management Board members.

The long-term portions of the variable Management Board remuneration should exceed the short-term portions and reflect the Company's development in a short-term period related to the respective financial year and a long-term four-year period. In order to do justice to the growing importance of sustainability as part of the corporate strategy, the achievement of non-financial goals is taken into account when determining the variable remuneration.

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

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

In the LTIP, the target remuneration per Management Board member is TEUR 250. In the course of the transition from the old regulation to this new regulation, a three-year performance period with a cap of TEUR 400 per Management Board member was defined for the period from 1 January 2019 to 31 December 2021, which will be settled in 2022, and a cap of TEUR 500 for all subsequent four-year performance periods, which will be settled in subsequent years. The maximum annual remuneration per Management Board member is as follows, also in comparison to the remuneration valid in the 2020 financial year:

in EUR m	2020	2021	2022
Gross fixed salary p.a.	420	420	420
Benefits	20	20	20
STIP	125	200	200
LTIP	300	400	500
Total	**865**	**1,040**	**1,140**

In order to allow the Supervisory Board to grant a salary increase to one or more Management Board members, whether through an increase in gross annual salary, fringe benefits or variable remuneration components, the maximum annual remuneration per Management Board member may be increased from TEUR 1,140 to as much as TEUR 1,200 starting with 2023.

Hamburg, 3 March 2022

Claudia Hoyer
(COO)

Martin Thiel
(CFO)

CONSOLIDATED BALANCE SHEET

Assets in TEUR	Notes	12/31/2021	12/31/2020
Non-current assets			
Investment properties	(1)	6,540,418	5,819,190
Intangible assets	(2)	23,126	22,679
Property, plant and equipment	(3)	42,790	38,041
Rights of utilisation	(4)	8,715	8,766
Other financial assets	(5)	10,312	9,911
Deferred taxes	(6)	34,423	50,648
		6,659,786	**5,949,235**
Current assets			
Property held as inventory	(7)	113,758	102,006
Other inventories	(7)	77	165
Trade receivables	(8)	19,718	17,697
Income tax receivables	(6)	25,932	2,215
Other current assets	(9)	32,976	28,448
Prepayments on business combinations	(10)	67,925	0
Cash and cash equivalents	(11)	96,455	324,320
		356,841	**474,851**
Non-current assets held for sale	(12)	**72,004**	**53,898**
		7,088,632	**6,477,985**

Equity and liabilities in TEUR	Notes	12/31/2021	12/31/2020
Equity	(13)		
Subscribed capital		146,380	146,295
Share premium		519,901	519,899
Other reserves		-13,967	-9,371
Retained earnings		2,387,434	1,945,792
Attributable to the equity holders of the parent company		3,039,748	2,602,615
Attributable to non-controlling interests		89,797	78,913
		3,129,544	**2,681,528**
Non-current liabilities			
Liabilities to banks	(14)	1,927,868	1,888,823
Liabilities from corporate bonds and other loans	(14)	542,742	442,459
Liabilities from convertible bonds	(14)	456,771	471,305
Derivative financial instruments	(14)	16,648	28,585
Retirement benefit provisions	(15)	5,423	5,783
Other non-current liabilities	(14)	25,550	21,023
Deferred taxes	(6)	682,025	570,711
		3,657,027	**3,428,690**
Current liabilities			
Liabilities to banks	(13)	138,642	89,101
Liabilities from corporate bonds and other loans	(13)	3,536	53,459
Liabilities from convertible bonds	(13)	1,022	94,059
Income tax liabilities	(6)	9,584	15,545
Other provisions	(16)	47,905	27,740
Trade payables	(17)	40,761	23,860
Other current liabilities	(18)	59,537	63,205
		300,986	**366,969**
Liabilities associated with non-current assets held for sale	(12)	**1,075**	**798**
		7,088,632	**6,477,985**

CONSOLIDATED INCOME STATEMENT

in TEUR	Notes	2021	2020
Rental income		436,896	426,390
Impairment losses		-3,893	-3,982
Rental expense		-161,752	-158,314
Net rental income	(18)	**271,251**	**264,093**
Revenues from the sale of real estate		117,701	198,642
Expenses on the sale of real estate		-105,179	-152,175
Sales result	(19)	**12,522**	**46,467**
Revenue from Services		57,469	56,151
Impairment losses		-416	-595
Expenses from services		-30,734	-29,442
Services result	(20)	**26,320**	**26,115**
Other operating income	(21)	7,615	6,174
Fair value changes in investment properties and valuation of properties held as inventory	(22)	540,059	328,399
Personnel expense	(23)	-63,026	-58,604
Depreciation / amortisation	(2,3)	-8,840	-7,218
Other operating expense	(24)	-24,538	-22,180
EBIT		**761,363**	**583,246**
Other financial result	(25)	3,091	-684
Interest income	(25)	4,338	803
Interest expense	(25)	-50,728	-107,159
EBT		**718,064**	**476,206**
Income taxes	(6)	-132,466	-73,585
Consolidated net income		**585,597**	**402,621**
attributable to non-controlling interests	(12)	15,142	9,100
attributable to equity holders of the parent company		570,455	393,521
Earnings per share (in EUR)	(26)		
Undiluted earnings per share		3.90	2.69
Diluted earnings per share		3.56	2.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	Notes	2021	2020
Net income as shown in the income statement		**585,597**	**402,621**
Other comprehensive income			
Items that will later be classified as expense:			
Currency differences of foreign subsidiaries	(13)	-5,399	-11,704
Deferred taxes on unrealised gains and losses	(6)	654	0
Other comprehensive income after taxes		-4,745	-11,704
Total comprehensive income		**580,852**	**390,917**
Attributable to equity holders of the parent company		565,860	383,114
Attributable to non-controlling interests		14,992	7,803

CONSOLIDATED CASH FLOW STATEMENT

in TEUR	Notes	2021	2020
Consolidated net income		585,597	402,621
Net interest income / expense through profit and loss	(26)	46,390	106,356
Current income taxes through profit and loss	(6)	4,227	6,887
Depreciation	(2, 3, 4)	8,840	7,218
Other financial Income	(5)	-3,091	684
Fair value changes in investment properties and valuation of properties held as inventory	(23)	-540,059	-328,399
Gains / losses from the disposal of investment properties	(1, 20)	210	101
Gains from the disposal of tangible and intangible assets		13	-5
Impairments accounts receivables	(19, 21)	4,309	4,577
Changes to deferred taxes	(6)	128,239	66,698
Changes in provisions	(15, 16)	19,805	4,900
Interest received		244	470
Interest paid		-43,292	-44,726
Income tax payments and refunds		-34,876	-6,087
Changes in receivables and other assets		-22,457	42,699
Changes in payables and other liabilities		9,927	-10,002
Cash flow from operating activities		**164,027**	**253,993**
Payments received from the disposal of investment properties (less selling costs)	(1, 20)	47,198	27,507
Payments made for the purchase of subsidiaries	(10)	-67,925	-129,512
Payments made for investments in investment properties	(1)	-240,775	-170,571
Cash and cash equivalents acquired of company acquisitions		0	68,665
Payments received from other financial assets	(5)	833	989
Payments received from the disposal of intangible assets and property, plant and equipment	(2, 3)	120	78
Payments made for investments in intangible assets and property, plant and equipment	(2, 3)	-11,674	-12,844
Cash flow from investing activities		**-272,223**	**-215,688**

in TEUR	Notes	2021	2020
Purchase of treasury shares	(13)	0	-2,162
Proceeds from the issuance of treasury shares	(13)	315	487
Payments made for the purchase of minority interests	(14)	-1	-8
Payments made for the repayment of corporate bonds and other loans	(14)	-100,000	-247,351
Proceeds from the issuance of corporate bonds and other loans	(14)	149,800	300,596
Payments made for the repayment of convertible bonds	(14)	-119,653	-261,056
Proceeds from the issuance of convertible bonds	(14)	0	465,676
Dividends paid	(13)	-128,814	-119,941
Proceeds from minority investors	(14)	113	0
Distribution to minority investors	(14)	-5,117	-4,148
Proceeds from new bank loans	(14)	240,633	198,734
Repayment of bank loans	(14)	-153,019	-131,202
Repayment of lease liabilities	(14)	-3,556	-2,851
Cash flow from financing activities		**-119,299**	**196,774**
Net change in cash and cash equivalents		-227,495	235,079
Cash and cash equivalents at the beginning of the period		320,019	88,686
Foreign currency exchange effects		1,576	-3,746
Cash and cash equivalents at the end of the period		**94,100**	**320,019**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

in TEUR	Attributable to the parent's shareholders						Non-controlling interests	Total equity
	Subscribed capital	Share premium	Other reserves: Retained earnings	Other reserves: Effects from Currency conversion	Retained earnings	Total		
Amount on 01/01/2021	**146,295**	**519,899**	**1,035**	**-10,407**	**1,945,792**	**2,602,615**	**78,913**	**2,681,528**
Consolidated net income	0	0	0	0	570,455	570,455	15,142	585,597
Other comprehensive income	0	0	0	-4,595	0	-4,595	-150	-4,745
Total comprehensive income	**0**	**0**	**0**	**-4,595**	**570,455**	**565,860**	**14,992**	**580,852**
Colonia settlement offer	0	-498	0	0	0	-498	0	-498
Purchase of treasury shares	0	0	0	0	0	0	0	0
Costs related to purchase of treasury shares	0	0	0	0	0	0	0	0
Issuance of treasury shares	13	302	0	0	0	315	0	315
Share-based compensation	72	197	0	0	0	269	0	269
Dividends paid	0	0	0	0	-128,814	-128,814	0	-128,814
Purchase of subsidiaries	0	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0	0	0
Change in non-controlling interests	0	0	0	0	0	0	-4,108	-4,108
Amount on 12/31/2021	**146,380**	**519,901**	**1,035**	**-15,002**	**2,387,433**	**3,039,747**	**89,797**	**3,129,544**
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
Consolidated net 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 own shares	-100	-2,059	0	0	0	-2,159	0	-2,159
Costs related to purchasing treasury shares	0	-3	0	0	0	-3	0	-3
Issue 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
Acquisition of Subsidiaries	0	0	0	0	0	0	21,821	21,821
Withdrawals from the capital reserve	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**

NOTES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements of TAG Immobilien AG, Hamburg, as of 31 December 2021 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 2021, TAG had 87,576 (previous year: 88,313) residential units under management as well as a contractually secured project pipeline in Poland for the construction of around 12,100 units (previous year: 8,700).

