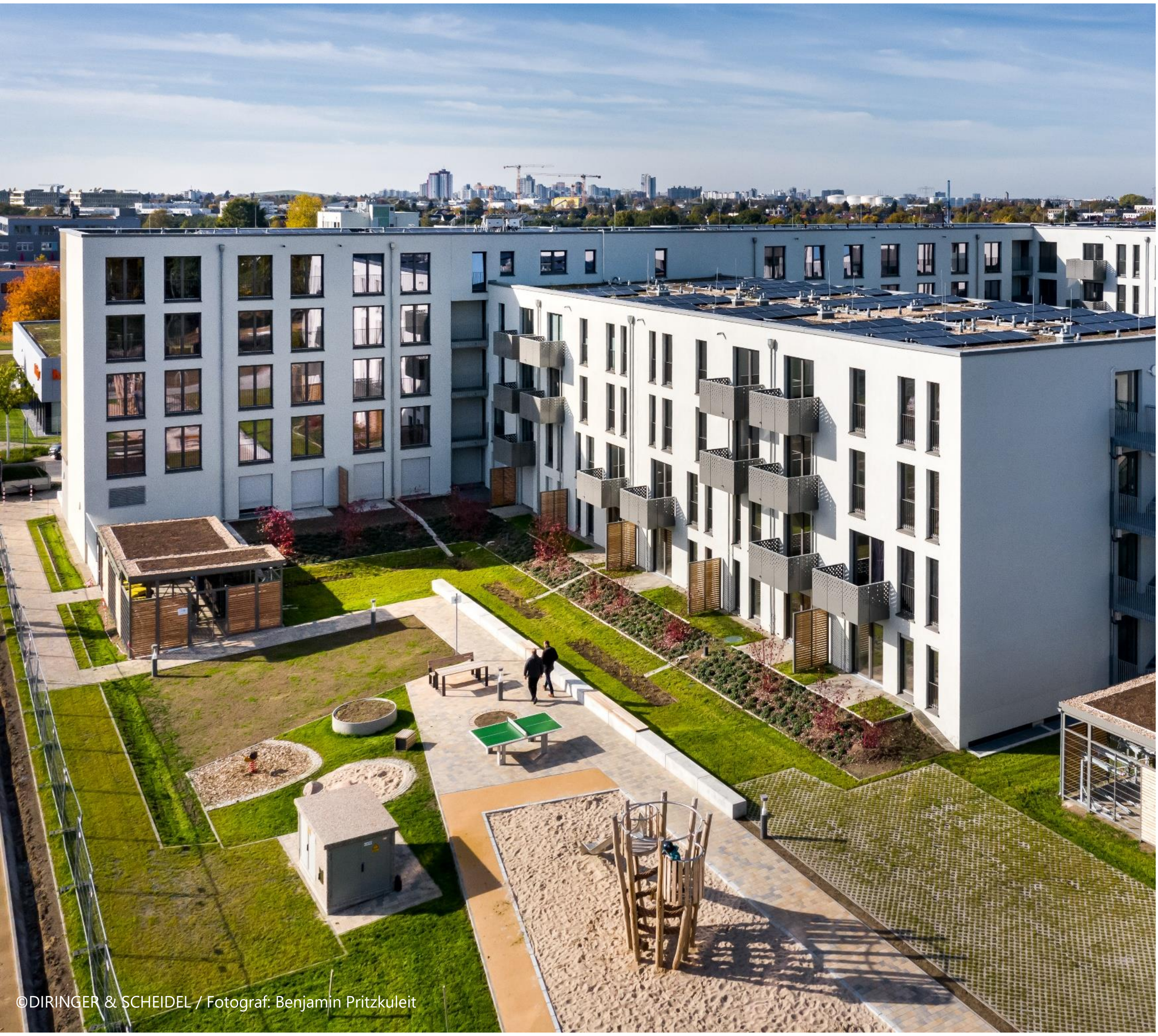
HOWOGE

HOWOGE Wohnungsbaugesellschaft mbH IFRS Consolidated Interim Financial Statements as of 30 June 2023

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



HOWOGE

HOWOGE

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung, Berlin

I. Consolidated interim management report

30 June 2023

I. Consolidated interim management report

Contents

1. 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 75,650 residential units (as of 30 June 2023) in Berlin include rental apartments as well as over 1,100 commercial units, some 17,000 other units and numerous development plots, and have a current fair value of approximately EUR 12.5b. 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. Since 2021, HOWOGE has issued bonds as an additional means of external financing alongside the use of equity and subsidies as well as conventional property financing by means of collateralized bank loans. 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 2023). To ensure a defensive risk profile, the Company has defined a loan-to-value ratio of 50% as its maximum limit.

2. Economic environment

The German economy had to contend with recessionary tendencies in the winter period. High inflation weakened demand and increases in household income are not expected to lead to stronger private consumption until the second half of the current year. The construction industry is still under pressure as lending rates remain high and the recent sharp increases in construction costs are only slowly subsiding.

According to its Economic Forecast Summer 2023, the ifo Institute expects economic output to shrink by 0.4% overall in 2023 before the economy starts to recover at the end of the year. Economic growth of 1.5% is expected for 2024.

Inflation is forecast to be 5.8% for the current year and then decline to 2.1% in 2024.

The fundamental trends in the housing sector remain unchanged. Demand in the rental housing market is increasing due to continued migration, while construction activity is declining significantly due to rising borrowing and construction costs. Based on this, rents are forecast to rise sharply in metropolitan regions.

Activity on the transaction market declined sharply due to the high level of interest rates. The European Central Bank's interest rate hikes are putting increased pressure on real estate returns and making it more difficult to price transactions.

3. Real estate portfolio

As of 30 June 2023, HOWOGE's real estate portfolio comprised 75,650 residential units, 1,137 commercial units and 17,379 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 75% of the Company's rental apartments are currently located. Under the cooperation agreement "Affordable rents, new residential construction and supply of social housing" concluded with the State of Berlin, HOWOGE has committed itself to a number of measures to ensure that affordable housing is provided to the population. One such measure is that a minimum of 63% of all existing apartments are reserved for people holding housing entitlement certificates. These also include, in particular, special needs groups, such as recipients of transfer benefits, refugees and homeless persons. Owing to the cooperation agreement and the social focus of its portfolio management, HOWOGE has limited potential for rent increases compared to its private competitors. In addition, the Berlin Senate adopted a rent freeze in the fourth quarter of 2022, prohibiting rent increases for apartments owned by HOWOGE and the other state-owned companies for the period to 31 December 2023.

As of 30 June 2023, the average net rent for residential units (excluding heating and utilities) was EUR 6.42/sqm (30 June 2022: EUR 6.37/sqm) and the vacancy rate by area was 1.1% (30 June 2022: 1.6%). The reduction in the vacancy rate by 50 basis points in the first half of the year is mainly attributable to the rental of new construction projects that were transferred to the portfolio at the end of 2022.

The following table shows the portfolio overview as of 30 June 2023:

Reporting date	Units[1)]	Area	Net cold rent	Avg. Net cold rent	Vacancy
30 June 2022	**Number**	**sqm**	**EUR m p.a.**	**EUR/sqm**	**%**
Residential	75,650	4,669,837	359.6	6.42	1.1
Commercial	1,137	179,649	18.8	8.70	8.6
Subtotal	**76,787**	**4,849,486**	**378.4**	**6.50**	**1.4**
Other	17,379	303,726	12.7		
Total	**94,166**	**5,153,212**	**391.0**		

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

3.1. 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 1,200 new apartments; as of 30 June 2023, 231 apartments have already been added to the portfolio.

3.2. Real estate appraisal

The real estate appraisal as of 30 June 2023 led to a decrease in fair values of around 8% compared to the last appraisal date 31 December 2022, in particular due to interest rate developments.

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 2023:

Reporting date	**Units[1)]**	**Fair value**	**Fair value**	**Multiplier**	**Multiplier**
30 June 2023	Number	EUR b	EUR/m^2	Actual rent	Market rent
Residential, Commercial and Other	**94,166**	**12.0**	**2,457**	**31.2**	**26.0**

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

3.3. School construction

HOWOGE is building new schools and extensively refurbishing existing schools under a master agreement with the State of Berlin as part of the Berlin School Building campaign. The business field is analyzed separately from the core business as a wholly independent undertaking. There are currently plans for HOWOGE to build 25 new schools and refurbish 13 school complexes.

At present, four schools are being built and construction work on another is scheduled to commence in 2023. 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.

