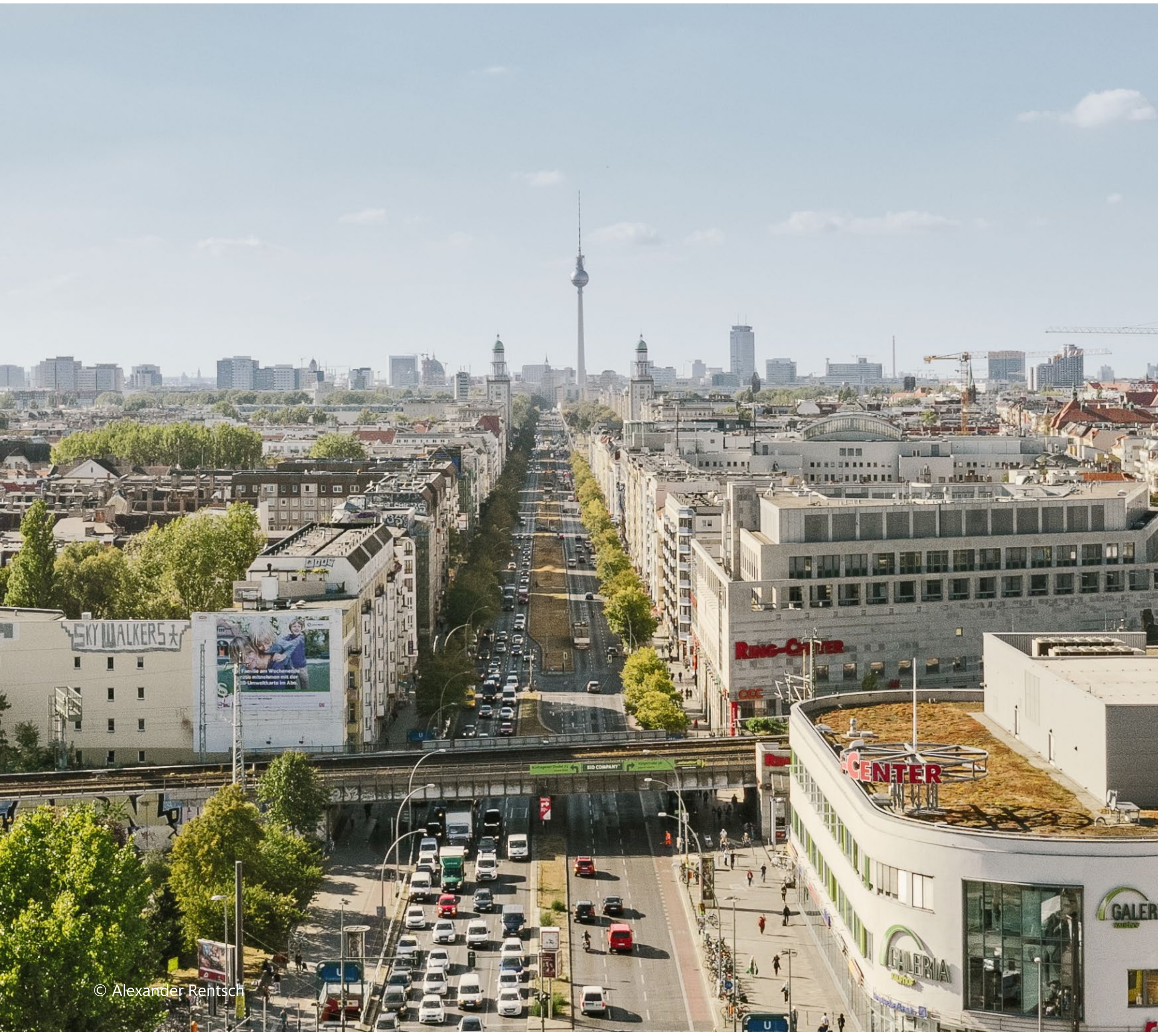
HOWOGE

HOWOGE Wohnungsbaugesellschaft mbH

IFRS Consolidated Interim Financial Statements as of 30 June 2022

This is a convenience translation of the interim report. The German report is the sole authoritative version.



HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung

I. Interim group management report
30 June 2022

Interim group management report as of 30 June 2022

Company profile

HOWOGE Wohnungsbaugesellschaft mbH and its subsidiaries ("HOWOGE" or the "Group") is one of Germany's biggest landlords. Its real estate holdings of around 74,500 residential units (as of 30 June 2022) in Berlin include rental apartments as well as over 1,100 commercial units, some 16,000 other units and numerous development plots, and have a current fair value of approximately EUR 13.6b. HOWOGE's core business as a property holder comprises the long-term management and development of the Company's own portfolio.

As one of six municipal housing companies belonging to the State of Berlin, HOWOGE pursues a social mandate to supply affordable housing to the people of Berlin.

HOWOGE intends to increase its housing portfolio to around 100,000 units in the medium to long term, many of which will be new-build construction. With a wide variety of housing offers and forward-looking sustainability and mobility concepts, the housing company creates housing estates with long-term stability. HOWOGE is also building and refurbishing schools for the State of Berlin under the Berlin School Building campaign, a business field that is economically separate from the core business.

HOWOGE has a solid financial footing with a sound capital structure and numerous financing opportunities, and is guided by its commitment to sustainability. Alongside equity, KfW funds and conventional financing through bank loans, HOWOGE can also issue bonds under its debt issuance program as an additional means of external financing. The two international rating agencies Standard & Poor's and Fitch have given HOWOGE an issuer rating of A (S&P) and AA- (Fitch), both with a stable outlook (as of 1 August 2022).

Real estate portfolio

As of 30 June 2022, HOWOGE's real estate portfolio comprised 74,493 residential units, 1,140 commercial units and 16,135 other units (mainly garages and parking spaces). The properties are located in Berlin and to a lesser extent in the neighboring State of Brandenburg. There is a strong concentration in the Berlin-Lichtenberg district, where some 76% of the Company's rental apartments are currently located.

As of 30 June 2022, the average net rent for residential units (excluding heating and utilities) was EUR 6.37/sqm (30 June 2021: EUR 6.24/sqm) and the vacancy rate by area was 1.6% (30 June 2021: 1.4%). The year-on-year increase in the average net rent (excluding heating and utilities) and vacancy rate as of 30 June is mainly attributable to the acquisition of approximately 8,300 apartments from Deutsche Wohnen and Vonovia as the relevant figures for these units were higher than HOWOGE's portfolio average.

The following table shows the portfolio overview as of 30 June 2022:

Reporting date	**Units**[1)]	**Area**	**Net cold rent**	**Avg. Net cold rent**	**Vacancy**
30 June 2022	Number	sqm	EUR m p.a.	EUR/m^2	% in sqm
Residential	74,493	4,604,965	351.9	6.37	1.6
Commercial	1,140	172,169	17.3	8.39	10.6
Subtotal	**75,633**	**4,777,133**	**369.3**	**6.44**	**1.9**
Other	16,135	297,416	9.9		
Total	**91,768**	**5,074,549**	**379.2**		

1) Excluding approximately 200 owner-occupied units as of the reporting date

Portfolio development

In fiscal year 2021, the acquisition of a large housing portfolio from Deutsche Wohnen and Vonovia was notarized and since the transfer of the benefits and burdens at the beginning of January 2022, the portfolio of approximately 8,300 apartments and more than 200 commercial units has belonged to HOWOGE. The apartments are scattered across several districts of Berlin and thus increase HOWOGE's visibility on the Berlin housing market. Some of the bigger estates of the new portfolio are located at Kottbusser Tor in Friedrichshain-Kreuzberg, in Steglitz-Zehlendorf (the Thermometer estate) and in Neukölln (the High Deck estate). By making acquisitions and completing new-build projects, HOWOGE has enlarged its real estate holdings by more than 15% within the space of one year. It now owns some 74,500 apartments and secures affordable housing for a further 20,000 tenants in Berlin.

New construction/project development

The creation of new housing through new construction, densification, vertical extension and the acquisition of project developments is fundamental to HOWOGE's portfolio strategy.

In the current fiscal year, HOWOGE aims to complete around 1,700 new apartments; as of 30 June 2022, 734 apartments have already been added to the portfolio.

Real estate appraisal

The real estate appraisal as of 30 June 2022 largely confirmed the fair values as of 31 December 2021 and the purchase price for the acquired portfolios.

See the notes to the consolidated financial statements for more information on the real estate appraisal.

The following overview shows the key valuation indicators for our real estate portfolio (excluding undeveloped land, developments and assets under construction) as of 30 June 2022:

Reporting date 30 Jun 2022	**Units**[1)] Number	**Fair value** EUR b	**Fair value** EUR/m^2	**Multiplier** Actual rent	**Multiplier** Market rent
Residential, Commercial and Other	**91,768**	**12.9**	**2,710**	**35.1**	**29.1**

[1)] Excluding some 200 owner-occupied units as of the reporting date

School construction

HOWOGE is building new schools and refurbishing existing schools under a master agreement with the State of Berlin. The business field is analyzed separately from the core business as a wholly independent undertaking. There are currently plans for HOWOGE to build 26 new schools and refurbish 13 school complexes.

In December 2021, construction commenced on one project (two schools on one site), while the construction and refurbishment of a further 27 schools is still in the planning stage. Funds of more than EUR 3b have been earmarked for the investment program and will be raised through shareholder loans, state guarantees and a forfaiting program.

Information on the financial performance, assets, liabilities and financial position

Financial performance

Overall, financial performance breaks down as follows:

in EUR k	H1 2022	Thereof School Construction	Thereof Residential	H1 2021
Rental and lease revenue (IFRS 16)	184,353	-	184,353	153,389
Revenue from operating costs (IFRS 16)	19,817	-	19,817	9,782
Revenue from real estate management	**204,169**	**-**	**204,169**	**163,170**
Revenue from operating costs (IFRS 15)	22,201	-	22,201	15,271
Revenue from heating costs (IFRS 15)	31,481	-	31,481	13,696
Revenue from management services and other trade	2,599	-	2,599	1,791
Other revenue	442	-	442	316
Other revenue from real estate management	**56,723**	**-**	**56,723**	**31,074**
Total revenue	**260,892**	**-**	**260,892**	**194,244**
Profit or loss from the sale of property	-	-	-	107
Profit or loss from the remeasurement of investment property	186,247	-	186,247	418,643
Change in inventories for property and other inventories	69,850	62,449	7,401	7,927
Own work capitalized	1,781	674	1,107	1,443
Cost of materials	- 131,329	- 62,456	- 68,872	- 53,094
Personnel expenses	- 25,614	-	- 25,614	- 23,295
Amortization, depreciation and impairment	- 1,528	-	- 1,528	- 1,320
Impairment of financial assets	- 1,609	-	- 1,609	970
Other operating income	2,245	9	2,235	4,103
Other operating expenses	- 15,254	- 430	- 14,824	- 16,040
Profit or loss from investments accounted for using the equity method	2,433	-	2,433	511
Finance income	2,557	-	2,557	21
Finance costs	- 21,092	-	- 21,092	- 14,612
Profit or loss before taxes	**329,580**	**246**	**329,334**	**519,606**
Income taxes	- 126,973	305	- 127,279	- 109,789
Other taxes	- 14,805	- 0	- 14,805	- 13,360
Profit or loss for the period	**187,801**	**551**	**187,250**	**396,457**
Other comprehensive income	-	-	-	-
Total comprehensive income	**187,801**	**551**	**187,250**	**396,457**

Consolidated revenue amounted to EUR 260.9m (H1 2021: EUR 194.2m).