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

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

The consolidated income statement is prepared using the total cost method. EBIT is defined as earnings before interest, taxes and other net costs 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 2022 subject to approval by the Supervisory Board.

CONSOLIDATION

As of 31 December 2021, a total of 101 (previous year: 103) companies are fully consolidated and included in the consolidated financial statements. In the year under review, two new companies were established and thus consolidated for the first time. Furthermore, four companies were merged with the Group.

The list of shareholdings is attached to the Notes to the consolidated financial statements and forms an integral part of these. Companies that apply the exemptions provided for in Section 264 (3) 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 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 2021:

Currency rate (basis: 1 EUR)	Closing rate				Average rate
	12/31/2021	09/30/2021	06/30/2021	03/31/2021	01/01-12/31/2021
Polish złoty	4.5969	4.6197	4.5201	4.6508	4.5652

Acquisition of ROBYG S.A.

On 22 December 2021, TAG signed a contract for the acquisition of all the shares in ROBYG S.A. (ROBYG). ROBYG is Poland's largest residential property developer with a focus on the country's major cities. The secured pipeline currently consists of residential construction projects in Warsaw, Wrocław, Tricity and Poznań with a total of approximately 23,000 units not yet sold. Under its current plans, TAG will retain up to roughly 12,000 units on a long-term basis after the completion of construction in order to supplement its rental portfolio in Poland, while the remainder of the development pipeline (approx. 11,000 units) is to be sold. The transaction had not yet been closed as of the reporting date, this being expected for the end of the first quarter of 2022.

The final purchase price is based on a transaction value of PLN 3,150m (around EUR 694m) (based on a EUR/ PLN exchange rate of 4.5969) and is dependent on various distributions to the sellers of up to PLN 700m (around EUR 154m), which are to be executed before the completion of the transaction, and is expected to be in a range of around PLN 2,450–2,550m (around EUR 540–560m). In addition, transaction costs, particularly legal and consulting fees, of EUR 5.8m were incurred in 2021 and recognised within other operating expenses in the income statement.

With the acquisition of ROBYG, TAG is expanding its platform in the rapidly growing Polish residential rental market. In addition to strengthening its portfolio in the existing regions of Wrocław, Poznań and, in particular, Tricity, this acquisition also enables TAG to enter the Warsaw market on a broad basis.

NEW STANDARDS AND INTERPRETATIONS

First-time adoption of new standards in 2021

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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Reform of the Interbank reference rates (phase 2)
Amendments to IFRS 16	Rent concessions related to the Covid-19 beyond 30 June 2021

The Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address replacement issues with respect to certain requirements of the IFRS standards. These relate to changes in financial instruments and leases or hedging relationships triggered by the replacement of a reference rate in a contract by a new alternative reference rate. The amendments also provide for an exception to the use of an amended discount rate when accounting for leases. This reflects the change in the interest rate when a lease liability is remeasured as a result of an adjustment to the lease required by the interest rate benchmark reform.

Ultimately, the Phase 2 amendments provide for a number of temporary exceptions from certain hedge accounting requirements that permits the continuation of the hedging relationship without any interruption in the event of a change in a hedged item and/or hedging instrument required by the interest rate benchmark reform.

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. This guidance, which was originally to expire on 30 June 2021, has been extended until 30 June 2022.

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

New standards not yet applied

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

Standard	Index	Initial application
Endorsed by the EU		
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

EU endorsement pending		
Amendments to IAS 1	Amendments regarding the classification of liabilities	01/01/2023
Amendments to IAS 1 and IFRS Practice Statement	Disclusure of accounting policies	01/01/2023
Amendments to IAS 8	Definition of accounting estimates	01/01/2023
Amendments to IAS 12	Deferred taxes related to assets and liabilities arising from a single transaction	01/01/2023
Amendments to IFRS 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 2022. 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. Costs 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 June 30 and December 31 of each year are prepared for the investment properties held.

Intangible assets and goodwill

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

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

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

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

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

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

Goodwill is tested for impairment at the level of the CGU or group of CGUs to which it is allocated. For this purpose, the recoverable amount is compared with the book value 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 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 did 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 did 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. Costs 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 recovered from the taxation authorities

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

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

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

Cash and cash equivalents

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

Non-current assets held for sale and related liabilities

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

Other non-current assets or groups of available-for-sale assets are designated as available for sale if the 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 (AmC) or at fair value through profit and loss (FVTPL). Financial liabilities held for trading and derivatives as well as other interests for which the corresponding option is exercised are recognised at fair value through profit and loss. TAG only assigns derivative financial instruments to this category. All other financial assets are initially recognised at amortised cost and measured using the effective interest method.

Financial liabilities are initially recognised on the trading date at their fair value. If they are recognised at amortised cost, transaction costs are additionally included. Financial liabilities are derecognised when the contractual financial debts 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 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 financial debt 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 stand-alone 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
A new remuneration system for the Management Board was adopted in 2021 in response to the changes made in 2020 to the requirements under the Act on the Transposition of the Second Shareholder Rights Directive and the revised recommendations of the German Corporate Governance Code. The main changes provide for the introduction of non-financial targets and an increase in the target remuneration from TEUR 125 to TEUR 150 and in the maximum remuneration from TEUR 125 to TEUR 200 for the "Short Term Incentive Plan".

In the case of the "Long Term Incentive Plan" (LTIP), an extension of the performance period to four years has been agreed, supplemented by a restriction on the sale of allocated shares for a further four years. The target remuneration has been increased from TEUR 150 to TEUR 250 and the maximum remuneration from TEUR 300 to TEUR 400 in 2021 and to TEUR 500 from 2022. The LTIP is based on total shareholder return (the sum of the increase in the share price plus dividends paid in the respective year) of the TAG share. The remuneration is paid in the form of TAG treasury shares previously acquired by the Company on the market.

The variable remuneration system applicable since 2021 comprises

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

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

The variable remuneration (LTIP), which is measured over a period of several years, is granted in the form of TAG shares, the number of which is based on the total shareholder return (TSR) in a three-year period (first performance period) or a four-year period (subsequent performance periods). For this purpose, TSR performance is measured by reference to the performance of TAG shares in a three-year or four-year period that starts each year as well as by reference to the performance of a selected peer group during the same period.

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

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

The previous arrangements were prematurely replaced upon the adoption of the new remuneration system. A total of 24,000 shares were awarded to the members of the Management Board (previous year: 10,617 each). In this connection, additional personnel expense of TEUR 1,132 was recognised in equity.

The personnel expenses under LTIP recognised in the income statement for 2021 came to a total of TEUR 645 for all members of the Management Board (previous year: TEUR 173).

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 63 (previous year: TEUR 97) are recorded in full as an addition to the share premium. A total of 12,620 TAG shares were awarded to employees in the year under review (previous year: 26,080).

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 portfolio 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. Valuations are calculated using the discounted cash flow method, i.e. discounted for expected future surplus income. The resultant gross capital value is converted into a net figure by deducting the transaction costs. The factors material for the valuation, such as future rent income, the applicable discount rates, future renovation work and transaction costs, are estimated by TAG in conjunction with the valuers. The fair values of these properties as of the reporting date stood at EUR 6,540.4m (previous year: EUR 5,819.2m).

- 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 113.8m (previous year: EUR 102.0m).

- 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 stood at EUR 18.3m as of the reporting date (previous year: EUR 18.4m).

- The applicable corporate tax plan is of crucial importance for assessing the recoverable value of the deferred income tax assets. These plans are prepared on the basis of various estimates, e.g. with regard to future income and expenses. Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that realisation of the related income tax benefit through future taxable profits is probable. As of the reporting date, the deferred income tax assets had a book value of EUR 34.4m (previous year: EUR 50.6m).

- 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 47.9m as of the reporting date (previous year: EUR 27.7m).

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	2021	2020
Amount on 1 January	**5,819,190**	**5,199,993**
Purchase through business combinations	0	16,977
Additions from real estate acquisitions	4,551	186,545
Portfolio investments	67,783	71,624
Investments in project developments	177,910	46,016
Transferred from inventory	3,345	14,561
Transferred to assets held for sale	-68,949	-45,111
Transferred from assets held for sale	858	2,534
Sales	-1,876	-268
Change in market value	539,556	329,039
Currency conversion	-1,950	-2,720
Amount on 31 December	**6,540,418**	**5,819,190**

The book value includes the fair value of the real estate assets. Of this, an amount of roughly EUR 315.5 million (previous year: roughly EUR 174.8 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 10.5 million (previous year: EUR 6.7 million) is added to the leasehold rights.