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

4.1. Financial performance

Overall, financial performance breaks down as follows:

in EUR k	H1 2023 Total	Thereof School Construction	Thereof Residential	H1 2022 Total
Rental and lease revenue (IFRS 16)	191,877	-	191,877	184,353
Revenue from operating costs (IFRS 16)	17,923	-	17,923	19,817
Revenue from real estate management	**209,800**	**-**	**209,800**	**204,169**
Revenue from operating costs (IFRS 15)	23,734	-	23,734	22,201
Revenue from heating costs (IFRS 15)	31,188	-	31,188	31,481
Revenue from management services and other trade	3,441	-	3,441	2,599
Other revenue	940	-	940	442
Other revenue from real estate management	**59,304**	**-**	**59,304**	**56,723**
Total revenue	**269,103**	**-**	**269,103**	**260,892**
Profit or loss from the remeasurement of investment property	-1,092,099	-	-1,092,099	186,247
Change in inventories for property and other inventories	78,438	78,438	-	69,850
Own work capitalized	3,257	2,278	980	1,781
Cost of materials	-156,530	-78,447	-78,083	-131,329
Personnel expenses	-29,617	-1,485	-28,132	-25,614
Amortization, depreciation and impairment of non-financial assets	-1,424	-	-1,424	-1,528
Impairment and reversals of impairment of financial assets	562	-	562	-1,609
Other operating income	6,521	12	6,510	2,245
Other operating expenses	-17,190	-488	-16,703	-15,254
Profit or loss from investments accounted for using the equity method	-	-	-	2,433
Finance income	5,637	725	4,912	2,557
Finance costs	-21,064	-	-21,064	-21,092
Profit or loss before taxes	**-954,406**	**1,032**	**-955,438**	**329,580**
Income taxes	149,528	121	149,407	-126,973
Other taxes	-15,793	-	-15,793	-14,805
Profit or loss for the period	**-820,670**	**1,154**	**-821,824**	**187,801**
Total comprehensive income	**-820,670**	**1,154**	**-821,824**	**187,801**

Consolidated revenue amounted to EUR 269.1m (H1 2022: EUR 260.9m).

The EUR 8.2m increase in revenue from real estate management is mainly due to the portfolio growth as a result of new construction and rent increases.

The increase in cost of materials is due in particular to the non-recurrence of the special effect from the adjustment of construction costs for school construction, which reduced the cost of materials as an income item in 2022.

Cost of materials in the School Construction segment is due to separate cost assumption agreements with the State of Berlin. These costs are recharged and reflected in profit or loss.

The loss from the remeasurement of investment property of EUR 1,092.1m (H1 2022: profit of EUR 186.2m) was the result of the remeasurement of investment property.

Personnel expenses increased due to higher wages and salaries and the increase in headcount.

Finance costs are on a par with the prior year, as no significant new agreements were concluded in the fiscal year.

Overall, the Group reported a loss of EUR 820.7m in the first half of 2023 (H1 2022: profit of EUR 187.8m). The negative result compared with the prior-year period is mainly attributable to the loss 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:

EUR m	H1 2023	H1 2022
Total revenue	**269.1**	**260.9**
Changes in finished goods and work in process for property and other inventories	78.4	69.8
Own work capitalized	3.3	1.8
Cost of materials	-156.5	-131.3
Personnel expenses	-29.6	-25.6
Other operating income	6.5	2.2
Impairment and reversals of impairment of financial assets	0.6	-1.6
Other operating expenses	-17.2	-15.3
Finance income[1]	2.6	2.5
Other taxes	-15.8	-14.8
One-time effects[2]	-9.6	-28.4
Adjusted EBITDA	**131.8**	**120.3**
Income tax expenses affecting cash[3]	-13.9	-4.9
Interest expenses affecting cash[4]	-21.1	-21.1
Interest income affecting cash	4.4	1.1
FFO (funds from operations)	**101.2**	**95.4**

[1] Finance income from loan repayment policies

[2] One-time effects mainly comprise expenses and income in connection with the subsequent measurement of the acquisition of residential units and income from the reversal of provisions.

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

[4] 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 101.2m is slightly above the prior-year level of EUR 95.4m, chiefly due to the increase in rents due to the new construction and portfolio growth.

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

EUR m	H1 2023	H1 2022
Adjusted EBITDA	131.8	120.3
Interest expenses affecting cash	-21.1	-21.1
ICR	**6.3x**	**5.7x**

4.2. Assets, liabilities and financial position

Assets in EUR k	30 Jun 2023 Total	%	Thereof School Construc-tion	Thereof Residential	31 Dez 2022 Total	%
Non-current assets						
Intangible assets	1,244	0.0%	-	1,244	1,291	0.0%
Investment property	12,250,235	94.3%	-	12,250,235	13,281,094	95.4%
Prepayments on investment property	110,972	0.9%	-	110,972	82,934	0.6%
Property, plant and equipment	40,094	0.3%	-	40,094	38,359	0.3%
Investments in associates and joint ventures	15,925	0.1%	-	15,925	15,925	0.1%
Financial assets	94,401	0.7%	-	94,401	91,790	0.7%
Rental and lease receivables	40	0.0%	-	40	13	0.0%
Receivables from other trade	40	0.0%	-	40	39	0.0%
Total non-current assets	**12,512,951**	**96.3%**	**-**	**12,512,951**	**13,511,444**	**97.0%**
Current assets						
Inventories for property and other inventories	189,569	1.5%	189,569	-	111,131	0.8%
Prepayments on property and other inventories	23,436	0.2%	23,436	-	-	0.0%
Rental and lease receivables	19,352	0.1%	-	19,352	32,072	0.2%
Receivables from other trade	612	0.0%	34	578	486	0.0%
Contract assets	18,970	0.1%	-	18,970	42,560	0.3%
Other financial assets	5,797	0.0%	846	4,951	4,482	0.0%
Other assets	20,884	0.2%	-	20,884	55,252	0.4%
Income tax receivables	2,235	0.0%	-	2,235	2,069	0.0%
Cash and cash equivalents	183,253	1.4%	25,315	157,938	158,255	1.1%
Assets held for sale	11,100	0.1%	-	11,100	10,800	0.1%
Total current assets	**475,209**	**3.7%**	**239,200**	**236,009**	**417,105**	**3.0%**
Total assets	**12,988,160**	**100.0%**	**239,200**	**12,748,960**	**13,928,549**	**100.0%**

Equity and liabilities in EUR k	30 Jun 2023 Total	%	Thereof School Construc-tion	Thereof Residential	31 Dez 2022 Total	%
Equity						
Subscribed capital	25,000	0.2%	-	25,000	25,000	0.2%
Capital reserves	319,267	2.5%	-	319,267	317,901	2.3%
Accumulated retained earnings	7,773,761	59.9%	-1,280	7,775,041	7,693,957	55.2%
Total comprehensive income/loss	-820,670	-6.3%	1,154	-821,824	79,804	0.6%
Total equity	**7,297,358**	**56.2%**	**-126**	**7,297,484**	**8,116,662**	**58.3%**
Non-current liabilities						
Other provisions	1,060	0.0%	-	1,060	1,182	0.0%
Financial liabilities	4,008,169	30.9%	237,420	3,770,749	3,913,790	28.1%
Other liabilities	63,962	0.5%	-	63,962	39,195	0.3%
Deferred tax liabilities	1,449,191	11.2%	-	1,449,191	1,611,888	11.6%
Total non-current liabilities	**5,522,382**	**42.5%**	**237,420**	**5,284,962**	**5,566,055**	**40.0%**
Current liabilities						
Other provisions	5,923	0.0%	98	5,825	15,947	0.1%
Rental and lease liabilities	13,707	0.1%	-	13,707	13,570	0.1%
Trade payables	60,026	0.5%	1,383	58,643	112,102	0.8%
Contract liabilities	51,301	0.4%	-	51,301	43,946	0.3%
Financial liabilities	6,532	0.1%	-	6,532	4,713	0.0%
Tax liabilities	10,377	0.1%	-	10,377	3,478	0.0%
Other liabilities	20,554	0.2%	425	20,128	52,076	0.4%
Total current liabilities	**168,420**	**1.3%**	**1,906**	**166,514**	**245,832**	**1.8%**
Total liabilities	**5,690,802**	**43.8%**	**239,326**	**5,451,476**	**5,811,887**	**41.7%**
Total equity and liabilities	**12,988,160**	**100.0%**	**239,200**	**12,748,960**	**13,928,549**	**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 94.3% of total assets. It decreased compared to 31 December 2022, mainly due to the impairment losses charged in connection with the real estate appraisal.

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 56.2% (prior year: 58.3%). Overall, equity decreased by EUR 819.3m, taking the loss for the period into account.

Within non-current financial liabilities, liabilities to lenders increased by EUR 85.5m to EUR 2,264.7m. Additional loans to fund the new construction projects and the purchase of additional housing stock of EUR 136.9m contrast with repayments of EUR 37.3m. Furthermore, debt forgiveness and repayment subsidies of EUR 14.1m were granted.