The EUR 41.0m increase in revenue from real estate management is mainly due to the acquisition of a large real estate portfolio from Deutsche Wohnen and Vonovia as of 1 January 2022 and the resulting addition of some 8,300 apartments to the portfolio relevant for valuation.

The increase in cost of materials is due in particular to the EUR 29.7m increase in heating and maintenance costs owing, among other things, to the additional properties acquired as of 1 January 2022 and a backpayment for the fourth quarter of 2021.

Cost of materials for school construction is due to activities extending beyond the basic residential model and undertaken under separate cost assumption agreements with the State of Berlin. These costs are recharged and reflected in profit or loss.

Profit from the remeasurement of investment property of EUR 186.2m (H1 2021: EUR 418.6m) was mainly the result of the inclusion of the newly acquired special-purpose companies in remeasurement.

Personnel expenses increased by EUR 2.3m compared with the prior-year period due, among other things, to the increase in headcount (up 41 employees since 30 June 2021).

Finance costs were up by a total of EUR 7.5m year on year due to additional loans in connection with the funding of portfolio growth.

Overall, the Group generated total comprehensive income of EUR 187.8m in the first half of 2022 (H1 2021: EUR 396.5m). The lower income compared with the prior-year period is essentially attributable to the lower profit from the remeasurement of investment property.

The FFO (funds from operations) adjusted for special and valuation effects shows the normalized development of profit or loss and is comprised as follows in accordance with IFRSs:

	1 Jan to 30 Jun	
EUR m	**2022**	**2021**
Total revenue	**260.9**	**194.4**
Changes in finished goods and WIP for property and other inventories	69.8	7.9
Own work capitalized	1.8	1.4
Cost of materials	-131.3	-53.1
Personnel expenses	-25.6	-23.3
Other operating income	2.2	4.1
Impairment of financial assets	-1.6	1
Other operating expenses	-15.3	-16
Finance income	2.5	0.0
Other taxes	-14.8	-13.4
One-time effects[1]	-28.4	3.4
Adjusted EBITDA	**120.3**	**106.4**
Income tax expenses affecting cash[2]	-4.9	-3.9
Interest expenses affecting cash[3]	-21.1	-14.6
Loan repayment policies	1.1	1.9
Sale of non-current assets (-gain/+loss)	0.0	-0.1
FFO (funds from operations)	**95.4**	**89.7**

[1] One-time effects mainly comprise the expenses in connection with the acquisition of residential units and adjustments from the School Construction segment.

[2] The income tax expenses affecting cash comprise the total of current and out-of-period income taxes.

[3] The interest expenses affecting cash include finance costs adjusted for one-time effects and expenses for the BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act].

FFO of EUR 95.4m is above the prior-year level of EUR 89.7m. The rise is due in particular to the larger real estate portfolio as a result of the acquisitions.

The interest coverage ratio (ICR), i.e., interest expenses affecting cash to adjusted EBITDA, is as follows:

	1 Jan to 30 Jun	
EUR m	**2022**	**2021**
Adjusted EBITDA	120.3	106.4
Interest expenses affecting cash	-21.1	-14.6
ICR	**5.7x**	**7.3x**

Assets, liabilities and financial position

Assets in EUR k	30 Jun 2022 Total	%	Thereof School Construction	Thereof Residential	31 Dec 2021 Total	%
Non-current assets						
Intangible assets	894	0.0%	-	894	948	0.0%
Investment property	13,543,531	96.5%	-	13,543,531	11,666,622	86.2%
Prepayments on investment property	55,852	0.4%	-	55,852	120,559	0.9%
Property, plant and equipment	47,275	0.3%	- -	44,013	34,936	0.3%
Investments in associates and joint ventures	16,000	0.1%	-	16,000	13,550	0.1%
Financial assets	89,280	0.6%	-	89,280	86,722	0.6%
Rental and lease receivables	11	0.0%	-	11	7	0.0%
Receivables from other trade	43	0.0%	- -	1,399	43	0.0%
Other financial assets	-	0.0%	-	-	0	0.0%
Other assets	-	0.0%	-	-	-	0.0%
Total non-current assets	**13,752,885**	**98.0%**	**-**	**13,752,885**	**11,923,388**	**88.1%**
Current assets						
Inventories for property and other inventories	91,288	0.7%	91,288	-	21,438	0.2%
Rental and lease receivables	16,369	0.1%	-	16,369	23,197	0.2%
Receivables from other trade	1,069	0.0%	-	1,069	1,871	0.0%
Contract assets	14,244	0.1%	-	14,244	1,947	0.0%
Other financial assets	4,264	0.0%	1,441	2,823	2,703	0.0%
Other assets	23,950	0.2%	-	23,950	41,316	0.3%
Income tax receivables	3,037	0.0%	-	3,037	1,372	0.0%
Cash and cash equivalents	118,997	0.8%	8,032	110,965	1,511,207	11.2%
Assets held for sale	11,200	0.1%	-	11,200	-	0.0%
Total current assets	**284,418**	**2.0%**	**100,761**	**183,657**	**1,605,051**	**11.9%**
Total assets	**14,037,303**	**100.0%**	**100,761**	**13,936,542**	**13,528,439**	**100.0%**

Equity and liabilities in EUR k	30 Jun 2022 Total	%	Thereof School Construction	Thereof Residential	31 Dec 2021 Total	%
Equity						
Subscribed capital	25,000	0.2%	-	25,000	25,000	0.2%
(Other) capital reserves	317,901	2.3%	-	317,901	317,901	2.3%
Accumulated retained earnings	7,691,546	54.8%	-2,836	7,697,021	7,024,062	51.9%
Consolidated net retained profit	-	0.0%	-	-	-	0.0%
Total comprehensive income	187,801	1.3%	551	184,612	666,218	4.9%
Total equity	**8,222,249**	**58.6%**	**-2,285**	**8,224,534**	**8,033,181**	**59.4%**
Non-current liabilities						
Other provisions	1,400	0.0%	-	1,400	1,373	0.0%
Financial liabilities	3,801,315	27.1%	94,152	3,707,163	3,608,936	26.7%
Trade payables	-	0.0%	-	-	5,509	0.0%
Tax liabilities	-	0.0%	-	-	2,199	0.0%
Other liabilities	33,638	0.2%	-	33,638	22,644	0.2%
Deferred tax liabilities	1,812,283	12.9%	-	1,812,283	1,662,622	12.3%
Total non-current liabilities	**5,648,636**	**40.2%**	**94,152**	**5,554,484**	**5,303,282**	**39.2%**
Current liabilities						
Other provisions	4,193	0.0%	90	4,103	7,078	0.1%
Rental and lease liabilities	11,950	0.1%	-	11,950	9,888	0.1%
Trade payables	94,601	0.7%	253	94,349	77,582	0.6%
Contract liabilities	25,360	0.2%	-	25,360	11,592	0.1%
Financial liabilities	9,936	0.1%	-	9,936	75,311	0.6%
Tax liabilities	4,131	0.0%	-	4,131	559	0.0%
Other liabilities	16,247	0.1%	303	15,943	9,965	0.1%
Total current liabilities	**166,418**	**1.2%**	**646**	**165,772**	**191,975**	**1.4%**
Total liabilities	**5,815,054**	**41.4%**	**94,798**	**5,720,256**	**5,495,258**	**40.6%**
Total equity and liabilities	**14,037,303**	**100.0%**	**92,513**	**13,944,790**	**13,528,439**	**100.0%**

Assets and liabilities are balanced. Non-current assets are fully financed by long-term capital.

Investment property is still the largest asset item accounting for 96.5% of total assets. It increased substantially compared with 31 December 2021 largely on account of the acquisitions of the prior year, with the transfer of the benefits and burdens in the first quarter of 2022. By contrast, cash and cash equivalents decreased by a significant EUR 1.4b in this connection due to the purchase price payments at the beginning of 2022.

Inventories for property and other inventories in the School Construction segment comprise investments in construction preparation for new school construction and school refurbishment projects.

Book equity declined slightly to 58.6% (prior year: 59.4%). Overall, equity increased by EUR 189.0m, taking the net retained profit into account.

Liabilities to banks increased by a nominal EUR 17.3m to EUR 2,019.8m. Additional loans to fund the new construction projects and the purchase of additional housing stock of EUR 168.4m, thereof EUR 75.0m in new loans raised and EUR 93.4m from the consolidation of newly acquired entities, contrast with repayments of EUR 151.1m. Furthermore, EUR 2.8m in debt was forgiven.

In the School Construction segment, liabilities relate to a shareholder loan from the State of Berlin of EUR 50.0m (prior year: EUR 40.0m) and a loan of EUR 42.7m (prior year: EUR 27.3m).

The loan portfolio primarily includes annuity loans with an average remaining fixed-interest period of more than five years. The average weighted interest rate as of the reporting date remained low at around 1%.

The Group also has credit facilities that were unutilized as of the end of the first half of the year.

HOWOGE has agreed to meet a number of covenants under the debt issuance program (DIP), comprising limitations on incurrence of financial indebtedness, relevant consolidated coverage ratio and total relevant unencumbered assets. The covenants were adhered to at all times.

The loan-to-value ratio of the reporting year is presented below alongside the prior-year figures:

EUR m	**30 Jun 2022**	**31 Dec 2021**
Financial liabilities[1]	3,811.3	3,684.2
Cash and cash equivalents	-119.0	-1,511.2
Net financial liabilities	**3,692.3**	**2,173.0**
Investment property	13,543.5	11,666.6
Prepayments on investment property	55.9	120.6
Net LTV ratio (in %)	**27.2%**	**18.4%**

[1] Financial liabilities are the total of current and non-current liabilities.

The LTV ratio increased against 31 December 2021 to around 27.2%. This is largely attributable to the acquisition of housing stock in the prior year, which was debt-financed.

The following overview shows the development of the net asset value:

EUR m	**30 Jun 2022**	**31 Dec 2021**
Equity	8,222.2	8,033.2
Deferred tax liabilities on investment property	1,763.2	1,672.4
NAV (net asset value)	**9,985.4**	**9,705.6**

The financial position of all group companies was balanced as of 30 June 2022. The companies always met their payment obligations in due time and will be able to do so in the future as well.

Statement of cash flows (condensed):

EUR k	**H1 2022**	**Thereof School Construction**	**Thereof Residential**	**H1 2021**
Cash flows from operating activities	105,044	- 35,620	140,664	109,987
Cash flows from investing activities	- 1,514,327	542	- 1,514,869	- 204,217
Cash flows from financing activities	11,291	25,436	- 14,146	76,289
Net change in cash and cash equivalents	**- 1,397,993**	**- 9,642**	**-1,388,351**	**- 17,942**
Cash and cash equivalents as of 1 January	**1,510,601**	**17,674**	**1,492,927**	**43,485**
Migration of new companies as of 1 January	**6,389**	**-**	**6,389**	**-**
Cash and cash equivalents as of 31 December	**118,997**	**8,032**	**110,965**	**25,544**

Cash flows from investing activities were highly negative in the first half of 2022. This was due to the investments in the asset and share deal in connection with the acquisition of 11 new companies and the associated investment property and hereditary building rights.