Investments in the overall portfolio break down as follows:

Modernisation costs in TEUR	2021	2020
Investment in investment properties	250,245	304,185
Investment in property held as inventory	65,739	75,181
Investment in assets held for sale	312	163
Total modernisation costs	**316,296**	**379,529**

Within the investment properties, directly attributable costs of debt of EUR 1.7 million (previous year: EUR 0.6 million) were recognised for development projects.

Investment properties valued at EUR 5.9 billion (previous year: EUR 5.3 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	2021	2020
Rental income (current net rent)*	327,588	318,135
Rental expenses	-59,242	-57,421
Total	**268,346**	**260,714**

* of which TEUR 10,068 from leasing investment properties held as leasehold rights in 2021

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

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

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

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

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

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

Segment	Berlin		Chemnitz		Dresden		Rhine-Ruhr		Erfurt	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Market value (in EUR m)	**951.4**	**846.4**	**410.1**	**382.7**	**627.9**	**576.4**	**387.1**	**346.3**	**780.6**	**704.8**
Net rent p.a. (in EUR m)	43.2	41.8	26.9	26.1	28.8	28.4	18.6	18.5	39.4	39.1
Vacancy (in %)	4.2	4.9	9.3	8.4	2.3	2.8	2.2	2.7	2.5	2.8
Valuation parameters (average)										
Net rent to market rent (in %)	89	88	94	94	93	93	93	93	94	94
Increase in market rent p.a. (in %)	1.2	1.3	0.6	0.7	1.3	1.6	1.4	1.6	1.1	1.3
Maintenance costs (in EUR/sqm)	9.5	8.9	9.3	8.8	9.6	9.1	9.6	9.0	10.0	9.5
Administration costs (in EUR per unit)	240	222	248	235	258	245	274	259	241	228
Structural vacancy (in %)	3.4	3.4	4.7	4.6	2.6	2.6	1.7	1.7	1.9	2.0
Discount rate (in %)	4.3	4.6	4.8	5.1	4.6	4.9	4.6	5.0	4.4	4.8
Capitalisation rate (in %)	3.1	3.5	4.2	4.5	3.3	3.6	3.2	3.7	3.3	3.8

Segment	Gera		Hamburg		Leipzig		Rostock		Salzgitter	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Market value (in EUR m)	**468.9**	**443.4**	**653.2**	**601.2**	**814.3**	**743.0**	**563.1**	**514.8**	**592.9**	**563.1**
Net rent p.a. (in EUR m)	32.5	32.4	29.1	29.8	45.4	44.7	29.7	30.3	35.1	35.3
Vacancy (in %)	7.6	7.3	4.5	4.4	9.9	10.5	6.0	6.1	6.7	5.5
Valuation parameters (average)										
Net rent to market rent (in %)	93	93	93	94	92	92	93	93	97	97
Increase in market rent p.a. (in %)	0.6	0.7	1.2	1.5	0.9	1.0	0.8	1.0	0.8	1.0
Maintenance costs (in EUR/sqm)	9.5	9.0	8.9	8.4	9.5	9.0	9.4	8.9	9.6	9.1
Administrative costs (in EUR per unit)	250	237	258	244	246	233	254	241	260	245
Structural vacancy (in %)	4.8	4.8	1.6	1.6	4.2	4.2	3.3	3.4	2.2	2.2
Discount rate (in %)	5.0	5.4	4.6	4.8	4.6	5.0	4.3	4.7	4.8	5.1
Capitalisation rate (in %)	4.4	4.8	3.2	3.6	3.7	4.1	3.5	3.9	3.9	4.3

In addition, there are activities in the German TAG portfolio that cannot be directly allocated to the regions. These take the form of the serviced apartments and commercial real estate assets with a market value of EUR 22.8m (previous year: EUR 24.1m).

The valuation parameters shown are derived from the reports as of 31 December of each year. The valuations 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	2021	2020
Market value investment properties	6,272	5,746
Change in market value due to change in parameters		
Market rent (+2.0 / -2.0 / -4.0 %)	106 / -117 / -248	89 / -99 / -210
Increase in market rent (+0.2 / -0.2 / -0.4 %)	444 / -392 / -744	360 / -324 / -614
Maintenance costs (-10 / +10 / +20 %)	143 / -143 / -285	116 / -116 / -233
Administration costs (-10 /+10 / +20 %)	61 / -61 / -121	52 / -53 / -105
Structural vacancy (-1.0 / +1.0 / +2.0 %)	109 / -105 / -207	96 / -93 / -183
Discount and capitalisation rate (-0.5 / +0.5 / +1.0 %)	1,128 / -823 / -1.451	903 / -682 / -1,217

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

The TAG portfolio in Poland assigned to the investment properties has a total value of EUR 268.2 million (previous year: EUR 72.9 million). In addition to the properties completed and leased in 2021 with a value of EUR 35.8 million, this includes project developments under construction with a value of EUR 90.0 million (previous year: EUR 23.9 million) and land.

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

Sensitivity analysis in EUR m	2021
Market value rental properties and projects under construction	126
Net operational income p.a.*	14
Structural vacancy	4.5%
Capitalisation rate	5.3%
Change in market value due to change in parameters	
Net operational income (+2.0 / -2.0 / -4.0 %)	5 / -5 / -9
Structual vacancy (-1,0 / +1,0 / +2,0 %)	3 / -3 / -6
Capitalisation rate (-0.5 / +0.5 / +1.0 %)	24 / -20 / -37

* Market rental income less vacancy, administration and maintenance expenses

Land for future project developments is classified as such for a maximum period of twelve months after acquisition with the acquisition costs assumed to equal the fair value of the land; this is the case with investment properties with a value of EUR 74.0 million (previous year: EUR 23.2 million). This is followed by a valuation by CBRE on the basis of comparative values; this concerns investment properties with a value of EUR 38.0 million (previous year: EUR 13.3 million). In addition, advance payments of EUR 30.3 million (previous year: EUR 12.6 million) are included under forward funding contracts, in which ownership is transferred only after completion of a project.

2. INTANGIBLE ASSETS

The table below analyses the movements in intangible assets.

Intangible assets in TEUR

Acquisition and production costs in TEUR	Other intangible assets	Goodwill	Total
Amount on 1 January	12,186	0	12,186
Additions	2,855	19,818	22,673
Thereof business combinations according to IFRS 3	388	19,818	20,206
Effects from currency conversion	-30	-1,413	-1,443
Amount on 31 December 2020	**15,011**	**18,404**	**33,415**
Additions	2,440	0	2,440
Disposals	-9	0	-9
Effects from currency conversion	-5	-151	-156
Amount on 31 December 2021	**17,437**	**18,253**	**35,690**
Cumulative depreciation in TEUR			
Amount on 1 January 2020	9,557	0	9,557
Additions	1,197	0	1,197
Thereof business combinations according to IFRS 3	211	0	211
Effects from currency conversion	-17	0	-17
Amount on 31 December 2020	**10,737**	**0**	**10,737**
Additions	1,835	0	0
Disposals	-4	0	-4
Effects from currency conversion	-3	0	-3
Amount on 31 December 2021	**12,564**	**0**	**12,564**
Book value on 31 December 2020	**4,274**	**18,404**	**22,679**
Book value on 31 December 2021	**4,873**	**18,253**	**23,126**

The change in goodwill over the previous year results exclusively from the change in the exchange rate of the Polish zloty.

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 2022 to 2031. 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. Despite this, the estimate of future cash flows is currently exposed to substantially greater uncertainty than would be the case under normal market conditions, particularly in view of the strong fluctuation in the price of building materials.

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 (not including the acquisition of ROBYG S.A, which will be taking effect in 2022). The Management Board's expectations regarding the proceeds that can be achieved from sales business reflect the sales prices achieved or costs incurred in the course of business to date. Rental income planning is based on internal calculations as well as findings arising from the leases so far entered into in Poland which, in the opinion of the Management Board, take into account future achievable rents based on key factors such as the location and size of the rental real estate assets, cost increases and vacancy trends. Rental income is forecast on the basis of the assumption of continuous rental growth in the light of external information available to date on the development of the still young Polish rental market.

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

DCF parameters as of 12/31/2021	2021	2020
Risk-free interest rate Poland in %	2.6	2.3
Market risk premium Poland in %	5.7	7.6
Unlevered Beta	0.5	0.6
Cost of capital	**5.6**	**6.8**
Growth rate planned sustainably in %	2.0	1.5

The decline in the market risk premium in Poland over the previous year reflects the impact of market developments in Poland on the returns expected by Polish market participants among other things. The impairment test performed in the fourth quarter did not indicate any evidence of goodwill impairment. The fair value less costs to sell of the cash-generating unit stood at EUR 400.2 million, with the book value equalling EUR 297.8 million. If the planned growth rate dropped by 0.31 percentage points, the recoverable amount would equal the book value of the cash-generating unit.

3. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment in TEUR

Acquisition and production costs	Real estate	Operating and office equipment	Total
Amount on 01/01/2020	**11,435**	**33,325**	**44,760**
Additions	531	10,893	11,424
Thereof business combinations according to IFRS 3	515	256	771
Disposals	0	-1,141	-1,141
Effects from currency conversion	-37	-19	-56
Amount on 12/31/2020	**11,929**	**43,058**	**54,987**
Additions	5	9,229	9,234
Disposals	-1	-1,199	-1,200
Reclassifications	4	0	4
Effects from currency conversion	-4	-2	-6
Amount on 12/31/2021	**11,933**	**51,086**	**63,019**

Cumulative depreciation	Real estate	Operating and office equipment	Total
Amount on 01/01/2020	2,060	11,773	13,833
Additions	533	3,680	4,213
Thereof business combinations according to IFRS 3	254	192	445
Disposals	0	-1,067	-1,068
Effects from currency conversion	-20	-14	-34
Amount on 12/31/2020	**2,573**	**14,372**	**16,945**
Additions	245	4,122	4,367
Disposals	0	-1,080	-1,080
Effects from currency conversion	-3	-1	-4
Amount on 12/31/2021	**2,815**	**17,412**	**20,228**
Book value on 12/31/2020	**9,355**	**28,686**	**38,041**
Book value on 12/31/2021	**9,117**	**33,673**	**42,790**

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 14.3 million (previous year: EUR 13.4 million) between its book value and the fair value.

4. RIGHT-OF-USE ASSETS

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

Right-of-use assets in TEUR

Costs of acquisition	**Real estate**	**Transportation**	**IT equipment**	**Total**
Amount on 12/31/2020	9,242	3,671	704	13,618
Additions	954	1,733	75	2,762
Depreciation	0	-76	-1	-77
Effects from currency conversion	-1	-2	0	-3
Amount on 12/31/2021	**10,195**	**5,326**	**778**	**16,299**
Cumulative depreciation	**Real estate**	**Transportation**	**IT equipment**	**Total**
Amount on 12/31/2020	2,385	2,006	461	4,852
Additions	1,395	1,211	197	2,803
Depreciation	0	-68	-1	-69
Effects from currency conversion	-1	-1	0	-2
Amount on 12/31/2021	**3,779**	**3,148**	**657**	**7,584**
Fair value as of 12/31/2020	**6,858**	**1,666**	**242**	**8,766**
Fair value as of 12/31/2021	**6,416**	**2,179**	**121**	**8,715**

The Group leases office and storage space for its real estate business. In some cases, extension options may be exercised. However, these have not yet been included in the lease period applied. If these options were exercised, additional cash outflows of up to EUR 7.9 million (previous year: EUR 8.7 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 to five years. This period also applies to individual IT items, for which a favourable purchase option is regularly agreed and may be exercised at the end of the lease.

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	**2021**	**2020**
Investments	8,957	8,460
Investments in associates – at equity	41	57
Security deposits	383	386
Other	932	1,008
Total	**10,312**	**9,911**

6. CURRENT AND DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	2021		2020		
Deferred income taxes in TEUR	**Active**	**Passive**	**Active**	**Passive**	**Change**
Unused tax losses (incl. interest carried forward)	46,139	0	45,609	0	530
Investment properties	488	-686,457	507	-579,520	-106,956
Property, plant and equipment	28	-2,844	121	-2,753	-184
Other financial assets	60	-2,394	53	-1,398	-989
Properties held as inventories	1,623	-6,511	1,166	-7,123	1,069
Liabilities	4,771	-2,068	4,469	-3,094	1,328
Provisions	2,806	-2,499	1,426	-256	-863
Liabilities from convertible bonds	0	-4,336	13,532	0	-17,868
Derivative financial instruments	3,592	0	7,199	0	-3,607
Total	**59,507**	**-707,109**	**74,082**	**-594,144**	**-127,540**
Offset	-25,084	25,084	-23,434	23,434	-
Deferred income taxes recorded on the face of the balance sheet	**34,423**	**-682,025**	**50,648**	**-570,711**	**-**
				Change in cash 2021	**-127,540**
				Thereof within equity:	**699**
				Thereof within income:	**-128,239**

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

Income taxes in TEUR	**2021**	**2020**
Current income tax expense	-4,227	-6,887
Deferred income taxes	-128,239	-66,698
Total	**-132,466**	**-73,585**

Current income taxes include tax expenses for the year under review as well as a tax refund claim of TEUR 2,835 for earlier years (previous year: expense of TEUR 514).

Deferred income tax liabilities of TEUR 128,070 (previous year: TEUR 63,403) arise from changes in temporary differences. Income from changes in deferred income taxes on unused tax losses stands at TEUR 530 (previous year: expense of TEUR 3,295).

The income tax refund claims shown in the consolidated balance sheet predominantly comprise corporate tax refunds for 2021. Income tax liabilities include income tax expenses for the year under review of TEUR 2,392 (previous year: TEUR 2,016). 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	**2021**	**2020**
Earnings before income taxes (EBT after other taxes)	718,063	476,206
Expected net tax expense (32.275%)	-231,755	-153,695
Reconciled with tax effects from:		
Income and expenses from earlier years	2,535	-2,455
Impairment of deferred income taxes and utilisation of previously unrecognised unused tax losses/interest carried forward	-11,017	-13,590
Tax-free returns and non-deductible expenses	-2,875	10,182
Effects of trade tax exemption	108,813	85,448
Net gains/losses from consolidation	2,979	615
Others	-1,146	-90
Actual net income tax expense	**-132,466**	**-73,585**

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 %	**2021**	**2020**
Corporate tax	15.000	15.000
Solidarity surcharge	0.825	0.825
Trade tax	16.450	16.450
Total	**32.275**	**32.275**

The notional Group tax rate for the year under review stands at 18.45% (previous year: 15.45%).

Excluded from deferred income tax assets are unused corporate tax losses of EUR 116 million (previous year: EUR 124 million) and unused trade tax losses of EUR 340 million (previous year: EUR 266 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 178 million (previous year: EUR 149 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	2021	2020
Amount on 1 January	**102,006**	**58,452**
Additions from Business combinations	0	116,898
Investments	65,739	75,181
Transferred to investment properties	-3,345	-14,561
Impairments	-89	-39
Disposals	-49,905	-126,496
Effects from currency conversion	-648	-7,429
Amount on 31 December	**113,758**	**102,006**

Real estate assets held as inventories mainly include development projects as of the reporting date. EUR 57.0 million (previous year: EUR 44.4 million) of the investments are attributable to development projects in Poland and EUR 8.7 million (previous year: EUR 27.8 million) to a commercial development project in Munich.

Investment properties recognised as inventories valued at EUR 1.0 million (previous year: EUR 0.1 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 67.4 million (previous year: EUR 27.4 million) between the book value and the fair value.

Directly attributable costs of debt of TEUR 818 (previous year: TEUR 1,912) for development projects were recognised.

Other inventories primarily comprise heating material.

8. TRADE RECEIVABLES

Trade receivables break down as follows:

Trade receivables in TEUR	2021	2020
Rent receivables	16,927	16,875
Receivables from the sale of properties	0	105
Others	2,791	717
Total	**19,718**	**17,697**

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 152.5 million (previous year: EUR 153.9 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 1,217 (previous year: TEUR 1,860).

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

Individual impairments in TEUR	2021	2020
Amount on 1 January	**10,395**	**8,645**
Utilised	-3,513	-2,884
Reversed	-2,166	-1,664
Additions	4,495	4,452
First-time consolidation	0	1,846
Amount on 31 December	**9,211**	**10,395**

In the year under review, impairments (individual adjustments and derecognised amounts) of trade receivables of TEUR 4,309 (previous year: TEUR 4,577) 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	2021	2020
Prepayments received from the project development business	1,126	6,945
Receivables from the project development business	13,879	5,445
Receivables from tax authorities	4,076	4,563
Loans to shareholders with non-controlling interests	4,449	4,444
Rechargeable retirement benefit obligations	4,028	4,331
Excess payments to suppliers	972	1,326
Others	4,446	1,392
Total	**32,976**	**28,448**

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.

10. PREPAYMENTS MADE FOR BUSINESS COMBINATIONS

Prepayments made for business combinations refer to an advance payment deposited in an escrow account for the acquisition of all of the shares in ROBYG S.A. (ROBYG) in Poland. The acquisition is expected to take legal effect from 31 March 2022.

11. CASH AND CASH EQUIVALENTS

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

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

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

The table below sets out the movements in this item:

Non-current assets held for sale in TEUR	2021	2020
Amount on 1 January	**53,898**	**34,536**
Reclassification from investment properties	68,949	45,111
Reclassification to investment properties	-858	-2,534
Investments	604	163
Changes in market value	593	-602
Sales	-51,175	-22,724
Effects from currency conversion	-7	-52
Amount on 31 December	**72,004**	**53,898**

Sales contracts had already been signed as of the reporting date for a portion valued at EUR 51.6 million (previous year: EUR 24.8 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 on 11 May 2021, "Authorised Capital 2021" was approved and the Management Board authorised subject to the Supervisory Board's approval to increase the Company's share capital once or repeatedly on or before 10 May 2024 on a cash and/or non-cash basis by a maximum amount of up to EUR 29,000,000.00 by issuing up to 29,000,000 new no-par-value bearer shares in the Company's capital. The Management Board has so far not made any use of this authorisation.

In a resolution passed at the Annual General Meeting held on 11 May 2021, the Contingent Capital 2018/I approved at the annual general meeting of 23 May 2018 was replaced by Contingent Capital 2021/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 23 May 2018 or 11 May 2021. The new shares will be issued at the conversion or option price determined in accordance with the above mentioned authorisation resolutions. The contingent capital shall 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. The new shares are dividend-entitled from the beginning of the year in which they arise; in derogation of this, the new shares are dividend-entitled from the beginning of the year preceding the year in which they are issued if the no resolution has been passed at the Annual General Meeting on the allocation of the unappropriated surplus for the year preceding the year in which the shares are issued. The Management Board is authorised to determine the further details of the contingent capital issue. This authorisation was not exercised in 2021.