In the School Construction segment, liabilities relate to a shareholder loan from the State of Berlin of EUR 89.8m (prior year: EUR 60.0m) and three loans of EUR 147.3m (prior year: EUR 82.9m).

As of the reporting date, the loan portfolio in the Residential segment still comprised collateralized, long-term annuity loans and subsidized loans, unsecured corporate bonds and short-term credit facilities, thereby offering a broad range of financial instruments, largely unchanged compared to 31 December 2022.

Since 2021, HOWOGE has had an issuer rating by the two international rating agencies Standard & Poor's and Fitch of A (S&P) and AA- (Fitch), respectively, with a stable outlook in each case. The ratings were last confirmed in the summer of 2023 and reflect the Company's good creditworthiness.

The financial liabilities had an average residual term of around eight years as of the reporting date and there are no significant refinancing arrangements planned for fiscal year 2023. The next important loan maturity date is in the fourth quarter of 2024, when the corporate bond with a nominal value of EUR 500m and currently 0% interest is due for refinancing.

Only minor refinancing arrangements and borrowings were made in the first half of 2023. The weighted average interest rate as of the reporting date remained low at around 1%, well below current market interest rates. The Group also has credit facilities had not been utilized by the end of the first half of 2023.

In 2021, HOWOGE set up a debt issuance program (DIP), which allows it to issue corporate bonds at short notice. Under the program covering a total of EUR 4b, corporate bonds with a volume of EUR 1.7b were issued in October 2021 to finance the purchase of 8,300 residential units.

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 2023 Total	Thereof Residential	31 Dec 2022 Total	Thereof Residential
Financial liabilities[1]	4,014.7	3,770.7	3,918.5	3,764.9
Cash and cash equivalents	-183.3	-157.9	-158.3	-128.2
Net financial liabilities	**3,831.4**	**3,612.8**	**3,760.2**	**3,636.7**
Investment property	12,250.2	12,250.2	13,281.1	13,281.1
Prepayments on investment property	111.0	111.0	82.9	82.9
Net LTV ratio (in %)	**31.0%**	**29.2%**	**28.1%**	**27.2%**

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

The ratio increased to around 31.0% compared to 31 December 2022, mainly due to the impairment of the real estate portfolio.

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

EUR m	30 Jun 2023	31 Dec 2022
Equity	7,297.4	8,116.7
Deferred tax liabilities on investment property	1,456.7	1,626.1
NAV (net asset value)	**8,754.1**	**9,742.8**

The financial position of all group companies was balanced as of 30 June 2023. 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):

in EUR k	H1 2023	Thereof School Construc-tion	Thereof Residential	H1 2022
Cash flows from operating activities	102,870	-76,131	179,001	105,044
Cash flows from investing activities	-184,402	-	-184,402	-1,514,327
Cash flows from financing activities	105,940	83,772	22,168	11,291
Net change in cash and cash equivalents	**24,408**	**7,641**	**16,767**	**-1,397,992**
Cash and cash equivalents as of 1 January	**158,255**	**17,674**	**140,581**	**1,510,601**
Cash and cash equivalents as of 30 June	**182,663**	**25,315**	**157,348**	**118,997**

Cash flows from investing activities were negative in the first half of 2023, due to the investments made in investment property and hereditary building rights.

Cash flows from operating activities changed only slightly compared to the prior-year period. The development is attributable to the decrease in earnings adjusted for non-cash expenses and income by EUR 21.9m in the first half of 2023 compared to the first half of 2022, offset by the change in working capital of EUR 22.5m compared to the first half of 2022. This, in turn, is attributable to higher reversals of provisions compared with the first half of 2022, contrasted by the increase in liabilities.

Cash flows from investing activities mainly relate to investments of EUR 187.0m in investment property.

Cash flows from financing activities comprise in particular cash received from new borrowings of EUR 165.8m, offset by EUR 38.2m in repayments of borrowings and EUR 21.0m in interest payments.

5. Opportunities and risks

HOWOGE's opportunities and risks have been described in detail in the consolidated financial statements for fiscal year 2022. No other material risks were identified in the course of fiscal year 2023. There has not been any material change to the assessment of the overall risk position compared to 31 December 2022.

See the information provided in the risks section of the consolidated financial statements as of 31 December 2022 for risks to the future business development and a description of the risk management system (RMS).

6. Outlook

Based on the development in the first six months of 2023, HOWOGE considers itself to be in a good position to confirm its guidance for 2023. The forecast for the following ratio has been revised to take account of current insights from the fiscal year to date. The originally forecast IFRS loss for the period of EUR 300m is now expected to be lower, in particular due to the market-related impairment of the real estate portfolio in the first half of 2023. Assuming a stable net valuation effect in the second half of 2023, the forecast has been adjusted to an IFRS consolidated loss of more than EUR 700m as of the end of the year.

See the 2022 consolidated financial statements for all other forecast figures.

Berlin, 28 August 2023

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung

The Management Board

Greis

Katharina Greis

Ulrich Schiller

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung, Berlin

II. Interim condensed consolidated financial statements

30 June 2023

II. Interim condensed consolidated financial statements as of 30 June 2023

Contents

Consolidated balance sheet

as of 30 June 2023 with comparative figures as of 31 December 2022

Assets in EUR k	Note	30 Jun 2023	31 Dez 2022
Non-current assets			
Intangible assets	6.6	1,244	1,291
Investment property	6.1	12,250,235	13,281,094
Prepayments on investment property	6.2	110,972	82,934
Property, plant and equipment	6.3	40,094	38,359
Investments in associates and joint ventures		15,925	15,925
Financial assets	6.7	94,401	91,790
Rental and lease receivables		40	13
Receivables from other trade		40	39
Total non-current assets		**12,512,951**	**13,511,444**
Current assets			
Inventories for property and other inventories		189,569	111,131
Prepayments on inventories for property and other inventories		23,436	0
Rental and lease receivables	6.7	19,352	32,072
Receivables from other trade	6.7	612	486
Contract assets	5.1	18,970	42,560
Other financial assets	6.7	5,797	4,482
Other assets		20,884	55,252
Income tax receivables		2,235	2,069
Cash and cash equivalents		183,253	158,255
Assets held for sale	6.15	11,100	10,800
Total current assets		**475,209**	**417,105**
Total assets		**12,988,160**	**13,928,549**

Equity and liabilities

in EUR k	Note	30 Jun 2023	31 Dez 2022
Equity			
Subscribed capital		25,000	25,000
Capital reserves		319,267	317,901
Accumulated retained earnings		7,773,761	7,693,957
Total comprehensive income/loss		-820,670	79,804
Total equity	**6.13**	**7,297,358**	**8,116,662**
Non-current liabilities			
Other provisions	6.14	1,060	1,182
Financial liabilities	6.7	4,008,169	3,913,790
Other liabilities		63,962	39,195
Deferred tax liabilities		1,449,191	1,611,888
Total non-current liabilities		**5,522,382**	**5,566,055**
Current liabilities			
Other provisions	6.14	5,923	15,947
Rental and lease liabilities	6.7	13,707	13,570
Trade payables	6.7	60,026	112,102
Contract liabilities	5.1	51,301	43,946
Financial liabilities		6,532	4,713
Tax liabilities		10,377	3,478
Other liabilities		20,554	52,076
Total current liabilities		**168,420**	**245,832**
Total liabilities		**5,690,802**	**5,811,887**
Total equity and liabilities		**12,988,160**	**13,928,549**

Consolidated profit and loss statement and consolidated statement of comprehensive income

for the period from 1 January to 30 June 2023 with comparative figures from the prior-year period from 1 January to 30 June 2022

in EUR k	**Note**	**H1 2023**	**H1 2022**
Rental and lease revenue (IFRS 16)		191,877	184,353
Revenue from operating costs (IFRS 16)		17,923	19,817
Revenue from real estate management	**5.1**	**209,800**	**204,169**
Revenue from operating costs (IFRS 15)		23,734	22,201
Revenue from heating costs (IFRS 15)		31,188	31,481
Revenue from management services and other trade		3,441	2,599
Other revenue		940	442
Other revenue from real estate management	**5.1**	**59,304**	**56,723**
Total revenue		**269,103**	**260,892**
Profit or loss from the remeasurement of investment property	5.2	-1,092,099	186,247
Change in inventories for property and other inventories		78,438	69,850
Own work capitalized		3,257	1,781
Cost of materials	5.3	-156,530	-131,329
Personnel expenses	5.5	-29,617	-25,614
Amortization, depreciation and impairment of non-financial assets	5.4	-1,424	-1,528
Impairment and reversals of impairment of financial assets		562	-1,609
Other operating income	5.6	6,522	2,245
Other operating expenses	5.7	-17,190	-15,254
Profit or loss from investments accounted for using the equity method		0	2,433
Finance income	5.8	5,637	2,557
Finance costs	5.8	-21,064	-21,092
Profit or loss before taxes		**-954,405**	**329,580**
Income taxes	5.9	149,528	-126,973
Other taxes	5.9	-15,793	-14,805
Profit or loss for the period		**-820,670**	**187,801**
Total comprehensive income/loss		**-820,670**	**187,801**

In the reporting periods ended 30 June 2023 and 30 June 2022, there were no transactions resulting in other comprehensive income (IAS 1.7). In particular, HOWOGE is not exposed to any exchange rate fluctuations and does not account for financial instruments at fair value through OCI.