Cash flows from operating activities include the change in working capital, in particular the increase in receivables (EUR 1.8m) and liabilities (EUR 34.3m) as a result of the new companies and the increase in inventories in the School Construction segment (EUR 69.9m). In addition, the cash flows include non-cash income totaling EUR 186.2m comprising the difference between the appraisal by CBRE for the investment property and the additions.

Cash flows from investing activities relate to investments of EUR 980.8m in investment property and the purchase price of EUR 533.5m for the acquisition of the new companies.

Cash flows from financing activities comprise in particular cash received from new borrowings of EUR 178.2m, offset by EUR 150.8m in repayments of borrowings and EUR 15.5m in interest payments. The higher amount for repayments of borrowings is due in particular to the bond issued in the second half of 2021 as this was not reflected in the figures for the prior-year period (H1 2021).

Opportunities and risks

Economic development

The German economy is facing another economic hurdle following Russia's invasion of Ukraine in February 2022. The economic chain reactions are culminating in a sustained and increasingly negative economic trend. The related high inflation and ongoing supply constraints in particular are leaving their mark on the German economy. This is reflected in rising prices for energy, food, goods and services, diminished purchasing power of households as well as uncertainty and a decline in consumption. The increase in the minimum wage and higher state transfer payments are alleviating the fallout. However, these relief packages will not be able to fully compensate for the loss of purchasing power with consumer prices rising at a faster rate than disposable incomes this year. Consumers on the housing market are being hit especially hard by the energy price hikes and are now bracing themselves for higher heating and utilities costs which the government plans to cushion with an energy relief package. Efforts to raise energy efficiency standards for new buildings will also be fast-tracked in this connection. Transitioning to renewable energy in the building sector will gather pace due to climate targets, but also to reduce reliance on fossil fuels.

According to the ifo Economic Forecast Summer 2022, GDP will grow by 2.5% in 2022 and 3.7% in 2023. The inflation rate is expected to reach 6.8%, its highest level in almost 50 years. Consumer prices are also expected to rise at an above-average rate in the coming year. In particular, the renewed lockdowns in China, which have paralyzed production and significantly held up shipments, are predicted to trigger further economic impacts.

Soaring inflation and interest rates will persuade the European Central Bank to take monetary policy steps to deliver on its price stability mandate. The first increase in the key interest rate to 0.5% as of 21 July 2022 had already been factored in by the market. Further rate increases are planned before the end of the year.

Although the ifo Institute considers an end to the war in Ukraine to be unlikely in the near future, it predicts a gradual easing of commodity prices and supply bottlenecks in the second half of the year. The danger of reaching a new escalation level in the war is still very real and could further aggravate the economic slowdown.

According to the Housing Market Overview for Q1 2022 by Jones Lang LaSalle, the underlying situation on the housing investment market, the high liquidity and market demand will not change substantially in the short term, although the current development with rising funding costs is likely to slow the pressure on yields.

Opportunities and risks

HOWOGE’s opportunities and risks have been described in detail in the consolidated financial statements for fiscal year 2021. There have been the following changes to the risks stated there in the first half of 2022.

The impact of the risk relating to the Company’s ability to allocate the costs of carbon pricing was reassessed after the graduated carbon model was resolved, leading to a decrease in the associated loss.

In a judgment of the Federal Court of Justice of 11 May 2022, the court ruled that smoke detector rental costs could not be allocated to tenants as operating costs. These costs can therefore no longer be passed on. The Company has initiated the required adjustments to the next operating cost statements.

The impact of the Ukraine war on HOWOGE’s business operations has been summarized in a risk report. First effects are emerging in the form of rising construction costs and energy prices. Further negative impacts on the different business fields are highly likely. In particular, it can be assumed that ongoing high inflation and soaring energy costs will severely impair tenants’ ability to pay in the short term, especially considering that wage and salary increases will not be able to keep pace with inflation.

Accordingly, countermeasures have been resolved to mitigate any effects. The risks of potential impacts on HOWOGE’s business are monitored and evaluated on a continuous basis.

The change in the Group’s interest rate risk following the recent rate increases is not critical given the solid financing structure and the fact that the Group’s economic situation continues to be stable.

Effects from the planned amendments to the GefStoffV [“Gefahrstoffverordnung”: German Hazardous Substances Ordinance] pose a new risk. If implemented, they would result in particular in increased financial outlay for additional initial required testing and for further ad hoc examinations of construction work for asbestos.

The aforementioned risks are assessed on a regular basis using scenario calculations. Measures to minimize risks are determined on an ongoing basis and implemented according to the risk situation. The scenarios have not revealed any risks to the Group’s ability to continue as a going concern. There has not been any material change to the assessment of the overall risk position compared to the prior year.

See the information provided in the risks section of the consolidated financial statements as of 31 December 2021 for further risks to the future business development and a description of the risk management system (RMS).

Outlook

Based on the development in the first six months of 2022, HOWOGE considers itself to be in a good position to confirm its guidance for 2022. The forecasts for the following ratios have been revised to take account of current insights from the fiscal year to date. The original forecast for profit of EUR 280m under IFRSs has been increased to approximately EUR 320m as of year-end, due in particular to profits from the remeasurement of investment property. Due to lower costs and postponements of measures, the forecast consolidated net income under the HGB [“Handelsgesetzbuch”: German Commercial Code] has been revised upwards from EUR 54.8m to EUR 70m. Accordingly, forecast cash flows from operating activities and FFO are around EUR 200m higher, respectively, as of year-end.

See the 2021 consolidated financial statements for all other forecast figures.

Berlin, 26 August 2022

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung

The Management Board

Felgenhauer

Schiller

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung

II. Interim consolidated financial statements

30 June 2022

Interim consolidated financial statements as of 30 June 2022

Consolidated income statement and consolidated statement of comprehensive income

for the period from 1 January to 30 June 2022 with comparative figures from the prior-year period from 1 January to 30 June 2021

in EUR k	Note	**H1 2022**	**H1 2021**
Rental and lease revenue (IFRS 16)		184,353	153,389
Revenue from operating costs (IFRS 16)		19,817	9,782
Revenue from real estate management	**6.1**	**204,169**	**163,170**
Revenue from operating costs (IFRS 15)		22,201	15,271
Revenue from heating costs (IFRS 15)		31,481	13,696
Revenue from management services and other trade		2,599	1,791
Other revenue		442	316
Other revenue from real estate management	**6.1**	**56,723**	**31,074**
Total revenue		**260,892**	**194,244**
Profit or loss from the sale of property		-	107
Profit or loss from the remeasurement of investment property	6.2	186,247	418,643
Change in inventories for property and other inventories		69,850	7,927
Own work capitalized		1,781	1,443
Cost of materials	6.3	- 131,329	- 53,094
Personnel expenses	6.5	- 25,614	- 23,295
Amortization, depreciation and impairment	6.4	- 1,528	- 1,320
Impairment of financial assets		- 1,609	970
Other operating income	6.6	2,245	4,103
Other operating expenses	6.7	- 15,254	- 16,040
Profit or loss from investments accounted for using the equity method		2,433	511
Finance income	6.8	2,557	21
Finance costs	6.8	- 21,092	- 14,612
Profit or loss before taxes		**329,580**	**519,606**
Income taxes	6.9	- 126,973	- 109,789
Other taxes	6.9	- 14,805	- 13,360
Profit or loss for the period		**187,801**	**396,457**
Other comprehensive income		-	-
Total comprehensive income		**187,801**	**396,457**

Consolidated statement of financial position

as of 30 June 2022 with comparative figures as of 31 December 2021

Assets in EUR k	Note	30 Jun 2022	31 Dec 2021
Non-current assets			
Intangible assets	7.5	894	948
Investment property	7.1	13,543,531	11,666,622
Prepayments on investment property		55,852	120,559
Property, plant and equipment	7.2	47,275	34,936
Investments in associates and joint ventures		16,000	13,550
Financial assets	7.6	89,280	86,722
Rental and lease receivables		11	7
Receivables from other trade		43	43
Total non-current assets		**13,752,885**	**11,923,388**
Current assets			
Inventories for property and other inventories		91,288	21,438
Rental and lease receivables	7.6	16,369	23,197
Receivables from other trade	7.6	1,069	1,871
Contract assets	6.1	14,244	1,947
Other financial assets	7.6	4,264	2,703
Other assets		23,950	41,316
Income tax receivables		3,037	1,372
Cash and cash equivalents		118,997	1,511,207
Assets held for sale		11,200	-
Total current assets		**284,418**	**1,605,051**
Total assets		**14,037,303**	**13,528,439**

Equity and liabilities

in EUR k	Note	30 Jun 2022	31 Dec 2021
Equity			
Subscribed capital		25,000	25,000
(Other) capital reserves		317,901	317,901
Accumulated retained earnings		7,691,546	7,024,062
Consolidated net retained profit		0	0
Total comprehensive income		187,801	666,218
Total equity	7.11	8,222,249	8,033,181
Non-current liabilities			
Other provisions	7.12	1,400	1,373
Financial liabilities	7.6	3,801,315	3,608,936
Trade payables		0	5,509
Tax liabilities		0	2,199
Other liabilities		33,638	22,644
Deferred tax liabilities		1,812,283	1,662,622
Total non-current liabilities		5,648,636	5,303,282
Current liabilities			
Other provisions	7.12	4,193	7,078
Rental and lease liabilities	7.6	11,950	9,888
Trade payables	7.6	94,601	77,582
Contract liabilities	6.1	25,360	11,592
Financial liabilities		9,936	75,311
Tax liabilities		4,131	559
Other liabilities		16,247	9,965
Total current liabilities		166,418	191,975
Total liabilities		**5,815,054**	**5,495,258**
Total equity and liabilities		**14,037,303**	**13,528,439**

Consolidated statement of changes in equity

for the period from 1 January to 30 June 2022 with comparative figures from the prior-year period from 1 January to 30 June 2021

in EUR k	Subscribed capital	(Other) capital reserves	Retained earnings	Reserve required by the articles of association	Accumulated retained earnings	Consolidated net retained profit	Total comprehensive income	Total equity
1 Jan 2022	25,000	317,901	7,001,563	22,500	7,024,063	666,218	-	8,033,182
Profit or loss for the period	-	-	-	-	-	-	187,801	187,801
Other comprehensive income	-	-	-	-	-	-	-	-
Contribution from land transfers	-		-	-	-	-	-	-
Allocation to retained earnings from consolidated profits earned	-	-	666,218	-	666,218	- 666,218	-	-
Appropriation of retained earnings	-	-	-	-	-	-	-	-
Other changes	-	-	1,266	-	1,266	-	-	1,266
30 Jun 2022	**25,000**	**317,901**	**7,669,047**	**22,500**	**7,691,547**	**0**	**187,801**	**8,222,249**

in EUR k	Subscribed capital	(Other) capital reserves	Retained earnings	Reserve required by the articles of association	Accumulated retained earnings	Consolidated net retained profit	Total comprehensive income	Total equity
1 Jan 2021	25,000	311,565	6,627,639	22,500	6,650,139	367,144	-	7,353,848
Profit or loss for the period	-	-	-	-	-	-	396,457	396,457
Other comprehensive income	-	-	-	-	-	-	-	-
Contribution from land transfers	-	152	-	-	-	-	-	152
Allocation to retained earnings from consolidated profits earned	-	-	367,144	-	367,144	- 367,144	-	-
Appropriation of retained earnings	-	-	-	-	-	-	-	-
Other changes	-	-	18	-	18	-	-	18
30 Jun 2021	**25,000**	**311,717**	**6,994,801**	**22,500**	**7,017,301**	**0**	**396,457**	**7,750,476**