On 11 May 2021, the Annual General Meeting granted authorisation for the purchase and use of treasury stock in accordance with Section 71 (1) No. 8 of the German Stock Corporation Act in an amount of up to 10% of the share capital on or before 10 May 2023. This included the possibility of excluding subscription rights up to a maximum of 10% of the share capital in existence at the date of authorisation, with further exclusions of subscription rights to be mutually offset.

On the basis of the previous authorisation of 17 June 2016, the Company acquired a total of 310,000 treasury shares in 2016, 2018 and 2020 for the staff participation programme and for the long-term incentive plan for the Management Board. In 2021, the Company awarded 12,620 of these shares (previous year: 26,080 shares) to employees under the staff participation programme. 72,000 shares were awarded for claims vesting in the period from 2017 to 2020 under the long-term incentive plan for the Management Board. As of the reporting date, TAG held 119,264 (previous year: 203,884) treasury shares, equivalent to 0.08% (previous year: 0.14%) of its share capital. Reported subscribed capital less treasury stock thus stands at TEUR 146,380 (previous year: TEUR 146.295).

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 0.93 per share for 2021 (previous year: EUR 0.88 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:

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

Financial liabilities in TEUR	01/01/2020	Cash flow from financing activities	Additions from Business acquisitions	Changes in fair value	Non-cash changes	Other		12/31/2020
						Interest expenses	paid interest	
Liabilities to banks	1,901,197	67,532	8,475	0	-591	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	28,586
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**	**3,110,956**

Liabilities to banks

Liabilities to banks are almost fully secured. 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 with coupons 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 6.3 years, it has an average coupon of 2.0% p.a. Another borrower's note loan of EUR 100.0 million with a term of two years was issued in 2021 with a coupon of 0.1% 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 (so-called commercial papers). As of 31 December 2021, an amount of EUR 0.0 million was outstanding in this connection (previous year: EUR 50.0 million).

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 33.92 on the reporting date and will only be adjusted if future dividend payments exceed EUR 0.82 per share.

The 2017/2022 convertible bond was terminated in a notice dated 13 September 2021, effective 15 October 2021. Subsequently, all outstanding convertible bonds with a nominal value of EUR 17.5 million were called in for conversion. As in the previous year, TAG exercised the cash settlement option instead of converting them into shares. This resulted in a cash outflow of EUR 26.7 million. In addition, EUR 93.0 million was paid out in 2021 for the cash settlement of previous year's conversions.

Derivative financial instruments

The fair value of the conversion rights under convertible bonds of TEUR 11,128 (previous year: TEUR 13,818) are reported within derivative financial instruments.

In addition, the purchase price guarantees for non-controlling interests in subsidiaries with a fair value of EUR 5,519 million (previous year: EUR 6,303 million) are included.

Lease liabilities and other financial liabilities

Other non-current liabilities primarily consist of lease liabilities of TEUR 19,913 (previous year: TEUR 15,635) and liabilities of TEUR 4,376 under guaranteed dividends (previous year: TEUR 4,666) 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 mainly relate to new contracts. 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 37,033 (previous year: TEUR 18,350) as of the reporting date. The change over the previous year is mainly due to additions of hereditary building rights in Poland.

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 01/01/2020	**5,799**	**4,363**
Expenses from the addition	162	0
Income from the reversal	0	0
Reversal within equity (reimbursement claim)	176	176
Pension payments	-353	-207
Amount on 12/31/2020	**5,783**	**4,331**
Recognised appropriation	41	0
Reimbursement recognised (within equity)	-60	-95
Pension payments	-341	-209
Amount on 12/31/2021	**5,423**	**4,028**

* The present value of the defined benefit obligation equals the obligation recognised on the face of the balance sheet. It stood at TEUR 5,505 as of 31 December 2018, TEUR 5,942 as of 31 December 2017 and TEUR 6,132 as of 31 December 2016.

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 350 (previous year: TEUR 349) 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	2021	2020
Interest rate in %	0.93	0.72
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 01/01/2021	Used	Reversed	Added	Effect from currency conversion	Amount 12/31/2021
Outstanding invoices	17,632	16,689	664	37,292	-102	37,469
Damages and litigation risk	3,733	206	275	356	-1	3,607
Bonus	1,496	1,496	0	2,691	-6	2,685
Legal, consulting and auditing costs	633	629	4	665	0	665
Others	4,246	1,780	471	1,487	-3	3,479
Total	**27,740**	**20,800**	**1,414**	**42,491**	**-112**	**47,905**

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

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

17. TRADE PAYABLES

Trade payables include net liabilities of EUR 13.9 million (previous year: EUR 12.7 million) arising from the netting of prepayments of EUR 157.3 million (previous year: EUR 157.2 million) made by the tenants with corresponding receivables under rechargeable but not yet invoiced utility and incidental costs. In addition, they include a liability of EUR 10.2 million (previous year: EUR 0.0 million) from the purchase of a property in Poland as well as supplier liabilities.

18. OTHER CURRENT LIABILITIES

This item breaks down as follows:

Other current liabilities in TEUR	2021	2020
Prepayments received from sales	19,394	19,232
Put options of non-controlling shareholders	19,028	6,582
Tenant credit from advance payments	9,102	9,770
Tax liabilities	6,690	20,386
Lease liabilities	3,251	2,610
Obligations from associated companies	1,174	1,055
Guaranteed dividend	468	684
Deferrals and accruals	0	1,997
Others	430	890
Total	**59,537**	**63,205**

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. NET RENTAL INCOME

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. As a whole, 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	2021	2020
Net rent	333,053	322,515
Pro rata remuneration of property tax and building insurance	15,746	13,487
Rental income according to IFRS 16	**348,798**	**336,002**
External non-recoverable ancillary costs	84,121	86,760
Pro rata remuneration of property tax and building insurance	3,977	3,628
Costs re-charged to tenants according to IFRS 15	**88,098**	**90,388**
Total	**436,896**	**426,390**

Together with net income from sales and the provision of services, the income recognised in accordance with IFRS 15 comprises income of TEUR 263,268 (previous year: TEUR 345,181) from contracts with customers.

Rental expenses break down as follows:

Rental expenses in TEUR	2021	2020
Maintenance expenses	38,921	34,990
Non-recoverable ancillary costs	9,766	10,795
Ancillary costs of vacant real estate	9,222	8,655
Non-rechargeable expenses	**57,909**	**54,439**
Rechargeable costs, taxes and insurance	103,844	103,875
Rental expenses	**161,752**	**158,314**
Impairment losses on rent receivables	3,893	3,982
Total	**165,645**	**162,296**

20. NET INCOME FROM SALES

Net income from sales breaks down as follows:

Income from sales in TEUR	2021	2020
Revenues from the sale of investment properties	54,036	23,310
Expenses on the sale of investment properties	-54,246	-23,412
Net income from the sale of investment properties	**-210**	**-101**
Revenues from the sale of properties held as inventory (Germany)	1,265	101,963
Expenses on the sale of inventories (Germany)	-987	-61,655
Net income from the sale of inventories (Germany)	**277**	**40,308**
Revenues from the sale of properties held as inventory (Poland)	62,400	73,370
Expenses on the sale of inventories (Poland)	-49,946	-67,108
Net income from the sale of inventories (Poland)	**12,455**	**6,261**
Total	**12,522**	**46,467**

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	2021	2020
Energy services	23,454	24,760
Facility management	15,095	13,873
Multimedia services	9,406	8,826
Craftsmen services	4,311	4,051
Other	3,099	2,790
Rechargeable land taxes and building insurance	2,104	1,851
Total	**57,469**	**56,151**
Impairment losses	-416	-595
Expenditure of property services	-30,734	-29,442
Net income from property services	**26,320**	**26,115**

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	2021	2020
Capitalised personnel expenses	3,162	2,529
Derecognition of liabilities	1,414	870
Reversal of other provisions	1,380	1,052
Other out-of-period income	216	371
Government grants	90	327
Other	1,352	1,025
Total	**7,615**	**6,174**

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	2021	2020
Investment properties	539,556	329,039
Properties held as inventories	-89	-39
Non-current assets held for sale	593	-602
Total	**540,059**	**328,399**

24. PERSONNEL EXPENSES

Personnel expenses break down as follows:

Personnel expenses in TEUR	2021	2020
Employees in operations	30,216	29,816
Administration and central functions	16,554	14,032
Caretakers	12,869	11,990
Craftsmen	3,386	2,765
Total	**63,026**	**58,604**

25. OTHER OPERATING EXPENSES

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

Other operational expenditures in TEUR	2021	2020
Legal, consulting and auditing costs (incl. IT consulting)	11,725	6,686
Telephone costs, postage, office material	2,107	1,820
Cost of premises	1,922	1,689
Contributions and donations	1,849	4,436
IT costs	1,546	1,480
Travel expenses (incl. motor vehicles)	1,070	955
Other ancillary staff costs	1,020	897
Additional costs of transactions	919	807
Insurance	720	603
Advertising	530	436
Investor Relations	195	374
Other	1,022	1,998
Total	**24,538**	**22,180**

In the year under review, a sum of TEUR 70 (previous year: TEUR 94) 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 427 (previous year: TEUR 425).