Consolidated statement of changes in equity

for the period from 1 January to 30 June 2023 with comparative figures from the prior-year period from 1 January to 30 June 2022

in EUR k	Subscribed capital	Capital reserves	Retained earnings	Reserve required by the articles of association	Accumulated retained earnings	Consolidated net retained profit	Total comprehensive income/loss	Total equity
1 Jan 2023	**25,000**	**317,901**	**7,671,458**	**22,500**	**7,693,957**	**79,804**	**-**	**8,116,662**
Profit or loss for the period	-	-	-	-	-		-820,670	-820,670
Contribution from land transfers	-	1,366	-	-	-	-	-	1,366
Allocation to retained earnings from consolidated profits earned	-	-	79,804	-	79,804	-79,804	-	-
30 Jun 2023	**25,000**	**319,267**	**7,751,262**	**22,500**	**7,773,761**	**0**	**-820,670**	**7,297,358**

in EUR k	Subscribed capital	Capital reserves	Retained earnings	Reserve required by the articles of association	Accumulated retained earnings	Consolidated net retained profit	Total comprehensive income/loss	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
Allocation to retained earnings from consolidated profits earned	-	-	666,218	-	666,218	-666,218	-	-
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**

Consolidated statement of cash flows

for the period from 1 January to 30 June 2023 with comparative figures from the prior-year period from 1 January to 30 June 2022

in EUR k	H1 2023	H1 2022
Profit or loss before taxes	**-954,405**	**329,580**
Non-cash expenses and income	**1,076,064**	**-186,054**
(Gains)/losses on the remeasurement of investment property and assets held for sale	1,092,099	-186,247
Amortization, depreciation and impairment/(reversals of impairment) of intangible assets and property, plant and equipment	1,424	1,528
(Decrease)/increase in provisions	-15,196	-2,858
Other non-cash expenses/(income)	-2,263	3,957
(Gain)/loss on joint ventures accounted for using the equity method, and other investments	-	-2,433
Working capital adjustments	**-14,782**	**-37,319**
Decrease/(increase) in rental and lease receivables, receivables from other trade and contract assets	-5,270	-1,781
Decrease/(increase) in inventories	-78,738	-69,850
(Decrease)/increase in trade payables and other liabilities, and contract liabilities	69,226	34,312
Reclassifications to other areas of activity	**19,268**	**18,557**
(Gains)/losses on the disposal of intangible assets and property, plant and equipment	1,402	22
Net finance costs/(income)	17,866	18,535
Other taxes paid	-15,793	-14,805
Income taxes paid	-7,481	-4,915
Cash flows from operating activities	**102,870**	**105,044**
Cash paid for investments in investment property	-187,026	-980,770
Cash paid for investments in other non-current assets	-29,297	-533,535
- thereof in property, plant and equipment	-	-379
- thereof in financial assets	-29,297	-533,157
Cash received from disposals of other assets	28,929	-22
Interest received	2,992	-
Cash flows from investing activities	**-184,402**	**-1,514,327**

in EUR k	H1 2023	H1 2022
Cash received from borrowings	165,759	178,169
Cash repayments of borrowings	-38,234	-150,804
Proceeds from shareholder loans	-114	-
Cash repayments of lease liabilities	-630	-613
Interest paid	-20,842	-15,461
Cash flows from financing activities	**105,940**	**11,291**

Net change in cash and cash equivalents	**24,408**	**-1,397,993**
Cash and cash equivalents as of 1 January	**158,255**	**1,510,601**
Migration of new companies (share deal) as of 1 January	**-**	**6,389**
Cash and cash equivalents as of 30 June	**182,663**	**118,997**

Notes to the interim condensed consolidated financial statements

Table of contents

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 around 75,650 rental, commercial and other units of its own relevant for valuation as well as numerous development plots, as of the reporting date 30 June 2023 HOWOGE is one of Germany's biggest landlords.

As a municipal housing company belonging to the State of Berlin, HOWOGE pursues a social mandate to supply the people with affordable housing. In addition to property management, the Group's core activities include new housing construction and school construction.

These interim consolidated financial statements were authorized for issue by HOWOGE's management board on 28 August 2023.

1.2. Basis of preparation of the interim consolidated financial statements

The interim consolidated financial statements as of 30 June 2023 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 2023 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, which is 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 2022. These interim consolidated financial statements as of 30 June 2023 should therefore be read in conjunction with the consolidated financial statements as of 31 December 2022. 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. Consolidation principles

The interim consolidated financial statements as of 30 June 2023 include the separate financial statements of HOWOGE and its subsidiaries (see the table below). Alongside the parent company, the basis of consolidation as of 30 June 2023 comprised 18 companies including one addition in the first half of 2023.

Company	Registered office	Shareholding 2023	Shareholding 2022
Wohnungsbaugesellschaft Lichtenberg mbH	Berlin, Germany	100%	100%
HOWOGE Servicegesellschaft mbH	Berlin, Germany	100%	100%
HOWOGE Wärme GmbH	Berlin, Germany	100%	100%
Kramer + Kramer Bau- und Projektmanagement GmbH	Berlin, Germany	100%	100%
Elisabeth-Aue GmbH	Berlin, Germany	50%	50%
HOWOGE Klingsorstrasse GmbH	Berlin, Germany	100%	100%
HOWOGE Herbststrasse GmbH	Berlin, Germany	100%	100%
HOWOGE Roedernallee GmbH	Berlin, Germany	100%	100%
HOWOGE Soldinerstrasse GmbH	Berlin, Germany	100%	100%
HOWOGE Schöneberger Strasse GmbH	Berlin, Germany	100%	100%
HOWOGE Goldschmidtweg GmbH	Berlin, Germany	100%	100%
HOWOGE Damerowstrasse GmbH	Berlin, Germany	100%	100%
HOWOGE Baumschulenstrasse GmbH	Berlin, Germany	100%	100%
HOWOGE Mühsamstrsse GmbH	Berlin, Germany	100%	100%
HOWOGE High Deck Siedlung B.V.	Amsterdam, Netherlands	100%	100%
HOWOGE Landsberger Allee GmbH	Berlin, Germany	100%	100%
HOWOGE Goeckestrasse GmbH	Berlin, Germany	100%	100%
HOWOGE Reinigung GmbH	Berlin, Germany	100%	–*

* Included for the first time in fiscal year 2023

HOWOGE Reinigung GmbH was established by articles of association dated 7 February 2023 and entered in the commercial register on 24 March 2023. The purpose of the entity is to provide cleaning services in the buildings and related external facilities owned or managed by HOWOGE. It will commence business operations successively from 1 July 2023. 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 2022. For information on accounting for joint ventures, please also see the aforementioned IFRS consolidated financial statements.

3. Accounting policies

The accounting policies used to prepare the interim consolidated financial statements of HOWOGE as of 30 June 2023 are consistent with those used for the IFRS consolidated financial statements as of 31 December 2022.

See the IFRS consolidated financial statements as of 31 December 2022 for information on the new standards and amendments to existing standards applicable from 1 January 2023. If applicable, these were applied in full when preparing the interim financial statements as of 30 June 2023.

The changes due to the introduction of IFRS 17 and the presentation of comparative information on initial application of IFRS 17 and IFRS 9 do not have any effects on HOWOGE's consolidated financial statements.

The amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* are effective for annual periods beginning on or after 1 January 2023. The amendments to IAS 12 do not lead to any adjustments or significant effects on HOWOGE's consolidated financial statements.

The IASB's amendments to IAS 1 and IAS 8 to improve accounting policy disclosures and clarify the distinction between accounting policies and accounting estimates do not have any significant effects on these consolidated financial statements, but will be taken into account prospectively, where relevant. Likewise, the Group does not expect the amendments to IAS 1 relating to the classification of liabilities as current or non-current to have any significant effects on the financial statements.

4. Significant accounting judgments, estimates and assumptions

4.1. 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 2022. 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.

4.2. 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 2022.