Consolidated statement of cash flows

for the period from 1 January to 30 June 2022 with comparative figures from the prior-year period from 1 January to 30 June 2021

in EUR k	H1 2022	H1 2021
Profit or loss before taxes	**329,580**	**517,011**
Non-cash expenses and income	**- 159,393**	**- 419,021**
(Gains)/losses on the remeasurement of investment property and assets held for sale	- 186,247	- 418,643
Amortization, depreciation and impairment/(reversals of impairment) of intangible assets and property, plant and equipment	1,528	1,320
(Decrease)/increase in provisions	- 2,858	- 2,464
Other non-cash expenses/(income)	3,957	1,278
(Gain)/loss on joint ventures accounted for using the equity method, and other investments	- 2,433	- 511
Working capital adjustments	**- 37,319**	**30,383**
Decrease/(increase) in rental and lease receivables, receivables from other trade and contract assets	- 1,781	76,020
Decrease/(increase) in inventories	- 69,850	7,927
(Decrease)/increase in trade payables and other liabilities, and contract liabilities	34,312	- 53,564
Reclassifications to other areas of activity	**18,557**	**14,374**
(Gains)/losses on disposals of investment property and assets held for sale	-	- 107
(Gains)/losses on the disposal of intangible assets and property, plant and equipment	22	- 111
Net finance costs/(income)	18,535	14,591
Other taxes paid	- 14,805	- 13,360
Income taxes paid	- 4,915	- 19,401
Cash flows from operating activities	**105,044**	**109,987**

Cash paid for investments in investment property	- 980,770	- 199,854
Cash received from disposals of investment property	-	107
Cash paid for investments in other non-current assets	- 533,535	- 6,543
- thereof in property, plant and equipment	- 379	- 4,601
- thereof in intangible assets		-
- thereof in financial assets	- 533,157	- 1,941
Cash received from disposals of other assets	- 22	111
- thereof in property, plant and equipment	- 22	111
- thereof in intangible assets		-
- thereof in financial assets		-
Interest received	0	21
Cash flows from investing activities	**- 1,514,327**	**- 206,158**

in EUR k	H1 2022	H1 2021
Cash received from borrowings	178,169	121,787
Cash repayments of borrowings	- 150,804	- 40,429
Proceeds from shareholder loans	-	10,000
Cash repayments of lease liabilities	- 613	- 457
Interest paid	- 15,461	- 14,613
Cash flows from financing activities	**11,291**	**76,289**

Net change in cash and cash equivalents	**- 1,399,424**	**- 19,883**
Cash and cash equivalents as of 1 January	**1,512,032**	**43,485**
Migration of new companies as of 1 January	**6,389**	**-**
Cash and cash equivalents as of 30 June	**118,997**	**23,602**

Notes to the interim condensed consolidated financial statements

1. General notes to the interim consolidated financial statements

1.1. Information on the Group

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung ("HOWOGE") is domiciled in Germany and registered with the local court of Berlin-Charlottenburg under register number HRB 44819 B. The Company's registered office is Stefan-Heym-Platz 1, 10367 Berlin. With over 74,500 rental units of its own relevant for valuation, as of the reporting date 30 June 2022 HOWOGE is one of Germany's biggest landlords.

As a municipal housing company, it is HOWOGE's objective to mature from a municipal property manager to a district and urban developer by placing sustainability and social responsibility at the heart of its portfolio strategy. In addition to property management, the Group's core activities include new housing construction and school construction.

These interim consolidated financial statements were prepared by HOWOGE's management board on 26 August 2022.

1.2. Basis of preparation of the interim consolidated financial statements

The interim consolidated financial statements as of 30 June 2022 were prepared in accordance with all effective International Financial Reporting Standards (IFRS) adopted by the European Union (EU) and the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC).

The income statement for the period from 1 January to 30 June 2022 is classified using the nature of expense method.

The interim consolidated financial statements have been prepared on a historical cost basis, except for investment property and equity financial assets, which are measured at fair value, and any assets held for sale (IFRS 5), which are measured at the lower of carrying amount and fair value less costs to sell.

The interim consolidated financial statements were prepared on a going concern basis.

The interim consolidated financial statements are presented in euros, which is the Group's functional currency, and all values are rounded to the nearest thousand (EUR k), except when otherwise indicated.

The accounting policies and the real estate appraisal methods applied by HOWOGE are consistent with those presented in the IFRS consolidated financial statements as of 31 December 2021. These interim consolidated financial statements as of 30 June 2022 should therefore be read in conjunction with the consolidated financial statements as of 31 December 2021. Exercising the option allowed in IAS 34.10, the notes are presented in a condensed form. The interim condensed consolidated financial statements contain comparative prior-year figures within the meaning of IAS 34.20.

No review of the condensed financial statements and interim management report pursuant to Sec. 115 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] was carried out.

2. Business acquisition

In fiscal year 2021, HOWOGE notarized the acquisition of 10 companies from Vonovia SE, Berlin, and one company from Deutsche Wohnen SE, Berlin. The total provisional purchase price as of 3 January 2022 amounts to EUR 533m. The companies hold a large housing portfolio which was transferred to the stock of HOWOGE following the acquisition of the companies as of 1 January 2022. In addition, hereditary building rights for 5 plots of land as well as 30 plots of land were acquired for a provisional purchase price of EUR 726m in an asset deal. The principles of IFRS 3 do not apply in this case since the companies do not meet the definition of a business pursuant to IFRS 3. See *note 7.1. "Investment property"* for further information.

3. Consolidation principles

The interim consolidated financial statements as of 30 June 2022 include the separate financial statements of HOWOGE and its material subsidiaries (see the table below). The basis of consolidation as of 30 June 2022 comprised 17 companies including 11 material additions in the first half of 2022.

Company	Registered office	Shareholding
Wohnungsbaugesellschaft Lichtenberg mbH	Berlin, Germany	100%
HOWOGE Servicegesellschaft mbH	Berlin, Germany	100%
HOWOGE Wärme GmbH	Berlin, Germany	100%
Kramer + Kramer Bau- und Projektmanagement GmbH	Berlin, Germany	100%
Elisabeth-Aue GmbH	Berlin, Germany	50%
HOWOGE Klingsorstrasse GmbH	Berlin, Germany	100%
HOWOGE Herbststrasse GmbH	Berlin, Germany	100%
HOWOGE Roedernallee GmbH	Berlin, Germany	100%
HOWOGE Soldinerstrasse GmbH	Berlin, Germany	100%
HOWOGE Schöneberger Strasse GmbH	Berlin, Germany	100%
HOWOGE Goldschmidtweg GmbH	Berlin, Germany	100%
HOWOGE Damerowstrasse GmbH	Berlin, Germany	100%
HOWOGE Baumschulenstrasse GmbH	Berlin, Germany	100%
HOWOGE Mühsamstrsse GmbH	Berlin, Germany	100%
HOWOGE High Deck Siedlung B.V.	Berlin, Germany	100%
HOWOGE Landsberger Allee GmbH	Berlin, Germany	100%

The additions made in the first half of 2022 have enlarged the basis of consolidation. For more information concerning the Group's structure, the consolidation principles and the accounting policies applied to the financial statements of HOWOGE and its subsidiaries, please see the IFRS consolidated financial statements as of 31 December 2021. For information on accounting for joint ventures, please also see the aforementioned IFRS consolidated financial statements.

4. Accounting policies

The accounting policies used to prepare the interim consolidated financial statements of HOWOGE as of 30 June 2022 are consistent with those used for the IFRS consolidated financial statements as of 31 December 2021.

As part of the acquisition of 11 new companies in a share deal, the fair value of the assets of the new companies was measured as of the date on which the benefits and burdens were transferred, 3 January 2022. The fair values of investment property are all assigned to Level 3 of the fair value hierarchy (IFRS 13). The fair values are determined by the service provider CBRE GmbH, Frankfurt am Main. See note "6.2 Profit or loss from the remeasurement of investment property" for information on the effects from measurement in subsequent periods. The difference between the paid purchase price and the assets measured at fair value was allocated to the investment property since the latter has been identified as a value driver.

See the IFRS consolidated financial statements as of 31 December 2021 for information on the new standards and amendments to existing standards applicable from 1 January 2022. These were applied in full when preparing the interim financial statements as of 30 June 2022. The amendments to IFRS 3, *Reference to the Conceptual Framework* and IAS 16, *Proceeds before Intended Use*, are applicable from 1 January 2022, but do not have any effects on HOWOGE's consolidated financial statements. The amendments to IAS 37 on the cost of fulfilling a contract for onerous contracts likewise have no effects on the consolidated financial statements. The amendments to IFRS 9, *Fees in the "10 per cent" Test for Derecognition of Financial Liabilities*, are likewise not expected to have any significant effects on the consolidated financial statements.

5. Significant accounting judgments, estimates and assumptions

5.1. Exercise of options and judgments

For general information about how management, in applying the entity's accounting policies, exercises options and makes judgments that can significantly affect the amounts recognized in the consolidated financial statements, please see the IFRS consolidated financial statements as of 31 December 2021. It should be noted that HOWOGE measures investment property at fair value. If management had elected to use the cost model as permitted under IAS 40, the carrying amounts of the investment property would differ considerably, as would the corresponding income or expense items.

5.2. Estimates and assumptions

Due to operating conditions developing differently from assumptions and estimates, actual amounts may deviate from the estimated values and have an effect on assets, liabilities, financial position and financial performance. Transactions, events and conditions subject to estimation uncertainty as well as methods of dealing with estimation uncertainty and deviations from assumptions were presented in the IFRS consolidated financial statements as of 31 December 2021. Furthermore, no major effects on accounting judgments resulting from the COVID-19 pandemic were identified for the current reporting period.

6. Selected notes to the consolidated income statement

6.1. Revenue from real estate management and other revenue from real estate management

Rental and lease revenue		
in EUR k	**H1 2022**	**H1 2021**
Rental and lease revenue (IFRS 16)	184,353	153,389
Revenue from operating costs (IFRS 16)	19,817	9,782
Revenue from real estate management	**204,169**	**163,170**
Revenue from operating costs (IFRS 15)	22,201	15,271
Revenue from heating costs (IFRS 15)	31,481	13,696
Revenue from management services and other trade	2,599	1,791
Other revenue	442	316
Other revenue from real estate management	**56,723**	**31,074**
Total revenue	**260,892**	**194,244**

Revenue from real estate management

Rental and lease revenue (IFRS 16) and revenue from operating costs (IFRS 16)

Revenue from real estate management is recognized straight line over the term of the agreement where the relevant rental and lease agreements are classified as operating leases. Total lease income from operating leases comes to EUR 184,353k (first half of 2021: EUR 153,389k). Revenue from real estate management also includes revenue from allocable operating costs (property tax, building and liability insurance) of EUR 19,817k (first half of 2021: EUR 9,782k).