26. FINANCIAL RESULT

The financial result has the following structure:

Financial result in TEUR	2021	2020
Effect from currency changes through profit and loss	1,844	-1,506
Investment income	1,246	822
Interest income	4,338	803
Interest expense	-50,728	-107,159
Finance income/expense	**-43,300**	**-107,040**
Non-cash interest from bonds	3,377	3,628
Premature termination compensation	81	641
Other non-cash items (e.g. derivatives)	-2,268	57,849
Net finance income/expense (cash, without one-time invoice)	**-42,110**	**-44,921**

Other net finance income/expense includes changes of TEUR 430 (previous year: TEUR 93) in the value of equity interests designated as FVTPL as well as dividends and distributions received of TEUR 413 (previous year: TEUR 372). 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. Other non-cash items predominantly comprise the measurement of derivatives at TEUR 2,720 (previous year: TEUR 54,718) and currency-translation differences of TEUR 1,844 (previous year: TEUR 1,506).

Interest expense breaks down as follows:

Interest expense in TEUR	2021	2020
Interest expense under the effective interest method Financial liabilities recognised at amortised cost	48,621	51,712
Net change in fair value Derivative financial instruments valued at fair value through profit and loss	754	54,718
Other financial expenses	1,352	730
Total	**50,728**	**107,159**

27. EARNINGS PER SHARE

Earnings per share break down as follows:

Earnings per share	2021	2020
Consolidated net profit (in TEUR)		
Consolidated net profit excluding non-controlling interest	570,455	393,521
Interest expense on convertible bonds	2,693	2,100
Consolidated net profit excluding non-controlling interest (diluted)	573,148	395,621
Number of shares (in thousands)		
Weighted number of shares outstanding	146,358	146,288
Effect of conversion on convertible bonds and management compensation	14,620	13,855
Weighted number of shares (diluted)	160,978	160,143
Earnings per share (in EUR)		
Basic	3.90	2.69
Diluted	3.56	2.47

Diluted earnings per share include the potential correction to consolidated earnings and the number of shares outstanding when convertible instruments or options are exercised. In TAG's case, the dilution effect primarily arises from "potential shares" under convertible bonds.

NOTES ON THE CASH FLOW STATEMENT

Cash flows are divided into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities in the year under review. Cash flows from investing and financing activities are presented directly, while cash flows from operating activities are calculated using the indirect method

The cash flow components of cash and cash equivalents comprise only freely available cash and cash equivalents and are reconciled with the cash and cash equivalents reported in the balance sheet as follows:

Cash and cash equivalents in TEUR	2021	2020
Cash and cash equivalents as reported on the balance sheet	96,455	324,320
Cash at banks subject to drawing restrictions	-2,355	-4,301
Cash and cash equivalents	**94,100**	**320,019**

Bank balances subject to drawing restrictions concern incoming payments subject to temporary drawing restrictions from sales as well as pledged bank balances.

Cash and cash equivalents of TEUR 1,445 had been acquired through the acquisition of real estate asset companies in the previous year.

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 development and sale of residential units held as inventory real estate assets. As these sales, together with the transactions completed in Germany, have generated significant revenues since 2020, a "Project Development and Sales Poland" segment has been additionally defined.

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 actual rent) and the services provided as well as the related expenses. With respect to the Rental and Services segment, segment earnings II include the attributable personnel expenses and other income and expenses and are calculated as follows:

Segment report		Rental	Services	Business activities in Poland	Total
Segment revenues	**2021**	**332,535**	**55,060**	**118,524**	**506,119**
	2020	322,515	54,300	198,642	575,457
Segment expenses	**2021**	**-83,392**	**-28,854**	**-105,429**	**-217,675**
	2020	-80,058	-28,186	-152,175	-260,419
Rental expenses	**2021**	**-11,776**	**0**	**0**	**-11,776**
	2020	-12,136	0	0	-12,136
Investment costs	**2021**	**-68,766**	**0**	**0**	**-68,766**
	2020	-65,204	0	0	-65,204
Impairment losses on receivables	**2021**	**-3,893**	**-416**	**0**	**-4,309**
	2020	-3,981	-596	0	-4,577
Service expenses	**2021**	**0**	**-28,438**	**0**	**-28,438**
	2020	0	-27,590	0	-27,590
Other revenues	**2021**	**1,043**	**0**	**0**	**1,043**
	2020	1,263	0	0	1,263
Segment result I	**2021**	**249,143**	**26,206**	**13,095**	**288,444**
	2020	242,457	26,114	46,467	315,038
Personnel expenses	**2021**	**-14,677**	**-18,969**	**0**	**-33,646**
	2020	-18,334	-17,643	0	-35,977
Other income / other expenses	**2021**	**-3,531**	**3,313**	**0**	**-218**
	2020	-3,599	2,245	0	-1,354
Segment result II	**2021**	**230,935**	**10,550**	**13,095**	**254,580**
	2020	220,524	10,716	46,467	277,707
Segment assets	**2021**	**6,387,405**	**0**	**347,893**	**6,735,298**
	2020	5,809,449	0	175,000	5,984,449

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 actual rent"). Note 19. "Net rental income" in the notes on the consolidated income statement reconciles income from rental business with segment revenue/rental income.

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

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

Segment earnings in TEUR	2021	2020
Segment earnings II	**254,580**	**277,707**
Capitalised investment costs not deducted from segment earnings	29,951	30,215
Non-allocated ancillary costs of vacant real estate	-9,183	-8,655
Fair value changes in investment properties and valuation of properties held as inventory	540,059	328,399
Non-allocated personnel expenses	-29,380	-22,627
Depreciation	-8,840	-7,218
Other non-allocated income and expenses	-15,824	-14,575
Net finance expense	-43,300	-107,040
EBT	**718,063**	**476,206**

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 Stock Corporation Act (AktG). 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	**2021**	**2020**
Equity	3,129,544	2,681,528
Total assets	7,088,632	6,477,985
Equity ratio in %	**44.1**	**41.4**

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 measurement hierarchy divides the input factors into three levels depending on the availability of data:

Level 1: Prices quoted in active markets for identical assets or liabilities (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		2021	2020
Assets			
Other financial assets	Level 2	5,020	5,020
Other financial assets	Level 3	3,953	3,456
Equity and liabilities			
Derivatives with no hedging relationship	Level 2	-16,648	-28,585

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 68 (previous year: TEUR 257) and changes in fair value through profit and loss of TEUR 430 (previous year: TEUR -135).

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:

Financial instruments in TEUR	IFRS 13 Valuation	2021 Book value	2021 Fair value	2020 Book value	2020 Fair value
Liabilities to banks	Level 2	2,066,510	2,078,610	1,977,924	2,077,069
Liabilities from corporate bonds and other loans	Level 2	546,278	549,339	495,918	502,702
Liabilities from convertible bonds	Level 2	457,793	475,405	565,364	582,253

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 liabilities to banks 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 2021, floating-rate loans had a nominal value of EUR 30.5 million (previous year: EUR 55.6 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 0.2 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 conversion right under the convertible bond 2020/2026 with a fair value of EUR 11.1 million (previous year: EUR 13.8 million). The conversion right under convertible bond 2017/2022, which had been valued at EUR 8.5 million in the previous year, was cancelled following full repayment after early termination in 2021. In addition, there are purchase price guarantees towards non-controlling shareholders valued at EUR 5.5 million (previous year: EUR 6.3 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 1.5 million (previous year: EUR 0.5 million) or decrease by EUR 1.5 million (previous year: EUR 0.4 million), respectively. An increase/decrease of 5% in the price of TAG shares would result in an increase of EUR 3.7 million (previous year: EUR 4.7 million) or a decrease of EUR 3.2 million (previous year: EUR 4.1 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. 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.

In response to the Covid-19 pandemic, the Group had granted temporary rent concessions to certain customers in the previous year. However, this measure, which was implemented on the basis of the the German Act to Mitigate the Consequences of the COVID-19 Pandemic under Civil, Insolvency and Criminal Procedure Law and was applicable to rent payments for the months from April to June 2020, was not utilised to any significant extent. Overall, no significant negative influences were identified in the year under review. Accordingly, adjustments to impairments did not exceed the customary pre-pandemic 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.

TAG evaluates the receivables according to their maturity profile. Deposits are also taken into account. Loss ratios are calculated on the basis of historical data from the last three years in the light of any changes in external factors and are reviewed regularly. An average loss rate continues to be calculated for terminated leases.

In the light of the uncertainties 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 in the previous year. There was no evidence of any significant increase in the expected credit risk. There had been no significant outstanding receivables as a result of payment deferrals in the previous year. The maximum credit risk from returned direct debits was estimated to be EUR 0.4 million in the fourth quarter of 2020. The assessment of the credit risk with respect to the impact of the Covid-19 pandemic remains unchanged for 2021.