5. Selected notes to the consolidated income statement

5.1 Revenue from real estate management and other revenue from real estate management

Rental and lease revenue

in EUR k	H1 2023	H1 2022
Rental and lease revenue (IFRS 16)	191,877	184,353
Revenue from operating costs (IFRS 16)	17,923	19,817
Revenue from real estate management	**209,800**	**204,169**
Revenue from operating costs (IFRS 15)	23,734	22,201
Revenue from heating costs (IFRS 15)	31,188	31,481
Revenue from management services and other trade	3,441	2,599
Other revenue	940	442
Other revenue from real estate management	**59,304**	**56,723**
Total revenue	**269,103**	**260,892**

5.1.1. 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 191,877k (first half of 2022: EUR 184,353k). The increase in revenue from real estate management is mainly due to the portfolio growth as a result of new construction and rent increases. Revenue from real estate management also includes revenue from allocable operating costs (property tax, building and liability insurance) of EUR 17,923k (first half of 2022: EUR 19,817k).

5.1.2. 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 2022).

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)

in EUR k	30 Jun 2023	31 Dec 2022
Current contract assets from operating costs	11,063	30,488
Current contract assets from heating costs	8,514	13,429
Impairment loss (IFRS 9)	-607	-1,358
Total contract assets	**18,970**	**42,560**
Current contract liabilities from operating costs	4,759	15,562
Current contract liabilities from heating costs	46,542	28,384
Total contract liabilities	**51,301**	**43,946**

Revenue from operating costs is determined based on the costs incurred and is equivalent to the contractually agreed transaction price. As of 30 June 2023, it relates to contract liabilities of EUR 4,759k (netted) (31 December 2022: EUR 15,562k). As of the reporting date, they contrasted with contract assets of EUR 11,063k (31 December 2022: EUR 30,488k).

Revenue from heating costs is determined based on the costs incurred and are equivalent to the contractually agreed transaction price, leading to net contract liabilities of EUR 46,542k (31 December 2022: EUR 28,384k). As of the reporting date, they contrasted with assets of EUR 8,514k (31 December 2022: EUR 13,429k).

As of 30 June 2023, the change compared to the prior-year period is mainly due to the development of operating and heating costs on the market including the fixed installments paid to the utility company and the prepayments received from tenants.

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 2023, corresponding income of EUR 766k was recognized (first half of 2022: EUR 442k). See the disclosures on government grants in the IFRS consolidated financial statements as of 31 December 2022 for further details.

5.2. Profit or loss from the remeasurement of investment property

Profit or loss from the remeasurement of investment property amounts to EUR -1,092,099k (first half of 2022: EUR 186,247k). Unrealized changes in fair value were recognized in profit or loss in connection with the remeasurement. In the first half of 2023, EUR -1,092,099k (first half of 2022: EUR 186,247k) was recorded as unrealized changes in fair value in the consolidated income statement and in the consolidated statement of comprehensive income. This development was mainly driven by the further increase in interest rates in fiscal year 2023, the resulting negative movements in capital values and increased volatility on the real estate markets.

5.3. 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 2023**	**H1 2022**
Facility management expenses	77,725	88,395
thereof operating costs	46,368	51,880
thereof maintenance and modernization	12,152	17,174
thereof other cost of purchased services	19,205	19,342
Expenses for land held for sale	0	2
Expenses for other goods and services	367	-258
Total cost of materials	**78,092**	**88,139**
Change in inventories for property and other inventories	78,438	69,850
Adjustments construction costs for school construction	-	-26,660
Cost of materials according to the income statement	**156,530**	**131,329**

The increase compared to the first half of 2022 is mainly due to the negative adjustment amount in connection with school construction costs recorded in the prior year.

5.4. Amortization, depreciation and impairment of non-financial assets

Amortization, depreciation and impairment of non-financial assets		
in EUR k	**H1 2023**	**H1 2022**
Depreciation and impairment of property, plant and equipment	1,207	1,373
Amortization and impairment of intangible assets	217	155
	1,424	**1,528**

The largely unchanged amount of amortization, depreciation and impairment compared with the first half of 2022 is due to a slightly lower volume of furniture, fixtures and office equipment coupled with slightly higher amortization and impairment of intangible assets resulting from software purchases.

Depreciation of right-of-use assets presented under property, plant and equipment is shown separately in note *6.2 Property, plant and equipment* and note *6.4 Leases as the lessee*; it amounted to EUR 22k in fiscal year 2022 (first half of 2022: EUR 20k).

5.5. Personnel expenses

Employee benefits expenses		
in EUR k	**H1 2023**	**H1 2022**
Wages and salaries	24,817	21,189
Social security costs	4,720	4,329
Pension costs	80	96
	29,617	**25,614**

For information concerning personnel expense types, please see the IFRS consolidated financial statements as of 31 December 2022. The increase in personnel expenses in the first half of 2023 compared to the first half of 2022 is attributable to higher wages and salaries and the increase in headcount.

5.6. Other operating income

in EUR k	H1 2023	H1 2022
Reversal of provisions	5,156	1,336
Out-of-period income	342	315
Income from cost allocations	79	46
Miscellaneous other income	945	547
	6,522	**2,245**

The EUR 4,277k increase in other operating income compared with the prior-year period is mainly due to the reversal of provisions in connection with the decision by the Federal Court of Justice on the allocability of the costs of renting smoke detectors. For more information, please refer to the IFRS consolidated financial statements as of 31 December 2022.

5.7. Other operating expenses

in EUR k	H1 2023	H1 2022
IT costs	4,243	3,196
Audit and consulting fees	3,246	3,100
Non-staff expenses	2,026	1,353
Insurance premiums	1,806	2,106
Training costs	1,104	931
Advertising and sponsorship costs	639	934
Contributions to associations	485	316
Donations	306	-9
Out-of-period expenses	103	7
Miscellaneous other operating expenses	3,232	3,320
	17,190	**15,254**

In the first half of 2023, other operating expenses were up slightly on the first half of 2022 due to disposals of property, plant and equipment and higher IT costs and non-staff expenses.

5.8. Finance income and costs

in EUR k	H1 2023	H1 2022
Finance income from the unwinding of the discount on a lease receivable	21	20
Finance income from the cash surrender value of insurance policies held	2,624	2,533
Other finance income	2,992	3
Finance income	**5,637**	**2,557**
Finance costs from loan liabilities	-19,871	-19,782
Finance costs from lease liabilities	-266	-267
Finance costs from provisions	-52	-61
Amortization of government grants received	1,558	445
Other finance costs	-2,433	-1,426
Finance costs	**-21,064**	**-21,092**
Net finance costs	**-15,427**	**-18,535**

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

5.9. Income and other taxes

Income taxes include current tax income of EUR 13,169k (first half of 2022: tax expenses of EUR 4,915k) and deferred tax income of EUR 162,697k (first half of 2022: tax expenses of EUR 122,058k). The deferred tax income from the first half of 2023 is mainly attributable to the reversal of deferred tax liabilities attributable to the impairments on the properties.

Other taxes of EUR 15,793k (first half of 2022: EUR 14,805k) mainly contain property tax.

6. Selected notes to the consolidated statement of financial position

6.1. Investment property

The fair values of investment property developed as follows in fiscal year 2022 and in the first half of 2023:

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	1,639,162	12,120	11,015	-	1,662,296
Other additions	70,960	5,246	85,372	-	161,578
Reclassification to assets held for sale	-10,800	-	-	-	-10,800
Reclassification between categories	175,656	-42,146	-133,510	-	-
Fair value adjustment	-174,681	16,639	-40,617	56	-198,603
31 Dec 2022	**12,910,893**	**231,256**	**137,060**	**1,885**	**13,281,094**

in EUR k	Residential properties	Undeveloped land	Project development	Hereditary building rights granted to third parties	Total
1 Jan 2023	**12,910,893**	**231,256**	**137,060**	**1,885**	**13,281,094**
Purchases	25,994	3,723	50,415	-	80,132
Other additions	10,031	-	-	-	10,031
Reclassification between categories	37,860	-24,740	-13,120	-	-
Disposals	-10,029	-8,038	-3,590	-	-21,657
Fair value adjustment	-1,060,120	8,205	-47,159	-290	-1,099,364
30 Jun 2023	**11,914,628**	**210,406**	**123,606**	**1,595**	**12,250,235**

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 2023. As of 30 June 2023, there was a reclassification of assets held for sale in accordance with IFRS 5 of EUR 11,100k, which were measured at fair value within Level 2 of the fair value hierarchy.

In the first half of 2023 (as in the first half of 2022), 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.

Reclassifications 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).

The net valuation effect from adjustments to fair value related to portfolio property (net) in the first half of 2023 and in fiscal year 2022 and is included in the profit or loss from the remeasurement of investment property.