Other revenue from real estate management

Revenue from operating costs (IFRS 15), revenue from heating costs (IFRS 15) and revenue from management services and other trade (IFRS 15)

HOWOGE generates revenue from the transfer of goods and services from the following main areas:

- Operating and heating costs: over time
- Revenue from management services and other trade: over time and at a point in time (see the comments under the *Accounting policies* section of the IFRS consolidated financial statements as of 31 December 2021).

Other trade includes the generation of electricity and heat for third parties and administration services provided for third-party properties.

Contract assets and liabilities (IFRS 15)

Contract assets and liabilities (IFRS 15)		
in EUR k	**30 Jun 2022**	**31 Dec 2021**
Current contract assets from operating costs	10,814	1,437
Current contract assets from heating costs	3,915	577
Impairment loss (IFRS 9)	- 486	- 66
Total contract assets	**14,244**	**1,947**
Current contract liabilities from operating costs	9,182	1,034
Current contract liabilities from heating costs	16,223	10,559
Total contract liabilities	**25,405**	**11,592**

Revenue from operating costs relates to contract liabilities of EUR 9,182k (netted) as of 30 June (31 December 2021: EUR 1,034k). As of the reporting date, they contrasted with contract assets of EUR 10,814k (31 December 2021: EUR 1,437k).

Revenue from heating costs relates to contract liabilities of EUR 16,223k (netted) as of the reporting date (31 December 2021: EUR 10,559k). As of the reporting date, they contrasted with assets of EUR 3,915k (31 December 2021: EUR 577k).

The increase in contract liabilities and assets as of the reporting date 30 June 2022 is essentially due to the acquisition of 11 companies as of 1 January 2022.

Other revenue

Group entities receive government grants, including repayment subsidies to fund social housing construction. Rent restrictions apply to the subsidized housing. Expense subsidies that are granted in the form of rent subsidies are recognized in profit or loss as the expenses are incurred. They are presented in other revenue from real estate management under other revenue. In the first half of 2022, corresponding income of EUR 442k was recognized (first half of 2021: EUR 316k). See the disclosures on government grants in the IFRS consolidated financial statements as of 31 December 2021 for further details.

6.2. Profit or loss from the remeasurement of investment property

Profit or loss from the remeasurement of investment property amounts to EUR 186,247k (first half of 2021: EUR 418,643k). Of this amount, EUR 22,814k relates to the hereditary building rights and land acquired in an asset deal as of 3 January 2022 and EUR 3,329k to the properties transferred in connection with the acquisition of 11 new companies as of 1 January 2022.

In connection with the remeasurement, unrealized changes in fair value were recognized in profit in loss in addition to the changes in fair value realized from sales. In the first half of 2022, EUR 186,247k (first half of 2021: EUR 418,643k) was recorded as unrealized changes in fair value in the consolidated income statement and in the consolidated statement of comprehensive income.

Rental income and income from residential services related to investment property came to EUR 184,353k in the first half of 2022 (first half of 2021: EUR 153,389k). Operating expenses directly connected with this property came to EUR 36,516k in the first half of 2022 (first half of 2021: EUR 22,453k). These include expenses for maintenance, non-allocable operating costs, personnel expenses from property management and residential services.

6.3. Cost of materials

Including the change in inventories for property and other inventories, the cost of materials is as follows:

Cost of materials **in EUR k**		**H1 2022**	**H1 2021**
Facility management expenses		88,395	44,669
thereof operating costs		51,880	22,216
thereof maintenance and modernization		17,174	9,220
thereof other cost of purchased services		19,342	13,232
Expenses for land held for sale		2	-
Expenses for other goods and services	-	258	498
Total cost of materials		**88,139**	**45,167**
Change in inventories for property and other inventories		69,850	7,927
Adjustments construction costs for school construction	-	26,660	-
Cost of materials according to the income statement		**131,329**	**53,094**

The increase in facility management expenses in the first half of 2022 is connected to the acquisition of the 11 new companies and the increase in energy costs as a result of the Russia-Ukraine conflict.

6.4. Amortization, depreciation and impairment

Amortization, depreciation and impairment of non-financial assets in EUR k		**H1 2022**		**H1 2021**
Impairment of property, plant and equipment	-	1,373	-	1,039
Amortization and impairment of intangible assets	-	155	-	281
	-	**1,528**	**-**	**1,320**

The higher impairment of property, plant and equipment recorded in the first half of 2022 compared to the figure for the first half of 2021 is attributable to the higher impairment of furniture, fixtures and office equipment stemming from the acquisition.

Depreciation of right-of-use assets presented under property, plant and equipment is shown separately in note *7.2 Property, plant and equipment* and *note 7.3 Leases as the lessee*; it amounted to EUR 19.6k in the first half of 2022 (first half of 2021: EUR 4.2k).

6.5. Personnel expenses

Employee benefits expenses in EUR k	H1 2022	H1 2021
Wages and salaries	21.189	19.402
Social security costs	4.329	3.797
Pension costs	96	97
	25.614	**23.295**

For information concerning personnel expense types, please see the IFRS consolidated financial statements as of 31 December 2021. There was an increase in this item in connection with the acquisition of 11 new companies and the associated acquisition of new properties, which require more personnel to manage.

6.6. Other operating income

in EUR k	H1 2022	H1 2021
Reversal of provisions	1,336	1,389
Out-of-period income	315	149
Income from cost allocations	46	13
Miscellaneous other income	547	2,551
	2,245	**4,103**

The year-on-year decrease in other operating income of EUR 1,858k is due to a derecognition of a liability in connection with hereditary building rights being transferred back to HOWOGE in the prior year and recognized under miscellaneous other income.

6.7. Other operating expenses

in EUR k	H1 2022	H1 2021
Audit and consulting fees	3,196	5,191
IT costs	3,100	3,891
Insurance premiums	1,353	2,111
Non-staff expenses	2,106	1,552
Training costs	934	561
Advertising and sponsorship costs	931	529
Contributions to associations	367	285
Development studies	316	285
Out-of-period expenses	- 9	82
Donations	7	3
Miscellaneous other operating expenses	2,950	1,550
	15,254	**16,040**

In the first half of 2022, other operating expenses were down slightly on the first half of 2021, the main factors being lower audit and consulting fees and lower insurance premiums.

6.8. Finance income and costs

in EUR k	H1 2022	H1 2021
Finance income from the unwinding of the discount on a lease receivable	20	21
Finance income from the cash surrender value of insurance policies held	2,533	2,347
Other finance income	3	0
Finance income	**2,557**	**2,368**
Finance costs from loan liabilities	- 19,782	- 13,717
Finance costs from lease liabilities	- 267	- 233
Finance costs from provisions	- 61	- 100
Amortization of government grants received	445	316
Other finance costs	- 1,426	- 878
Finance costs	**- 21,092**	**- 14,612**
Net finance costs	**- 18,535**	**- 12,244**

Finance costs largely stem from the interest on property financing loans.

6.9. Income and other taxes

Income taxes include current tax expenses of EUR 4,915k (first half of 2021: EUR 19,401k) and deferred tax expenses of EUR 122,058k (first half of 2021: EUR 90,388k).

Other taxes of EUR 14,805k (first half of 2021: EUR 13,360k) mainly contain property tax.

7. Selected notes to the consolidated statement of financial position

7.1. Investment property

The fair values of investment property developed as follows in fiscal year 2021 and in the first half of 2022:

in EUR k	Residential properties	Undeveloped land	Project development	Hereditary building rights granted to third parties	Total
1 Jan 2021	**10,124,720**	**170,250**	**247,120**	**1,763**	**10,543,853**
Purchases	150,167	5,664	-	-	155,831
Other additions	150,247	49,924	96,004	-	296,175
Reclassification between categories	368,921	-50,888	-318,033	-	-
Profit or loss from the remeasurement of investment property	417,050	64,449	189,709	66	671,274
31 Dec 2021	**11,210,595**	**239,398**	**214,800**	**1,829**	**11,666,622**

in EUR k	Residential properties	Undeveloped land	Project development	Hereditary building rights granted to third parties	Total
1 Jan 2022	**11,210,595**	**239,398**	**214,800**	**1,829**	**11,666,622**
Purchases	1,510,995	106,906	6,832	-	1,624,733
Other additions	30,787	1,957	44,385	-	77,129
Reclassification to assets held for sale	-11,200	-	-	-	-11,200
Reclassification between categories	75,528	-19,328	-56,200	-	-0
Profit or loss from the remeasurement of investment property	174,309	31,703	-19,856	91	186,247
30 Jun 2022	**12,991,015**	**360,636**	**189,960**	**1,920**	**13,543,531**

The fair values of investment property are all assigned to Level 3 of the fair value hierarchy (IFRS 13). The property was remeasured by the appraiser CBRE GmbH, Frankfurt am Main, as of 30 June 2022. As of 30 June 2022, there was a reclassification of assets held for sale in accordance with IFRS 5 of EUR 11,200k, which were measured at fair value within Level 2 of the fair value hierarchy.

In the first half of 2022 (as in the first half of 2021), there were no additions from acquisitions by way of business combinations within the meaning of IFRS 3.

Other additions comprise subsequent acquisition costs, primarily relating to project developments, as well as capitalized expenses in connection with capitalizable maintenance and refurbishment work.

Reclassification between undeveloped land/project developments and residential properties relate to development projects completed in the relevant reporting period.

The hereditary building rights are hereditary building rights granted to third parties for land owned by the Group, for which HOWOGE is the lessor and which are classified as an operating lease (IFRS 16). Hereditary building rights for a further five plots of land were acquired in an asset deal in the first half of 2022.

The net valuation effect from adjustments to fair value related to portfolio property (net) in the first half of 2022 and in fiscal year 2021 and is included in the profit or loss from the remeasurement of investment property.

Additions in the reporting period comprise both purchases and investments in portfolio properties. In fiscal year 2021, the acquisition of a large housing portfolio from Deutsche Wohnen and Vonovia was notarized and since the transfer of the benefits and burdens as of the beginning of January 2022, the portfolio of approximately 8,300 apartments and more than 200 commercial units has belonged to HOWOGE. The acquisition was part of a share and asset deal and has been included in the interim financial statements at a purchase price of EUR 533m. The difference between the purchase price and the fair value of the assets was allocated to investment property directly under equity since the latter has been identified as a key value driver. The amount to be allocated as part of a step-down comes to EUR 0.8m.

When determining the fair values of residential properties using the discounted cash flow (DCF) method, lease payments for hereditary building rights granted to the Group are included in cash flows. Therefore, the corresponding lease liabilities must be added for the investment property recognized at fair value in the statement of financial position pursuant to IAS 40.77:

in EUR k	**30 Jun 2022**	**31 Dec 2021**
Fair value according to external valuation	13,509,043	11,642,796
Adjustments to lease liabilities	34,488	23,826
Fair value in the statement of financial position	**13,543,531**	**11,666,622**

Depending on the project status, project developments are measured at the residual value or using the DCF method. For undeveloped land, measurement is based on the land values.