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

Credit risk 31 December 2021 in EUR m	Loss rate	Gross book value	Impairment
Existing rental contracts			
Rent receivables not yet due	1.2%	14.2	0.2
≤ 90 days	43%	1.6	0.3
≤ 180 days	53%	1.2	0.4
≤ 270 days	79%	1.4	0.8
> 270 days	100%	0.6	0.4
Terminated rental contracts	75%	9.9	7.1
Total		**28.9**	**9.2**

Credit risk 31 December 2020 in EUR m	Loss rate	Gross book value	Impairment
Existing rental contracts			
- Factor ≤ 2	0.5%	12.5	0.1
- Factor > 2 ≤ 3	39%	2	0.7
- Factor > 3 ≤ 6	62%	1.8	0.5
- Factor > 6 ≤ 9	82%	0.5	0.4
- Factor > 9	100%	0.7	0.7
Terminated rental contracts	75%	10.6	7.9
Total		**28.1**	**10.3**

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

Impairments of trade receivables

Impairments of trade receivables were as follows:

Impairments in EUR m	
Balance on 1 January 2020	**8.6**
Amounts adjusted	-2.9
Net changes over expected term	4.7
Balance on 31 December 2020	**10.4**
Amounts adjusted	-3.5
Net changes over expected term	2.3
Balance on 31 December 2021	**9.1**

Receivables had a gross book value of EUR 0.8 million in the year under review (previous year: EUR 2.0 million). Significant changes in the gross book value of trade receivables regularly result from changes in the normal course of business. The increase in the year under review is mainly due to the business activities in Poland.

As of 31 December 2021, trade receivables with a nominal value of EUR 7.6 million (previous year: EUR 6.9 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 the reporting date, the Group had cash and cash equivalents of EUR 96.5 million (previous year: EUR 324.3 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 4.4 million as of 31 December 2021 (previous year: EUR 3.9 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	Contractual payment 1 to 5 years	Contractual payment more than 5 years
31 December 2021				
Primary financial instruments				
Liabilities to banks	2,066,510	170,501	963,840	1,110,487
Liabilities from corporate bonds and other loans	546,278	6,910	514,470	50,656
Liabilities from convertible bonds	457,793	2,938	480,768	0
Lease liabilities	23,164	3,164	11,366	22,503
Other financial liabilities	24,944	20,575	4,170	900
Derivative financial liabilities	16,648	0	13,597	3,051
Total	**3,135,337**	**204,088**	**1,988,211**	**1,187,597**
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**

The options under convertible bond 2020/2026 may be exercised any time until the bond expires in August 2026. In this connection, TAG has a cash settlement option. The 2017/2022 convertible bond was terminated in a notice dated 13 September 2021, effective 15 October 2021.

The Group is able to utilise overdraft facilities. The total amount not utilised as of the reporting date stands at EUR 145.0 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.

The purchase price, possible repayments of existing financial liabilities held by ROBYG and additional working capital for ROBYG's investments are funded by means of bridge finance of up to EUR 750 million provided by four banks. This bridge finance is to be replaced by capital market instruments in the course of 2022.

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 1,693 million (previous year: EUR 1,657 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 50.8 million (previous year: EUR 48.8 million). The relevant contracts provide for collateral equalling up to three monthly rental instalments to be provided.

REPORTING ON OTHER INFORMATION

OTHER FINANCIAL DEBT

Liabilities under operating leases are accounted for in accordance with IFRS 16. In addition, there are financial debts of TEUR 2,237 (previous year: TEUR 2,320) particularly under service or licence contracts. Of these, an amount of TEUR 115 (previous year: TEUR 389) is due for settlement in one to five years. The remaining amount is due for settlement within one year.

On 22 December 2021, TAG signed a contract for the acquisition of all the shares in ROBYG. The final purchase price is expected to be in a range of approximately PLN 2,450-2,550 million (approximately EUR 540-560 million). Accordingly, there are other financial obligations of up to EUR 492.1 million equalling the amount of the purchase price less the advance payment of EUR 67.9 million already remitted.

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 2021 and a voluntary audit of the annual financial statements of a former subsidiary as of the reporting date were performed. The other services relate to quality assurance in connection with the further development of the risk management system as well as workshops and benchmark analyses.

The fees of a total of TEUR 995 (previous year: TEUR 871) (value added tax at the statutory rate in both cases plus) payable within the entire Group for the services of the statutory auditors break down as follows:

- TEUR 923 (previous year: TEUR 869) for auditing services
- TEUR 0 (previous year: TEUR 2) for other attestation services
- TEUR 2 (previous year: TEUR 0) for tax advisory services, and
- TEUR 70 (previous year: TEUR 0) for other services.

The fees for auditing activities include trailing costs of TEUR 59 (previous year: TEUR 17) for the previous year. In addition, tax advisory services were provided to subsidiaries before they were acquired and consolidated by TAG in 2020. This resulted in additional charges of TEUR 2 in 2021.

HEADCOUNT

TAG had the following average number of employees in the last two years:

Employees	2021	2020
Operational employees	613	622
Caretakers	493	457
Administration and central area	186	176
Craftsmen	82	73
Total	**1,374**	**1,328**

RELATED PARTIES

As in the previous year, there were no transactions with related parties with the exception of the remuneration paid to the Company's governance bodies as listed below.

SUPERVISORY BOARD

The members of the Supervisory Board and the offices held by them in other supervisory boards or comparable domestic and international corporate governance bodies in the year under review are listed below:

- Rolf Elgeti, businessman, Potsdam (Chairman)
  - Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main (Chairman)
  - NEXR Technologies SE, Berlin (Chairman)
  - Laurus Property Partners GmbH, Munich
  - Creditshelf Aktiengesellschaft, Frankfurt am Main (Chairman)
  - Highlight Event and Entertainment AG, Pratteln, Switzerland
  - Obotrita Hotel SE, Potsdam (Chairman)
- Lothar Lanz, businessman, Munich (Deputy Chairman)
  - Home24 SE, Berlin (Chairman)
  - Bauwert AG, Bad Kötzting (Deputy Chairman)
  - Dermapharm Holding SE, Grünwald
  - SMG Swiss Marketplace Group AG, Zurich, Switzerland (Chairman of the Board of Directors), from November 2021
- Dr Philipp K. Wagner, attorney, Berlin
  - Hevella Capital GmbH & Co. KGaA, Potsdam
- Prof Dr Kristin Wellner, university professor, Leipzig
- Harald Kintzel, attorney, Berlin, employee representative
- Katja Gehrmann, accounts receivable manager, Hamburg, employee representative, until 21 December 2021
- Fatma Demirbaga-Zobel, property manager, Hamburg, employee representative, from 22 December 2021

The remuneration paid to the Supervisory Board in the year under review came to TEUR 365 (previous year: TEUR 354) plus expenses and value added tax.

MANAGEMENT BOARD

The members of the Management Board and the offices which they hold on other supervisory boards or comparable domestic and non-domestic supervisory bodies in 2021 are set out below:

- Claudia Hoyer, Chief Operating Officer, Potsdam
  - Vantage Development S.A., Wrocław, Poland (Group mandate)
- Martin Thiel, Chief Financial Officer, Hamburg
  - Vantage Development S.A., Wrocław, Poland (Deputy Chairman, Group mandate)
- Dr Harboe Vaagt, Chief Legal Officer, Hamburg (until 31 December 2021)
  - TAG Colonia-Immobilien AG, Hamburg (Chairman, Group mandate)
  - Vantage Development S.A., Wrocław, Poland (Chairman, Group mandate)

Remuneration accruing to the Management Board in the year under review came to TEUR 2,538 (previous year: TEUR 1,844). The amounts paid to the members of the Management Board in the year under review, which partially also include remuneration earned in earlier years, stand at TEUR 4,974 (previous year: TEUR 2,264).

In 2021, a total of 72,000 shares (previous year: 33,851) under entitlement arising in earlier years were awarded to the three members of the Management Board. They had a fair value of TEUR 3,306. The personnel expenses under the LTIP recognised in the income statement for 2021 came to a total of TEUR 645 for all members of the Management Board (previous year: TEUR 173).

DECLARATION ON THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT

The joint declaration of the Management Board and the Supervisory Board concerning the recommendations of the Government Commission on the German Corporate Governance Code required pursuant to Section 161 (1) of the German Stock Corporation Act has been prepared and made available to shareholders on the TAG website.

Hamburg, 3 March 2022

Claudia Hoyer
(COO)

Martin Thiel
(CFO)

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 (2) OF THE GERMAN COMMERCIAL CODE