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 2023**	**31 Dec 2022**
Fair value according to external valuation	12,216,239	13,246,432
Adjustments to lease liabilities	33,996	34,662
Fair value in the statement of financial position	**12,250,235**	**13,281,094**

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 2023

		Fair value (in EUR k)	Adjustment (owner occupation, leasing and assets held for sale)	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		11,933,722	-19,261	11,914,460	DCF	-	-	-	0.00%/0.51%/100.00%
	Residential	-			-	6.25/7.67/20.00	2.80/12.13/15.50	260.00/272.00/450.00	-
	Commercial (office/retail/ other commercial use)	-			-	0.50/13.45/24.73	8.75/10.89/15.00	3.00%	–
	Garages	-			-	10.00/56.23/142.50	17.00/77.25/85.00	39.00/39.00/45.00	–
	Outdoor parking spaces	-			-	10.00/30.85/80.00	7.30/34.59/36.50	39.00/39.00/45.00	-
Undeveloped land/ hereditary building rights granted to third parties		221,551		221,551	Capitalization of earnings method/ sales comparison approach	-	-	-	-
Project developments		123,606		123,606	Residual value	-	-	3.50%/4.30%/5.00%	–
	Residential	-			-	6.50/9.13/16.00	9.00	-	-
	Commercial (office/retail/ other commercial use)	-			-	15.00/15.99/17.50	8	–	-
	Garages	-			-	75.00/82.95/120.00	50	–	-
	Outdoor parking spaces	-			-	40.00/44.83/100.00	30.00	-	-
	thereof School Construction					23.85/29.30/34.48	7.50		
Total portfolio (IAS 40)		**12,278,879**	**-19,261**	**12,259,617**		-	-	-	-

	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	2.98%/4.54%/7.58%	1.18%/2.55%/5.78%	1.20%/2.98%/3.30%	1.00%/1.99%/2.20%
Undeveloped land/ hereditary building rights granted to third parties	-	-	-	-
Project developments	-	1.05%/1.76%/3.40%	–	-

Valuation inputs as of 31 December 2022

		Fair value (in EUR k)	Adjustment (owner occupation, leasing and assets held for sale)	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		12,941,984	-31,091	12,910,893	DCF	-	-	-	0.00%/0.51%/100.00%
	Residential	-			-	6.25/7.64/20.00	2.40/10.54/15.00	215.00/226.90/450.00	-
	Commercial (office/retail/ other commercial use)	-			-	0.25/9.25/30.00	2.00/10.08/15.00	3.00%	-
	Garages	-			-	10.00/55.67/142.50	14.70/66.04/73.50	39.00	-
	Outdoor parking spaces	-			-	10.00/30.55/80.00	6.30/31.15/31.50	39.00	-
Undeveloped land/ hereditary building rights granted to third parties		233,141		233,141	Capitalization of earnings method/ sales comparison approach	-	-	-	-
Project developments		137,060		137,060	Residual value	-	-	3.00%/4.38%/5.00%	-
	Residential	-			-	6.50/9.01/13.50	9.00	-	-
	Commercial (office/retail/ other commercial use)	-			-	15.00/15.78/17.50	8	-	-
	Garages	-			-	40.00/76.79/120.00	30.00/40.00/50.00	-	-
	Outdoor parking spaces	-			-	50.00/54.19/100.00	30.00	-	-
Total portfolio (IAS 40)		**13,312,185**	**-31,091**	**13,281,094**		-	-	-	-

	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	2.85%/4.41%/7.18%	1.05%/2.42%/5.38%	1.20%/2.98%/3.30%	1.00%/1.99%/2.20%
Undeveloped land/ hereditary building rights granted to third parties	-	-	-	-
Project developments	-	1.05%/1.67%/3.35%	-	-

The following sensitivities arose as of 30 June 2023 and as of 31 December 2022:

Sensitivity analysis as of 30 June 2023

	Fair value (in EUR k)	Adjustment (owner occupation, leasing, assets held for sale)	Measurement in accordance with IAS 40	Valuation method	Capitalization rate sensitivity					
					+0.25%			-0.25%		
					Fair value (in EUR k)	Absolute variance	Percentage variance	Fair value (in EUR k)	Absolute variance	Percentage variance
Residential properties	11,860,222	-19,261	11,840,960	DCF	11,115,510	-854,241	-7.1%	13,018,973	1,049,221	8.8%
Undeveloped land/ hereditary building rights granted to third parties	212,001		212,001	Capitalization of earnings method/ sales comparison approach	212,001	-	-	212,001	-	-
Project developments	123,606		123,606	Residual value	123,606	-	-	123,606	-	-
Total portfolio (IAS 40)	**12,195,829**	**-19,261**	**12,176,567**		**11,451,117**	**-744,711**	**-7.1%**	**13,354,580**	**1,158,751**	**8.8%**

	Fair value (in EUR k)			Valuation method	Discount rate sensitivity					
					+0.25%			-0.25%		
					Fair value (in EUR k)	Absolute variance	Percentage variance	Fair value (in EUR k)	Absolute variance	Percentage variance
Residential properties	11,860,222	-19,261	11,840,960	DCF	11,718,387	-251,364	-2.10%	12,227,017	257,265	2.15%
Undeveloped land/ hereditary building rights granted to third parties	212,001		212,001	Capitalization of earnings method/ sales comparison approach	212,001	-	-	212,001	-	-
Project developments	123,606		123,606	Residual value	123,606	-	-	123,606	-	-
Total portfolio (IAS 40)	**12,195,829**	**-19,261**	**12,176,567**		**12,053,994**	**-141,834**	**-2.10%**	**12,562,624**	**366,795**	**2.15%**

	Fair value (in EUR k)			Valuation method	Market rent sensitivity					
					+2.00%			-2.00%		
					Fair value (in EUR k)	Absolute variance	Percentage variance	Fair value (in EUR k)	Absolute variance	Percentage variance
Residential properties	11,860,222	-19,261	11,840,960	DCF	12,095,686	125,934	1.05%	11,832,955	-136,796	-1.14%
Undeveloped land/ hereditary building rights granted to third parties	212,001		212,001	Capitalization of earnings method/ sales comparison approach	212,001	-	-	212,001	-	-
Project developments	123,606		123,606	Residual value	123,606	-	-	123,606	-	-
Total portfolio (IAS 40)	**12,195,829**	**-19,261**	**12,176,567**		**12,431,293**	**235,464**	**1.05%**	**12,168,562**	**-27,266**	**-1.14%**

Sensitivity analysis as of 31 December 2022

	Fair value (in EUR k)	Adjustment (owner occupation, leasing, assets held for sale)	Measurement in accordance with IAS 40	Valuation method	Capitalization rate sensitivity					
					+0.25%			-0.25%		
					Fair value (in EUR k)	Absolute variance	Percentage variance	Fair value (in EUR k)	Absolute variance	Percentage variance
Residential properties	12,941,984	-31,091	12,910,893	DCF	11,957,712	-984,272	-7.6%	14,160,715	1,218,732	9.4%
Undeveloped land/ hereditary building rights granted to third parties	233,141		233,141	Capitalization of earnings method/ sales comparison approach	233,141	-	-	233,141	-	-
Project developments	137,060		137,060	Residual value	137,060	-	-	137,060	-	-
Total portfolio (IAS 40)	**13,312,185**	**-31,091**	**13,281,094**		**12,327,913**	**-984,272**	**-7.6%**	**14,530,916**	**1,218,732**	**9.4%**

	Fair value (in EUR k)			Valuation method	Discount rate sensitivity					
					+0.25%			-0.25%		
					Fair value (in EUR k)	Absolute variance	Percentage variance	Fair value (in EUR k)	Absolute variance	Percentage variance
Residential properties	12,941,984	-31,091	12,910,893	DCF	12,668,788	-273,195	-2.1%	13,223,069	281,085	2.2%
Undeveloped land/ hereditary building rights granted to third parties	233,141		233,141	Capitalization of earnings method/ sales comparison approach	233,141	-	-	233,141	-	-
Project developments	137,060		137,060	Residual value	137,060	-	-	137,060	-	-
Total portfolio (IAS 40)	**13,312,185**	**-20,291**	**13,291,894**		**13,038,989**	**-273,195**	**-2.1%**	**13,593,270**	**281,085**	**2.2%**

	Fair value (in EUR k)			Valuation method	Market rent sensitivity					
					+2.00%			-2.00%		
					Fair value (in EUR k)	Absolute variance	Percentage variance	Fair value (in EUR k)	Absolute variance	Percentage variance
Residential properties	12,941,984	-31,091	12,910,893	DCF	12,794,718	-147,265	-1.1%	12,794,718	-147,265	-1.1%
Undeveloped land/ hereditary building rights granted to third parties	233,141		233,141	Capitalization of earnings method/ sales comparison approach	233,141	-	-	233,141	-	-
Project developments	137,060		137,060	Residual value	137,060	-	-	137,060	-	-
Total portfolio (IAS 40)	**13,312,185**	**-20,291**	**13,291,894**		**13,164,919**	**-147,265**	**-1.1%**	**13,164,919**	**-147,265**	**-1.1%**

6.2. Prepayments on investment property

Prepayments on investment property comprise prepayments, assets under construction and construction preparation costs incurred for the planning and construction of new property for residential and commercial leasing.