The following table shows the valuation technique used in measuring the fair value of investment property, and the significant unobservable inputs as of the current and most recent reporting dates.

The sensitivity and valuation inputs analysis includes both investment property and assets held for sale as these are measured at fair value.

Valuation inputs as of 30 June 2022

		Fair value (in EUR k)	Adjustment (owner occupation and leasing)	Measurement in accordance with IAS 40	Valuation method	Market rent EUR/m² or parking space per month	Maintenance costs EUR/m² or parking space per year	Administrative costs EUR/unit or parking space p.a. or % of GRI p.a.	Stabilized vacancy rate in %
						min/average/max	min/average/max	min/average/max	min/average/max
Residential properties		13,025,349	-23,133.94	13,002,215	DCF	-	-	-	0.00%/0.51%/100.00%
	Residential	-			-	6.25/7.59/15.00	2.40/10.57/15.00	215.00/226.86/450.00	-
	Commercial (office/retail/ other commercial use)	-			-	0.00/8.77/30.00	2.00/10.19/15.00	3.00%	-
	Garages	-			-	20.00/56.16/142.50	14.70/68.89/73.50	39.00	-
	Outdoor parking spaces	-			-	10.00/30.01/60.00	6.30/31.45/31.50	39.00	-
Undeveloped land/ hereditary building rights granted to third parties		362,556	-	362,556	Capitalization of earnings method/ sales comparison approach	-	-	-	-
Project developments		189,960		189,960	Residual value	-	-	3.00%/4.38%/5.00%	-
	Residential	-			-	6.60/9.20/12.00	9.00/9.19/11.50	-	-
	Commercial (office/retail/ other commercial use)	-			-	13.50/15.70/17.50	7.50/7.80/9.00	-	-
	Garages	-			-	80.00/100.00/120.00	50.00	-	-
	Outdoor parking spaces	-			-	15.00/55.00/100.00	30.00	-	-
Total portfolio (IAS 40)		**13,577,865**	**-23,133.94**	**13,554,731**		-	-	-	-

	Discount rate in %	Capitalization rate in %	Anticipated development of rents from year 1 to 5 in %	Anticipated development of rents from year 6 to 10 in %
	min/average/max	min/average/max	min/average/max	min/average/max
Residential properties	3.10%/4.37%/6.70%	1.30%/2.33%/4.90%	1.20%/2.98%/3.30%	1.00%/1.99%/2.20%
Undeveloped land/	-	-	-	-
Project developments	-	1.00%/1.57%/3.00%	-	-
	-	-	-	-

Valuation inputs as of 31 December 2021

		Fair value (in EUR k)	Adjustment (owner occupation and leasing)	Measurement in accordance with IAS 40	Valuation method	Market rent EUR/m^2 or parking space per month	Maintenance costs EUR/m^2 or parking space per year	Administrative costs EUR/unit or parking space p.a. or % of GRI p.a.	Stabilized vacancy rate in %
						min/average/max	min/average/max	min/average/max	min/average/max
Residential properties		11,246,277	-35,681.80	11,210,595	DCF	-	-	-	0.00%/0.50%/100.00%
	Residential	-	-	-	-	6.00/7.55/15.00	2.40/10.45/15.00	215.00/227.00/450.00	-
	Commercial (office/retail/ other commercial use)	-	-	-	-	0.50/8.58/19.53	2.00/10.28/15.00	3.00%	-
	Garages	-	-	-	-	20.00/70.24/142.50	14.70/71.61/73.50	39.00	-
	Outdoor parking spaces	-	-	-	-	10.00/30.68/60.00	6.30/31.45/31.50	39.00	-
Undeveloped land/ hereditary building rights granted to third parties		241,199	28	241,227	Capitalization of earnings method/ sales comparison approach	-	-	-	-
Project developments		214,800	-	214,800	Residual value	-	-	3.00%/4.31%/5.00%	-
	Residential	-	-	-	-	6.50/8.81/9.95	9.00	-	-
	Commercial (office/retail/ other commercial use)	-	-	-	-	13.50/14.25/17.50	7.50/7.58/9.00	-	-
	Garages	-	-	-	-	75.00/78.36/80.00	50.00	-	-
	Outdoor parking spaces	-	-	-	-	15.00/46.14/100.00	30.00	-	-
Total portfolio (IAS 40)		**11,702,276**	**-35,653.80**	**11,666,622**		-	-	-	-

	Discount rate in %	Capitalization rate in %	Anticipated development of rents from year 1 to 5 in %	Anticipated development of rents from year 6 to 10 in %
	min/average/max	min/average/max	min/average/max	min/average/max
Residential properties	3.18%/4.36%/6.73%	1.38%/2.36%/4.93%	1.20%/2.99%/3.30%	1.00%/1.99%/2.20%
Undeveloped land/ hereditary building rights granted to third parties	-	-	-	-
Project developments	-	1.20%/1.44%/3.10%	-	-
	-	-	-	-

The following sensitivities arose as of 30 June 2022 and as of 31 December 2021:

Sensitivity analysis as of 30 June 2022

	Fair value (in EUR k)	Adjustment (owner occupation and leasing)	Measurement in accordance with IAS 40	Valuation method	Capitalization rate sensitivity					
					+0.25%			-0.25%		
					Fair value (in EUR)	Absolute variance	Percentage variance	Fair value (in EUR)	Absolute variance	Percentage variance
Residential properties	13,025,349	-23,134	13,002,215	DCF	11,997,469	-1,027,880	-7.9%	14,305,331	1,279,983	9.8%
Undeveloped land/ hereditary building rights granted to third parties	362,556		362,556	Capitalization of earnings method/ sales comparison approach	362,556	-	-	362,556	-	-
Project developments	189,960		189,960	Residual value	189,960	-	-	189,960	-	-
Total portfolio (IAS 40)	**13,577,865**	**-23,134**	**13,554,731**		**12,549,985**	**-1,027,880**	**-7.9%**	**14,857,847**	**1,279,983**	**9.8%**

	Fair value (in EUR k)	Adjustment (owner occupation and leasing)	Measurement in accordance with IAS 40	Valuation method	Discount rate sensitivity					
					+0.25%			-0.25%		
					Fair value (in EUR)	Absolute variance	Percentage variance	Fair value (in EUR)	Absolute variance	Percentage variance
Residential properties	13,025,349	-23,134	13,002,215	DCF	12,746,735	-278,614	-2.1%	13,312,136	286,787	2.2%
Undeveloped land/ hereditary building rights granted to third parties	362,556		362,556	Capitalization of earnings method/ sales comparison approach	362,556	-	-	362,556	-	-
Project developments	189,960		189,960	Residual value	189,960	-	-	189,960	-	-
Total portfolio (IAS 40)	**13,577,865**	**-23,134**	**13,554,731**		**13,299,251**	**-278,614**	**-2.1%**	**13,864,652**	**286,787**	**2.2%**

	Fair value (in EUR k)	Adjustment (owner occupation and leasing)	Measurement in accordance with IAS 40	Valuation method	Market rent sensitivity					
					2.00%			-2.00%		
					Fair value (in EUR)	Absolute variance	Percentage variance	Fair value (in EUR)	Absolute variance	Percentage variance
Residential properties	13,025,349	-23,134	13,002,215	DCF	13,164,005	138,656	1.1%	12,877,476	-147,873	-1.1%
Undeveloped land/ hereditary building rights granted to third parties	362,556		362,556	Capitalization of earnings method/ sales comparison approach	362,556	-	-	362,556	-	-
Project developments	189,960		189,960	Residual value	189,960	-	-	189,960	-	-
Total portfolio (IAS 40)	**13,577,865**	**-23,134**	**13,554,731**		**13,716,521**	**138,656**	**1.1%**	**13,429,992**	**-147,873**	**-1.1%**

Sensitivity analysis as of 31 December 2021

	Fair value (in EUR k)	Adjustment (owner occupation and leasing)	Measurement in accordance with IAS 40	Valuation method	Capitalization rate sensitivity					
					+0.25%			-0.25%		
					Fair value (in EUR)	Absolute variance	Percentage variance	Fair value (in EUR)	Absolute variance	Percentage variance
Residential properties	11,246,277	-35,682	11,210,595	DCF	10,363,854	-882,423	-7.9%	12,342,809	1,096,532	9.8%
Undeveloped land/ hereditary building rights granted to third parties	241,199	28	241,227	Capitalization of earnings method/ sales comparison approach	241,227	-	-	241,227	-	-
Project developments	214,800	-	214,800	Residual value	214,800	-	-	214,800	-	-
Total portfolio (IAS 40)	**11,702,276**	**-35,654**	**11,666,622**		**10,819,881**	**-882,423**	**-7.9%**	**12,798,836**	**1,096,532**	**9.8%**

	Fair value (in EUR k)	Adjustment (owner occupation and leasing)	Measurement in accordance with IAS 40	Valuation method	Discount rate sensitivity					
					+0.25%			-0.25%		
					Fair value (in EUR)	Absolute variance	Percentage variance	Fair value (in EUR)	Absolute variance	Percentage variance
Residential properties	11,246,277	-35,682	11,210,595	DCF	11,006,601	-239,676	-2.1%	11,492,700	246,423	2.2%
Undeveloped land/ hereditary building rights granted to third parties	241,199	28	241,227	Capitalization of earnings method/ sales comparison approach	241,227	-	-	241,227	-	-
Project developments	214,800	-	214,800	Residual value	214,800	-	-	214,800	-	-
Total portfolio (IAS 40)	**11,702,276**	**-35,654**	**11,666,622**		**11,462,628**	**-239,676**	**-2.1%**	**11,948,727**	**246,423**	**2.2%**

	Fair value (in EUR k)	Adjustment (owner occupation and leasing)	Measurement in accordance with IAS 40	Valuation method	Market rent sensitivity					
					2.00%			-2.00%		
					Fair value (in EUR)	Absolute variance	Percentage variance	Fair value (in EUR)	Absolute variance	Percentage variance
Residential properties	11,246,277	-35,682	11,210,595	DCF	11,365,921	119,644	1.1%	11,120,741	-125,536	-1.1%
Undeveloped land/ hereditary building rights granted to third parties	241,199	28	241,227	Capitalization of earnings method/ sales comparison approach	241,227	-	-	241,227	-	-
Project developments	214,800	-	214,800	Residual value	214,800	-	-	214,800	-	-
Total portfolio (IAS 40)	**11,702,276**	**-35,654**	**11,666,622**		**11,821,948**	**119,644**	**1.1%**	**11,576,768**	**-125,536**	**-1.1%**

7.2. Property, plant and equipment

in EUR k	Land and land rights with residential buildings	Land and land rights with commercial and other buildings	Land and land rights without buildings	Assets under construct ion	Construction preparation costs	Furniture, fixtures and office equipment	Right-of-use assets	Total
Cost								
1 Jan 2021	**6,586**	**8,846**	**3,365**	**17,978**	**1,986**	**10,973**	**38**	**49,771**
Additions	509	-	-	-	-	4,023	64	4,596
Disposals	-	-	-	-	-	- 228		- 228
Reclassification	-					1,567	-	1,567
31 Dec 2021	**7,095**	**8,846**	**3,365**	**17,978**	**1,986**	**16,335**	**102**	**55,707**
Additions	111	8,908	-		-	598	7	10,133
Disposals	- 50	-	- 3,275		7,441	- 780		3,336
Revaluation adjustment						-	-	-
Reclassification	- 509	18,487		- 17,978		-	-	-
30 Jun 2022	**6,647**	**36,241**	**89**	**-**	**9,428**	**16,153**	**109**	**68,667**
Depreciation and impairment							-	
1 Jan 2021	**711**	**7,509**	**-**	**-**	**-**	**8,620**	**22**	**16,861**
Depreciation for the fiscal year	237	420		494		2,922	31	4,104
Disposals						- 195	-	- 195
31 Dec 2021	**948**	**7,930**	**-**	**494**	**-**	**11,347**	**53**	**20,770**
Depreciation for the fiscal year	68	296	-			989	20	1,372
Disposals						- 750	-	- 750
Reclassification		494		- 494		-		-
30 Jun 2022	**1,017**	**8,720**	**-**	**-**	**-**	**11,587**	**73**	**21,393**
Net carrying amount								
30 Jun 2022	**5,630**	**27,521**	**89**	**-**	**9,428**	**4,570**	**36**	**47,276**
31 Dec 2021	**6,146**	**917**	**3,365**	**17,484**	**1,986**	**4,988**	**49**	**34,936**

An amount of EUR 190k was added to furniture, fixtures and office equipment in connection with the acquisition of the new companies.