Name of company	Registered office	Share in capital %
Parent company	**Hamburg**	
TAG Immobilien AG	Hamburg	100.0
Fully consolidated companies		
Portfolio Germany		
Bau-Verein zu Hamburg Immobilien GmbH	Hamburg	100.0
Bau-Verein zu Hamburg Wohnungsgesellschaft mbH	Hamburg	100.0
BV Hamburger Wohnimmobilien GmbH	Hamburg	100.0
VFHG Verwaltungs GmbH	Hamburg	100.0
Bau-Verein zu Hamburg Eigenheim-Immobilien GmbH	Hamburg	100.0
Bau-Verein zu Hamburg „Junges Wohnen“ GmbH	Hamburg	100.0
URANIA Grundstücksgesellschaft mbH	Hamburg	100.0
BVV Bau-Verein zu Hamburg Fonds Verwaltungsgesellschaft mbH	Hamburg	100.0
Bau-Verein zu Hamburg Hausverwaltungsgesellschaft mbH	Hamburg	100.0
TAG Handwerkerservice GmbH	Hamburg	100.0
TAG Steckelhörn Immobilien GmbH	Hamburg	100.0
TAG Brandenburg-Immobilien GmbH	Hamburg	100.0
TAG Gotha Wohnimmobilien GmbH & Co. KG	Hamburg	100.0
TAG Wohnen & Service GmbH	Hamburg	100.0
TAG Immobilien Verwaltung GmbH	Hamburg	100.0
TAG Potsdam-Immobilien GmbH	Hamburg	100.0
TAG Portfolio Mecklenburg-Vorpommern GmbH & Co. KG	Hamburg	100.0
TAG Wohnungsgesellschaft Mecklenburg-Vorpommern mbH	Hamburg	100.0
TAG Wohnungsgesellschaft Sachsen mbH	Hamburg	100.0
TAG Portfolio Sachsen GmbH & Co. KG	Hamburg	100.0
TAG Immobilien Service GmbH*	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
TAG Cottbus-Immobilien GmbH (formerly: Colorado Investments S.à r.l., Luxembourg)	Hamburg	94.8
TAG Wohnungsgesellschaft Berlin-Brandenburg mbH	Hamburg	94.8
TAG Bartol Immobilien GmbH	Hamburg	94.8
TAG Certram Immobilien GmbH	Hamburg	94.8
TAG Sivaka Immobilien GmbH	Hamburg	94.8
TAG Zidal Immobilien GmbH	Hamburg	94.8
TAG Chemnitz Straubehof Immobilien GmbH	Hamburg	94.8
TAG Chemnitz Muldental Immobilien GmbH	Hamburg	94.8
TAG Chemnitz Zeisigwald Immobilien GmbH	Hamburg	94.8
TAG Havel-Wohnimmobilien GmbH	Hamburg	94.8
TAG Gotha-Immobilien GmbH (formerly: Bright Tarvos Property S.à r.l.,Luxembourg)	Hamburg	94.8
TAG Müritz-Immobilien GmbH (formerly: Ruby Helike Property S.à r.l.,Luxembourg)	Hamburg	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.	Wrocław, Poland	100.0
TAG Residential Real Estate II Sp. z o.o.	Wrocław, Poland	100.0
Vantage Development S.A.	Wrocław, Poland	100.0
VD Sp. z o.o.	Wrocław, Poland	100.0
Promenady IX VD Sp. z o.o.	Wrocław, Poland	100.0
VD Mieszkania XVII Sp. z o.o.	Wrocław, Poland	100.0
VD Mieszkania XVIII Sp. z o.o.	Wrocław, Poland	100.0
VD Serwis Sp. z o.o.	Wrocław, Poland	100.0
VD Rent Poznań 1 Sp. z o.o.	Wrocław, Poland	100.0
VD Rent Łódź 1 Sp. z o.o.	Wrocław, Poland	100.0
VD Rent Wrocław 1 Sp. z o.o.	Wrocław, Poland	100.0
VD Rent Wrocław 2 Sp. z o.o.	Wrocław, Poland	100.0
Ogrody Botaniczne Sp. z o.o.	Wrocław, Poland	100.0
VD Sp. z o.o. Mieszkania XX sp. k.	Wrocław, Poland	100.0
Finanse VD Sp. z o.o. sp. k.	Wrocław, Poland	100.0
Biznes Port Sp. z o.o.	Wrocław, Poland	65.0
Popowice Sp. z o.o.	Wrocław, Poland	65.0
Port Popowice Sp. z o.o. sp. k.	Wrocław, Poland	65.0

Name of company	Registered office	Share in capital %	Equity TEUR	Consolidated net income TEUR
Companies reported at equity				
IPD Invest sp. z o.o.	Wrocław, Poland	50.0	52.0	-33.0
Altstadt Assekuranzvermittlung und Schadensmanagement GmbH**	Hamburg	49.0	169.0	489.0
Texas Gewerbeimmobilien S.à.r.l. i.L. ***	Luxembourg	20.0	-3,297.0	-474.0

* Exemption in accordance with Section 264 (3) of the German Commercial Code
** Figures based on the single-entity German GAA (HGB) financial statements as of 31 December 2021
*** Figures based on the single-entity Luxembourg GAA financial statements as of 31 December 2020
**** Exempted in accordance with Section 264b of the German Commercial Code

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 balance sheet as at 31 December 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group (combined management report) of TAG Immobilien AG for the financial year from 1 January to 31 December 2021.

In accordance with German legal 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 that are not provided for by law and which are marked as unaudited. 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, on the basis of 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 [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, 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 cover 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 that are not provided for by law and which are marked as unaudited. 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 of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(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 judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. 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 investment properties

We refer to the comments in the notes to the consolidated financial statements on the fair value measurement of investment properties ("Recognition and valuation principles" and "1. Investment properties") and to the related measurement uncertainties ("Material judgements and estimates") and to the combined management report on the remeasurement of the real estate portfolio ("Operative business performance and portfolio developments").

THE FINANCIAL STATEMENT RISK

TAG Immobilien AG has recognised within its non-current assets investment properties valued at EUR 6,540.4 million (92.3% of its total assets), which were measured at their fair value as at the reporting date. Fair value measurement of the investment properties for the year under review resulted in a measurement gain of EUR 539.6 million, which was recognised in profit or loss in the consolidated income statement.

The fair values of the investment properties are calculated on the basis of opinions prepared by the independent expert engaged for this purpose. Among other things, the expert opinions are based on data provided by the Company (e.g. floor space available for letting, 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 those 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, prospective estimates, i.e. which are subject to judgement, are required for the calculations. Prospective 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. There is the risk for the financial statements that the fair value of the investment properties may be incorrectly measured and that the valuation methods and the estimation uncertainties are not explained appropriately in the notes to the consolidated financial statements.

OUR AUDIT APPROACH

To assess the appropriateness of the current data used to calculate fair value and of the underlying assumptions, we involved our own real estate valuation specialists as part of the audit. In enquiries 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 gained an understanding of the appropriateness of the valuation method applied, the valuation process and the independent expert's activities. We then satisfied 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, for properties selected on a random and risk-oriented basis, we checked (among other things) 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. In addition, we assessed the appropriateness of the assumptions applied to determine the market rents and discount and capitalisation rates in light of the type and location of the selected properties by means of a comparison with the market and sector-specific benchmarks.

We evaluated the development of the valuation assumptions used across all properties (structural vacancies, growth in rents, operating, administration and maintenance costs, etc.) over the course of time. To retrospectively assess the appropriateness of the valuation we 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 for each location in light of the characteristics of the individual property 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 fair value measurement of the investment properties and the related uncertainties were presented appropriately.

OUR OBSERVATIONS

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 are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the separate non-financial report, expected to be provided to us after the date of this auditor’s report, which is referred to in the combined management report,
- the Group’s corporate governance statement referred to in the combined management report.
- the report integrated into the combined management report on the principles of the Company’s remuneration policy (remuneration report), and
- information extraneous to the combined group management report and marked as unaudited.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

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 combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of 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 that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, 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. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, 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 they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 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 respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with 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 on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB
We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "tagimmobilienag-2021-12-31-de.zip" (SHA256-Hashwert: f36c3b-4f79244856e98d41f9ea3111e478f5e66acce457288fc06158309eeca0) made available 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 work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (10.2021)). Our responsibility in accordance therewith is further described below. Our audit firm applies 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 rendering of the consolidated financial statements and the combined 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 such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing 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 on 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 file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor at the annual general meeting on 11 May 2021. We were engaged by the Supervisory Board on 14 June 2021. We have been the group auditor of TAG Immobilien AG without interruption since financial year 2012.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be published in the German Federal Gazette [Bundesanzeiger] – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Rainer Thiede.

Hamburg, 4 March 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Thiede **German Public Auditor**	**Fischer** **German Public Auditor**

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the Group's assets, financial position and earnings situation, and the combined management report includes a fair review of the development and performance of the business and the Group's situation, as well as a description of the principal opportunities and risks associated with the expected development of the Group.

Hamburg, 3 March 2021

Claudia Hoyer **COO**	**Martin Thiel** **CFO**

TAG FINANCIAL CALENDAR 2022

PUBLICATIONS / EVENTS

15 March 2022	Publication of Annual Report 2021
21 April 2022	Publication of Sustainability Report 2021
13 May 2022	Annual General Meeting, Hamburg (virtual)
24 May 2022	Publication of Interim Statement Q1 2022
23 August 2022	Publication of Interim Report Q2 2022
22 November 2022	Publication of Interim Statement Q3 2022

CONFERENCES

06–11 January 2022	ODDO BHF Forum (virtual)
10–11 January 2022	Berenberg German Corporate Conference USA, New York (virtual)
11 January 2022	Barclays Virtual Real Estate Conference (virtual)
18 January 2022	Kepler Cheuvreux German Corporate Conference, Frankfurt (virtual)
24 March 2022	Bank of America EMEA Real Estate CEO Conference, London
29–31 March 2022	Jefferies Pan- European Mid-Cap Conference, London
03–06 May 2022	Goldman Sachs 15th European Small and Mid Cap Symposium, London
18–19 May 2022	Kempen 20th European Property Seminar, Amsterdam
24–25 May 2022	Societe Generale Conference, Nice
09 June 2022	Jefferies Equity-Linked Conference, London
28–29 June 2022	Kepler Cheuvreux Property Day, Paris
06–08 September 2022	Commerzbank and ODDO BHF Corporate Conference, Frankfurt
06–08 September 2022	EPRA Conference
13–14 September 2022	Bank of America Global Real Estate Conference, New York
19–23 September 2022	Baader Investment Conference, Munich
19–21 September 2022	Berenberg Goldman Sachs 11th GCC, Munich
20 October 2022	Société Générale Pan-European Real Estate Conference, Paris

TAG Headquarter Hamburg (Hamburg)

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The English version of the 2021 Annual Report is a translation of the German version. The German version is legally binding.

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