In the first half of 2023, a review was carried out of whether the purpose of the existing construction projects was for own use or third-party use. This review resulted in a reclassification of the assets under construction and construction preparation costs items which had been presented under property, plant and equipment until 31 December 2022 to prepayments on investment property. For better comparability, the balance as of 31 December 2022 was also reclassified.

In the first half of 2023, prepayments increased by EUR 28,038k to EUR 110,972k compared to 31 December 2022, mainly due to investments in assets under construction of EUR 27,814k as of 30 June 2023.

6.3. 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	Furniture, fixtures and office equipment	Right-of-use assets	Total
Cost						
1 Jan 2022	**7,095**	**8,846**	**3,365**	**16,335**	**102**	**35,743**
Additions	-	13,793	-	1,284	70	15,147
Disposals	-1,606	-	-3,275	-782	-	-5,663
Reclassification		16,077	-	-	-	16,077
31 Dec 2022	**5,489**	**38,716**	**90**	**16,837**	**172**	**61,304**
Additions	3,809	-	-	535	-	4,344
Disposals	-1,235	-166	-1	-196	-	-1,598
Reclassification	-	-	-	-	-	-
30 Jun 2023	**8,061**	**38,550**	**89**	**17,176**	**172**	**64,049**
Depreciation and impairment						
1 Jan 2022	**948**	**7,930**	**-**	**11,347**	**53**	**20,278**
Depreciation for the fiscal year	214	680	-	2,016	40	2,950
Disposals	-	-	-	-776	-	-776
Reclassification	-	494	-	-	-	494
31 Dec 2022	**1,162**	**9,103**	**-**	**12,586**	**93**	**22,946**
Depreciation for the fiscal year	28	322	-	834	22	1,207
Disposals	-	-	-	-196	-	-196
Reclassification	-	-	-	-	-	-
30 Jun 2023	**1,190**	**9,425**	**-**	**13,224**	**115**	**23,957**
Net carrying amount						
30 Jun 2023	**6,871**	**29,125**	**89**	**3,952**	**57**	**40,094**
31 Dec 2022	**4,327**	**29,613**	**90**	**4,251**	**79**	**38,360**

The year-on-year increase is mainly attributable to owner-occupied land and residential buildings.

6.4. 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 2023 and in the comparative prior-year period:

Lease expenses

in EUR k	H1 2023	H1 2022
Depreciation of right-of-use assets	22	20
Interest expenses on lease liabilities	266	267
Expense relating to leases of low-value assets	38	36
Total amount recognized in profit or loss	**327**	**323**

Depreciation of right-of-use assets relates to leased vehicles and hereditary building rights. Interest expenses were also incurred in connection with hereditary building rights granted to the Group as well as leased vehicles.

In the reporting period, there were outflows of cash and cash equivalents of EUR 630k (first half of 2022: EUR 613k) for leases. No variable lease payments were made.

The development of right-of-use assets is presented under note *6.3 Property, plant and equipment*.

6.5. Leases as the lessor

6.5.1. 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 *5.1. Revenue from real estate management*.

6.5.2. 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 2023	31 Dec 2022
Within 12 months	68	68
1 to 2 years	61	65
2 to 3 years	61	61
3 to 4 years	61	61
4 to 5 years	54	58
More than 5 years	3,502	3,529
	3,809	**3,843**

6.6. Intangible assets

Intangible assets largely relate to purchased software licenses.

in EUR k	Software	Goodwill	Total
Cost			
1 Jan 2022	**16,046**	**357**	**16,403**
Additions	689	-	689
Disposals	-1	-	-1
31 Dec 2022	**16,734**	**357**	**17,091**
Additions	171	-	171
30 Jun 2023	**16,905**	**357**	**17,262**
Amortization and impairment			
1 Jan 2022	**15,098**	**357**	**15,455**
Amortization for the fiscal year	346	-	346
Disposals	-1	-	-1
31 Dec 2022	**15,443**	**357**	**15,800**
Amortization and impairment in the first half of 2023	218	-	218
30 Jun 2023	**15,661**	**357**	**16,018**
Net carrying amount			
30 Jun 2023	**1,244**	**-**	**1,244**
31 Dec 2022	**1,291**	**-**	**1,291**

6.7. 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 2023

in EUR k	IFRS 9 measurement category	Carrying amount 30 Jun 2023	Fair value 30 Jun 2023	thereof Level 1	thereof Level 2	thereof Level 3
Financial assets		94,401				
thereof in scope:						
Investments	At fair value through profit or loss	92,351	92,351	-	-	92,351
Rental and lease receivables	Amortized cost	19,393	19,393	-	-	-
Receivables from other trade	Amortized cost	651	651	-	-	-
Other financial assets	Amortized cost	8,032	8,032	-	-	-
Cash and cash equivalents	Amortized cost	183,253	183,253	-	-	-
		303,680	**303,680**	**-**	**-**	**92,351**
Financial liabilities		4,014,702				
thereof in scope:						
Bonds	Amortized cost	1,698,042	1,388,544	1,388,544	-	-
Liabilities to banks	Amortized cost	2,192,490	1,866,547	-	1,866,547	-
Liabilities to shareholders	Amortized cost	89,804	74,103	-	74,103	-
Rental and lease liabilities	Amortized cost	13,707	13,707	-	-	-
Trade payables	Amortized cost	60,026	60,026	-	-	-
Other liabilities		84,516				
thereof in scope:						
Other financial liabilities	Amortized cost	140	140	-	-	-
		4,138,725	**3,403,067**	**1,388,544**	**1,940,650**	**-**
Thereof aggregated by IFRS 9 measurement category:						
Financial assets at fair value through profit or loss		92,351				
Financial assets at amortized cost		211,330				
Financial liabilities at amortized cost		4,138,725				

Measurement categories as of 31 December 2022

in EUR k	IFRS 9 measurement category	Carrying amount 31 Dec 2022	Fair value 31 Dec 2022	thereof Level 1	thereof Level 2	thereof Level 3
Financial assets		91,790				
thereof in scope:						
Investments	At fair value through profit or loss	89,726	89,726	-	-	89,726
Rental and lease receivables	Amortized cost	32,085	32,085	-	-	-
Receivables from other trade	Amortized cost	524	524	-	-	-
Other financial assets	Amortized cost	6,550	6,550	-	-	-
Cash and cash equivalents	Amortized cost	158,255	158,255	-	-	-
		287,141	**287,141**	**-**	**-**	**89,726**
Financial liabilities		3,918,503				
thereof in scope:						
Bonds	Amortized cost	1,691,432	1,373,738	1,373,738	-	-
Liabilities to banks	Amortized cost	2,132,029	1,749,408	-	1,749,408	-
Liabilities to shareholders	Amortized cost	60,313	49,482	-	49,482	-
Rental and lease liabilities	Amortized cost	13,570	13,570	-	-	-
Trade payables	Amortized cost	112,102	112,102	-	-	-
Other liabilities		91,271				
thereof in scope:						
Other financial liabilities	Amortized cost	165	165	-	-	-
		4,100,882	**3,298,465**	**1,373,738**	**1,798,890**	**-**

Thereof aggregated by IFRS 9 measurement category:		
Financial assets at fair value through profit or loss		89,726
Financial assets at amortized cost		197,415
Financial liabilities at amortized cost		4,100,882

For assets related to contracts with customers (IFRS 15) and leases (IFRS 16) see the relevant notes (*6.4 Leases as the lessee, 6.5 Leases as the lessor* and *5.1 Revenue from real estate management and other revenue from real estate management*).

6.8. 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.

6.9. Collateral

Overall, financial assets of EUR 89,726k were pledged as collateral as of 30 June 2023 (30 June 2022: EUR 87,202k). As in fiscal year 2022, collateral in the first half of 2023 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).

6.10. 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 2022.