The addition of EUR 8,908k to land and land rights with commercial and other buildings is largely attributable to the construction of the new head office and the resulting change in the share of land occupied by the owner.

7.3. Leases as the lessee

The Group has entered into leases of vehicles, parking spaces, hereditary building rights and office equipment, furniture and fixtures as a lessee. The practical expedient for leases of low-value assets pursuant to IFRS 16.5(b) is used for the leases of office equipment, furniture and fixtures. The lease payments related to these leases are recognized as expenses on a straight-line basis over the term of the lease.

The following amounts were recognized in profit or loss in the first half of 2022 and in the comparative prior-year period:

Lease expenses

in EUR k	H1 2022	H1 2021
Depreciation of right-of-use assets	20	4
Interest expenses on lease liabilities	267	233
Expense relating to leases of low-value assets	36	29
Total amount recognized in profit or loss	**323**	**266**

Depreciation of right-of-use assets relates to leased vehicles. Interest expenses were incurred in connection with hereditary building rights granted to the Group as well as leased vehicles. The right-of-use assets corresponding to the hereditary building rights granted to the Group were classified as investment property and valued accordingly on subsequent measurement.

In the reporting period, there were outflows of cash and cash equivalents of EUR 613k (first half of 2021: EUR 486k) for leases. No variable lease payments were made.

The development of right-of-use assets is presented under note 7*.2 Property, plant and equipment*.

7.4. Leases as the lessor

Investment property

In line with the statutory requirements, rental agreements for the residential properties contain options for the tenants to terminate at short notice. These agreements are classified as operating leases in accordance with IFRS 16 because substantially all the risks and rewards related to the properties are retained by HOWOGE. The same applies to the current agreements for commercial units (commercial use of a proportion of the residential properties).

Operating lease income is recognized in the statement of comprehensive income under rental and lease revenue straight line over the term of the corresponding agreements.

For undiscounted lease payments from operating leases in which HOWOGE is the lessor, see note *6.1. Revenue from real estate management*.

Subleases

Some of the leased parking spaces and hereditary building rights granted to the Group have been subleased. As the terms of the subleases within the meaning of IFRS 16 and the term of the underlying leases match, HOWOGE has classified the subleases as finance leases.

The following table shows the maturity of the undiscounted lease receivables (net investment) from subleases:

Maturity of lease receivables (undiscounted)

in EUR k	30 Jun 2022	31 Dec 2021
Within 12 months	68	59
1 to 2 years	68	54
2 to 3 years	61	54
3 to 4 years	61	54
4 to 5 years	61	54
More than 5 years	3,557	3,584
	3,877	**3,860**

7.5. Intangible assets

Intangible assets exclusively relate to purchased software licenses.

in EUR k	Software	Goodwill	Total
Cost			
1 Jan 2021	**15,208**	**357**	**15,565**
Additions	838	-	838
31 Dec 2021	**16,046**	**357**	**16,403**
Additions	100	-	100
30 Jun 2022	**16,146**	**357**	**16,503**
Amortization and impairment			
1 Jan 2021	**14,667**	**357**	**15,024**
Amortization for the fiscal year	431	-	431
31 Dec 2021	**15,098**	**357**	**15,455**
Amortization and impairment in the first half of 2022	155	-	155
30 Jun 2022	**15,252**	**357**	**15,609**
Net carrying amount			
30 Jun 2022	**894**	**-**	**894**
31 Dec 2021	**948**	**-**	**948**

Goodwill

The goodwill resulted from the first-time consolidation of Kramer + Kramer (Residential segment) as of 1 January 2018, which was fully expensed as of 31 December 2021, as in the prior year.

7.6. Financial assets and financial liabilities

The following tables present the carrying amounts and the fair values of financial assets and financial liabilities; current and non-current items are combined.

The relevant measurement categories pursuant to IFRS 9 *Financial Instruments* as well as the categories of the three-level hierarchy relevant for determining the fair value pursuant to IFRS 13 *Fair Value Measurement* are also shown. Financial assets and financial liabilities are generally valued according to Level 2 of the fair value hierarchy, unless stated otherwise in the following tables.

Measurement categories as of 30 June 2022

in EUR k	IFRS 9 measurement category	Carrying amount 30 Jun 2022	Fair value 30 Jun 2022	thereof Level 3
Financial assets		89,280		
thereof in scope:				
Investments	At fair value through profit or loss	87,202	87,202	87,202
Rental and lease receivables	Amortized cost	16,380	16,380	-
Receivables from other trade	Amortized cost	1,112	1,112	-
Other financial assets	Amortized cost	7,301	7,301	-
Cash and cash equivalents	Amortized cost	118,997	118,997	-
		230,992	**230,992**	**87,202**
Financial liabilities		3,810,424		
thereof in scope:				
Bonds	Amortized cost	1,695,857	1,428,111	-
Liabilities to banks	Amortized cost	2,030,815	1,661,277	-
Liabilities to shareholders	Amortized cost	50,000	42,287	-
Rental and lease liabilities	Amortized cost	11,950	11,950	-
Trade payables	Amortized cost	94,601	94,601	-
Other liabilities		49,884		
thereof in scope:				
Other financial liabilities	Amortized cost	3,665	3,665	-
		3,936,773	**3,241,892**	-
Thereof aggregated by IFRS 9 measurement category:				
Financial assets at fair value through profit or loss		87,202		
Financial assets at amortized cost		143,790		
Financial liabilities at amortized cost		3,936,773		

Measurement categories as of 31 December 2021

in EUR k	IFRS 9 measurement category	**Carrying amount 31 Dec 2021**	**Fair value 31 Dec 2021**	thereof Level 3
Financial assets		86,722		
thereof in scope:				
Investments	At fair value through profit or loss	84,669	84,669	84,669
Rental and lease receivables	Amortized cost	23,204	23,204	-
Receivables from other trade	Amortized cost	1,914	1,914	-
Other financial assets	Amortized cost	2,703	2,703	-
Cash and cash equivalents	Amortized cost	1,511,207	1,511,207	-
		1,623,697	**1,623,697**	**84,669**
Financial liabilities		1,923,697		
thereof in scope:				
Liabilities to banks	Amortized cost	1,689,252	1,709,190	-
Liabilities to shareholders	Amortized cost	1,931,028	2,042,689	-
Rental and lease liabilities	Amortized cost	40,088	41,032	-
Trade payables	Amortized cost	83,091	83,091	-
Other liabilities		16,133		
thereof in scope:				
Other financial liabilities	Amortized cost	175	175	-
		3,743,634	**3,876,177**	-
Thereof aggregated by IFRS 9 measurement category:				
Financial assets at fair value through profit or loss		84,669		
Financial assets at amortized cost		1,539,029		
Financial liabilities at amortized cost		3,743,634		

For assets related to contracts with customers (IFRS 15) and leases (IFRS 16) see the relevant notes *(7.3 Leases as the lessee, 7.4 Leases as the lessor* and *6.1 Revenue from real estate management and other revenue from real estate management).*

7.7. Fair value of financial instruments

The fair value of financial instruments recognized at fair value through profit or loss in the statement of financial position and for which no quoted prices on active markets are available for identical instruments (Level 1) or similar instruments is determined using a financial valuation method provided by insurers, in which the relevant inputs are based on unobservable market data (Level 3).

The fair values of financial instruments not recognized at fair value in the statement of financial position are determined as follows:

- The fair value of liabilities to banks and other financial liabilities is determined as the present value of future cash inflows and outflows assuming an interest rate for an equivalent maturity. The latter is derived from a risk-free component and a HOWOGE-specific risk discount.
- The fair value of the liabilities from the bonds issued is derived from the prices traded in the market.
- In all other cases, due to the short-term maturities of trade receivables not subject to factoring agreements, the carrying amounts of trade payables, other financial assets as well as cash and cash equivalents as of the reporting date do not deviate significantly from their fair values.

There were no reclassifications between Level 1 and Level 2 in the reporting period.

7.8. Collateral

Overall, financial assets of EUR 87,202k were pledged as collateral as of 30 June 2022 (30 June 2021: EUR 82,135k). As in fiscal year 2021, collateral in the first half of 2022 mainly comprised 18 long-term life insurance policies for 11 policyholders with terms until 2055 at the latest. The claims from these insurance policies have been assigned to HOWOGE in full. The life insurance policies have been assigned as collateral for a credit line granted (EUR 75.5m).

7.9. Risk management for financial instruments

For general information concerning the risk management of financial instruments and risk types, please see the disclosures in the IFRS consolidated financial statements as of 31 December 2021.

With regard to liquidity risk, the following tables show how the undiscounted cash outflows arising from financial liabilities as of 30 June 2022 and as of 31 December 2021 as the comparative date can be classified based on the contractually agreed maturities:

30 June 2022

in EUR k	Up to 1 year	1 to 5 years	More than 5 years	Total
Bonds	11,153	544,642	1,262,280	**1,818,074**
Liabilities to banks	107,966	532,288	1,770,381	**2,410,635**
Liabilities to shareholders	214	855	50,445	**51,514**
Rental and lease liabilities	11,625	17	-	**11,643**
Trade payables	36,926	8,078	196	**45,200**
Other financial liabilities	14,065	-	-	**14,065**
				4,351,131

[1] Liabilities to banks and shareholders comprise interest liabilities

31 December 2021

in EUR k	Up to 1 year	1 to 5 years	More than 5 years	Total
Bonds	11.153	544.642	1.262.280	**1.818.074**
Liabilities to banks	174.982	507.039	1.510.560	**2.192.581**
Liabilities to shareholders	276	1.104	40.903	**42.283**
Rental and lease liabilities	9.888	-	-	**9.888**
Trade payables	77.582	5.509	-	**83.091**
Other financial liabilities	648	-	-	**648**
				4.146.566

[1] Liabilities to banks and shareholders comprise interest liabilities

A reconciliation of the statement of financial position items to financial liabilities is presented under note *7.6 Financial assets and financial liabilities*.

The Company has not violated any covenants with regard to its financial liabilities.

For fixed-interest primary financial instruments, future interest payments are forecast using the latest contractually defined interest rates. The analysis exclusively comprises cash outflows from financial liabilities.

The cash outflows in the maturity analysis are not expected to occur at significantly different dates or significantly different amounts.

7.10. Investments in joint ventures

Investments in joint ventures and their accounting treatment remained unchanged compared to the IFRS consolidated financial statements as of 31 December 2021.

7.11. Equity

Breakdowns of equity, subscribed capital and reserves are presented in the IFRS consolidated financial statements as of 31 December 2021. Please see the figures presented in these interim consolidated financial statements for information about the corresponding changes in these items.

7.12. Other provisions

Please see the IFRS consolidated financial statements as of 31 December 2021 for an explanation of the content as well as the recognition and measurement of other provisions. The changes in other provisions for the first half of 2022 and for fiscal year 2021 as the comparative period were as follows:

Development of other provisions

in EUR k	1 Jan 2021	Utilization	Reversal	Allocation	31 Dec 2021
Provision for litigation costs	385	-	60	-	325
Other provisions	2.103	1.439	668	3.403	3.398
Provision for financial statement costs	160	131	30	426	426
Provision for retention of business documents	132	9	6	11	128
Provision for advertising fund	65	6	-	6	65
Warranty provision	166	-	16	-	151
Provision for consulting fees	30	17	2	20	32
Miscellaneous other provisions	**3.042**	**1.602**	**780**	**3.866**	**4.526**
Provision for long-service awards	924	30	-	174	1.067
Provisions for employee bonuses	1.920	1.471	285	2.694	2.859
Provisions for employees	**2.844**	**1.501**	**285**	**2.868**	**3.926**
Total other provisions	**5.885**	**3.103**	**1.065**	**6.734**	**8.452**
thereof current	4.637				7.078
thereof non-current	1.250				1.373

in EUR k	1 Jan 2022	Utilization	Reversal	Allocation	30 Jun 2022
Provision for fire safety measures	-	-	-	-	-
Provision for litigation costs	325	40	-	-	285
Other provisions	3,398	2,841	486	1,985	2,056
Provision for financial statement costs	426	428	-	683	681
Provision for retention of business documents	128	11	5	18	130
Provision for advertising fund	65	1			64
Warranty provision	151				151
Provision for consulting fees	**32**	**9**	**-**	**28**	**51**
Miscellaneous other provisions	4,526	3,330	491	2,714	3,419
Provision for long-service awards	1,067	26	30	69	1,080
Provisions for employee bonuses	2,859	2,430	17	682	1,094
Provisions for employees	**3,926**	**2,456**	**47**	**751**	**2,174**
Total other provisions	**8,452**	**5,786**	**538**	**3,465**	**5,593**
thereof current	7,078				4,193
thereof non-current	1,373				1,400

7.13. Assets held for sale

In the first half of 2022, HOWOGE recognized an investment property held for sale at its fair value of EUR 11.2m. The property is the former head office at Ferdinand-Schulze-Strasse 71. The reason is the completed relocation to a new head office at another location.

8. Notes on the statement of cash flows

The statement of cash flows of HOWOGE is presented in a condensed form for the first half of 2022 as follows:

in EUR k	2022	2021
Cash flows from operating activities	105,044	109,987
Cash flows from investing activities	- 1,514,327	- 206,158
Cash flows from financing activities	11,291	76,289

The major impacts on cash flows from operating activities stem from the share and asset deal in connection with the acquisition of the new companies and the school construction project. The asset deal in connection with the acquisition of the new companies was also a key factor affecting cash flows from investing activities. Investments of EUR 980,770k were made in investment property and of EUR 533,535k for the purchase price for the acquisition of the new companies. The decrease in cash flows from financing activities was due to higher repayments of borrowings, which were related to the bond issued in the second half of 2021.

9. Notes to the segment reporting

HOWOGE is managed using aggregated and strategic performance indicators at group level and specific metrics according to German commercial law for the operational management of the Residential and School Construction segments.

HOWOGE is engaged in property transactions in the public interest as part of the Berlin School Building campaign. In this context, the School Construction segment performs the traditional coordination and management functions of a building owner.

Residential

HOWOGE's main business activity is managing residential properties in the context of active portfolio management. Portfolio management comprises modernizing and maintaining the real estate portfolio, managing rent agreements and providing assistance to tenants. The focus of management activities is on supplying suitable housing for broad sections of the population. The Residential segment also includes expanding the housing stock by constructing new dwellings and purchasing existing buildings for our own portfolio.

As well as the financial ratios, the performance indicators for managing the Residential segment are the development of the number of apartments, residential facility management and the development of the rent per square meter, vacancies and turnover. This includes the scope of reletting to tenants holding housing entitlement certificates (WBS) as well as the administrative expenses for facility management.

The Residential segment covers all the Group's expenses that are not attributable to school construction. Its income is mainly derived from renting out apartments, commercial space and other properties.

School construction

A master agreement between HOWOGE and the State of Berlin to support the School Building campaign of the State of Berlin was signed in January 2019. As it currently stands, HOWOGE will build approximately 18 new schools as well as up to 8 schools using modular wooden construction and will remodel 13 school complexes. A total of approximately EUR 3.1b has been earmarked for this investment program in the long-term corporate budget, which will be financed by funds from a shareholder loan during the planning phase, bridge financing in the form of state guarantees during the construction phase and a forfaiting program during the rental phase.

Aside from the number of projects in preparation or under construction, the operating result, investment volume and financing arrangements are reported for the School Construction segment.

Accounting policies

There were no changes in the accounting policies as of 30 June 2022. See the consolidated financial statements as of 31 December 2021 for further details.

Reconciliation of profit or loss

The reconciliation from the HGB to IFRSs as of 30 June 2022 is as follows:

in EUR k	Residential (HGB)	School Construction (HGB)	HGB Total operating segments	Adjustments	Group HGB	Reconciliation IFRSs	Group (IFRSs)
External customers	271,458	0	271,458		271,458	-10,566	260,892
Intersegment	-	-	-	-	-	-	-
Total revenue	**271,458**	**0**	**271,458**	-	**271,458**	**-10,566**	**260,892**
Own work capitalized	1,107.14	673.93	1,781.06	-	1,781.06	0	1,781
Profit or loss from the remeasurement of investment property	-	-	-	-	-	186,247	186,247
Cost of materials	- 102,204	- 8	- 102,211	-	- 102,211	- 29,117	- 131,329
Employee benefits expenses	- 25,614	- 1,225	- 26,839	-	- 26,839	1,225	- 25,614
Amortization, depreciation and impairme	- 46,114	-	- 46,114	-	- 46,114	42,977	- 3,137
Share of profit or loss from investments	-		-	-	-	2,433	2,433
Net finance costs	- 18,485	- 33	- 18,519	-	- 18,519	- 16	- 18,535
Other operating expenses	- 16,304	- 430	- 16,734	-	- 16,734	1,480	- 15,254
Taxes	- 20,026	306	- 19,720	-	- 19,720	- 122,058	- 141,778
Other operating income	5,571	9	5,581		5,581	- 3,336	2,245
Profit or loss from the sale of property	-	-	-	-	-	-	-
Change in inventories for property and other inventories	-	-	-	-	-	69,850	69,850
Segment result	**49,390**	**-707**	**48,683**		**48,683**	**139,119**	**187,801**

The differences between the HGB and IFRS figures are generally due to the different accounting policies and total EUR 139,119m. The main effect stems from the investment property measured at a fair value of EUR 186,247m, HOWOGE having opted to apply the fair value method. In this context, regular building depreciation and impairment losses of EUR 42,977m as recognized under the HGB were eliminated. Under IFRSs, gains or losses arising from a change in the fair value of investment property are recognized in profit or loss (IAS 40.35). Both unrealized gains and impairment losses are also recognized in profit or loss. This leads also to a change in deferred taxes (IAS 12), which therefore have to be adjusted by EUR 122,058m under IFRSs.

In addition, there is a difference of EUR 10,566m between revenue under IFRS 15 and revenue recognized under the HGB, which is largely due to the different IFRS accounting treatment of unbilled operating costs, which are recognized under miscellaneous other assets. In this context, cost of materials was adjusted downwards by EUR 29,117m in total compared to the HGB figure.

Differences in net finance costs between the HGB and IFRSs are largely attributable to the different accounting treatment of the bond issued under IFRS 9 (EIR method). The difference is EUR 0.160m. Other operating expenses were also adjusted for the directly allocable expenses for the bond in this connection.

Another adjustment was made to other operating income because provisions for potential losses cannot be recognized under IFRSs. In addition, under IFRSs the income from partial debt forgiveness was recognized in accordance with IAS 40 and not under net other operating expenses.

Set out below is the reconciliation of the segment result to adjusted EBITDA showing the significant non-cash adjustment items.

All revenue is generated in Germany.

in EUR k	Residential (HGB)	School Construction (HGB)	HGB Total operating segments	Reconciliation IFRSs	Group (IFRSs)
Segment result	49,390	- 707	48,683	139,119	187,801
Finance income	- 3	-	- 3	3	- 0
Finance costs	21,026	33	21,059	32	21,092
Profit or loss from investments accounted for using the equity method	-	-	-	- 2,433	- 2,433
Taxes	5,221	- 305	4,915	122,058	126,973
Intersegment sales (elimination)	-	-	-	-	-
Amortization, depreciation and impairment	46,114	-	46,114	- 44,586	1,528
Changes in fair value from real estate appraisal	-	-	-	- 186,247	- 186,247
EBITDA	**121,747**	**- 979**	**120,768**	**27,945**	**148,713**
EBIT	**75,633**	**- 979**	**74,654**	**72,531**	**147,185**
Cash flows from operating activities	**107,009**	**- 709**	**106,300**	**3,687**	**109,987**
Indebtedness	**3,727,252**	**42,663**	**3,769,915**	**2,045,139**	**5,815,054**
Equity ratio	**31%**	**-7%**	**30%**	**29%**	**59%**

10. Information on group companies and related party disclosures

The subsidiary KW Goecke S.A.R.L. is due to be legally merged with HOWOGE at the end of fiscal year 2022.

The Group plans to convert HOWOGE High Deck B.V. into a limited liability company (GmbH) in the further course of the fiscal year.

For information on the joint venture Elisabeth-Aue GmbH, Berlin, with the sole shareholder of HOWOGE, the State of Berlin, and on the composition of the management board of HOWOGE, please see the disclosures in the IFRS consolidated financial statements as of 31 December 2021.

11. Events after the reporting date

No major events of particular significance have occurred since the interim reporting date 30 June 2022.

Berlin, 26 August 2022

HOWOGE Wohnungsbaugesellschaft

mit beschränkter Haftung

The Management Board

Felgenhauer

Schiller