With regard to liquidity risk, the following tables show how the undiscounted cash outflows arising from financial liabilities as of 30 June 2023 and as of 31 December 2022 as the comparative date can be classified based on the contractually agreed maturities:

30 Jun 2023

in EUR k	Up to 1 year	1 to 5 years	More than 5 years	Total
Bonds	11,153	544,642	1,251,127	**1,806,922**
Liabilities to banks	248,099	695,428	1,554,115	**2,497,642**
Liabilities to shareholders	386	1,542	90,222	**92,150**
Rental and lease liabilities	13,360	-	-	**13,360**
Trade payables	33,276	9,336	6	**42,618**
Other financial liabilities	7,942	-	-	**7,942**
				4,460,632

[1]Liabilities to banks and shareholders comprise interest liabilities.

31 Dec 2022

in EUR k	Up to 1 year	1 to 5 years	More than 5 years	Total
Bonds	11,153	544,642	1,251,127	**1,806,922**
Liabilities to banks	152,663	691,451	1,568,870	**2,412,983**
Liabilities to shareholders	386	1,542	60,610	**62,538**
Rental and lease liabilities	13,249	-	-	**13,249**
Trade payables	9,025	8,453	196	**17,674**
Other financial liabilities	49,762	-	-	**49,762**
				4,363,127

[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 *6.7 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.

6.11. Inventories for property and other inventories and prepayments on inventories for property and other inventories

Inventories for property comprise work in process relating to planning and project services for customers. Work in process is valued at acquisition cost. They also include capitalized costs in connection with the preparation and execution of the school construction projects for the State of Berlin.

In fiscal year 2023, EUR 189.6m of own work capitalized (school construction) related to expenses incurred in the fiscal year attributable to the planning and preparation costs for the School Building campaign (prior year: EUR 111.13m).

In this context, prepayments of EUR 23.4m (prior year: EUR 0) were incurred for services as part of the school construction project “Insel Gartenfeld” in the first half of 2023.

6.12. 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 2022.

6.13. Equity

The breakdown of equity, subscribed capital and reserves is presented in the IFRS consolidated financial statements as of 31 December 2022. Please see the figures presented in these interim consolidated financial statements for information about the corresponding changes in these items.

6.14 Other provisions

Please see the IFRS consolidated financial statements as of 31 December 2022 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 2023 and for fiscal year 2022 as the comparative period were as follows:

Development of other provisions

in EUR k	1 Jan 2023	Utilization	Reversal	Allocation	30 Jun 2023
Provision for litigation costs	67	-	40	18	45
Other provisions	12,655	4,529	4,740	111	3,497
Provision for financial statement costs	1,206	449	-	380	1,137
Provision for retention of business documents	133	6	56	2	74
Provision for advertising fund	69	1	-	-	68
Warranty provision	77	-	-	-	77
Provision for consulting fees	87	16	-	-	71
Miscellaneous other provisions	**14,295**	**5,001**	**4,835**	**511**	**4,969**
Provision for long-service awards	1,174	29	39	50	1,156
Provisions for employee bonuses	1,661	1,176	282	655	858
Provisions for employees	**2,835**	**1,205**	**321**	**705**	**2,014**
Total other provisions	**17,129**	**6,206**	**5,156**	**1,216**	**6,983**
thereof current	15,947				5,923
thereof non-current	1,182				1,060

in EUR k	1 Jan 2022	Utilization	Reversal	Allocation	31 Dec 2022
Provision for litigation costs	325	46	224	12	67
Other provisions	3,398	3,215	662	13,134	12,655
Provision for financial statement costs	426	602	1	1,383	1,206
Provision for retention of business documents	128	14	17	36	133
Provision for advertising fund	65	2		6	69
Warranty provision	151		74		77
Provision for consulting fees	32	22	1	78	87
Miscellaneous other provisions	**4,526**	**3,901**	**979**	**14,649**	**14,295**
Provision for long-service awards	1,067	33	-	140	1,174
Provisions for employee bonuses	2,859	2,700	76	1,578	1,661
Provisions for employees	**3,926**	**2,733**	**76**	**1,718**	**2,835**
Total other provisions	**8,452**	**6,634**	**1,055**	**16,367**	**17,129**
thereof current	7,078				15,947
thereof non-current	1,373				1,182

6.15. Assets held for sale

In the first half of 2023, HOWOGE recognized an investment property held for sale at its fair value of EUR 11.1m. The property is the former head office at Ferdinand-Schulze-Strasse 71 and the reason is the completed relocation to a new head office at another location.

7. 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 2023:

in EUR k	H1 2023	H1 2022
Cash flows from operating activities	**102,870**	**105,044**
Cash flows from investing activities	**-184,402**	**-1,514,327**
Cash flows from financing activities	**105,940**	**11,291**

The major impacts on cash flows from operating activities stem from the development of school buildings in inventories and the contrasting development of liabilities and the net finance costs. Cash flows from investing activities mainly relate to the investments in properties. Cash flows from financing activities increased due to a higher amount of cash received from borrowings.

8. 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.

8.1. 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 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.

8.2. 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 25 new schools and will remodel 13 school complexes. More than EUR 3b 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.

8.3. Accounting policies

There were no changes in the accounting policies as of 30 June 2023. See the consolidated financial statements as of 31 December 2022 for further details.

8.4. Reconciliation of profit or loss

The reconciliation from the HGB to IFRSs as of 30 June 2023 is as follows:

in EUR k	Resident ial (HGB)	School Construct ion (HGB)	HGB Total operating segments	Group HGB	Reconcilia-tion IFRSs	Group (IFRSs)
External customers	196,230	-	196,230	196,230	72,873	269,103
Intersegment	-	-	-	-	-	-
Total revenue	**196,230**	**0**	**196,230**	**196,230**	**72,873**	**269,103**
Increase or decrease in inventories*	80,458	0	80,458	80,458	-80,458	-
Own work capitalized	979.59	792	1,772.07	1,772.07	1,485	3,257
Profit or loss from the remeasurement of investment property	-	-	-	-	-1,092,099	-1,092,099
Cost of materials	-96,895	-9	-96,904	-96,904	-59,627	-156,530
Employee benefits expenses	-28,132	-1,485	-29,617	-29,617	-	-29,617
Amortization, depreciation and impairm	-54,702	-1	-54,703	-54,703	53,840	-863
Share of profit or loss from investments	2,624	-	2,624	2,624	-2,624	-
Net finance costs	-18,673	716	-17,957	-17,957	2,530	-15,427
Other operating expenses	-14,370	-488	-14,858	-14,858	-2,332	-17,190
Taxes	-29,083	121	-28,961	-28,961	162,697	133,735
Other operating income	15,558	12	15,569	15,569	-9,048	6,522
Change in inventories for property and other inventories	-	-	-	-	78,438	78,438
Segment result	**53,996**	**-342**	**53,654**	**53,654**	**-874,324**	**-820,670**

* According to IFRSs, changes in such property inventories are reflected in revenue and cost of materials.

The differences between the HGB and IFRS figures are generally due to the different accounting policies and total EUR -874.3m. The main effect stems from the investment property measured at a fair value of EUR -1,092.1m, HOWOGE having opted to apply the fair value method. In this context, regular building depreciation and impairment losses of EUR 53.8m 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 162.7m under IFRSs.

In addition, there is a difference of EUR 72.9m 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 upwards by EUR 59.6m 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 2.4m. 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 of a loan (KfW program 153) 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.

in EUR k	Residential (HGB)	School Construction (HGB)	HGB Total operating segments	Reconcilia-tion IFRSs	Group (IFRSs)
Segment result	53,996	-342	53,654	-874,324	-820,670
Finance income	-2,277	-716	-2,992	-21	-3,013
Finance costs	20,949	0	20,949	115	21,064
Taxes	13,290	-121	13,169	-162,697	-149,528
Amortization, depreciation and impairment	54,702	1	54,703	-53,278	1,424
Changes in fair value from real estate appraisal	-	-	-	1,092,099	1,092,099
EBITDA	**140,661**	**-1,178**	**139,483**	**1,894**	**141,377**
EBIT	**85,958**	**-1,178**	**84,780**	**55,173**	**139,953**
Cash flows from operating activities	**101,087**	**-1,363**	**99,724**	**3,146**	**102,870**
Indebtedness	**3,824,735**	**237,420**	**4,062,155**	**1,628,647**	**5,690,802**
Equity ratio	**31%**	**-3%**	**30%**	**26%**	**56%**

All revenue is generated in Germany.

9. Information on group companies and related party disclosures

The Group plans to convert HOWOGE High Deck B.V. into a limited liability company (GmbH) in the further course of the fiscal year (third quarter of 2023).

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 2022.

10. Events after the reporting date

No major events of particular significance have occurred since the interim reporting date 30 June 2023.

Berlin, 28 August 2023

HOWOGE Wohnungsbaugesellschaft

mit beschränkter Haftung

The Management Board

Greis

Katharina Greis

Ulrich Schiller