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The procedures that we performed were advisory in nature and do not constitute an audit conducted in accordance with generally accepted auditing standards or other assurance, review or related services in accordance with standards established by the International Auditing and Assurance Standards Board or Institut der Wirtschaftsprüfer in Deutschland e.V. EY did not conclude on the appropriate accounting treatment based on specific facts or recommend which accounting policy/treatment the Company should select or adopt.

The observations relating to accounting matters that EY provided to the Company were designed to assist HOWOGE management in reaching its own conclusions and do not constitute our concurrence with or support of the Company's accounting or reporting. The Company alone is responsible for the preparation of its financial statements, including all of the judgments inherent in preparing them.

This information is not intended or written to be used, and it may not be used, for the purpose of avoiding penalties that may be imposed on a taxpayer.

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung

Interim IFRS consolidated financial statements

30 June 2021

HOWOGE interim IFRS consolidated financial statements
30 June 2021

Consolidated income statement and consolidated statement of comprehensive income

for the period from 1 January to 30 June 2021 with comparative figures from the prior-year period from 1 January to 30 June 2020

in EUR k	Note	**H1 2021**	**H1 2020**
Rental and lease revenue (IFRS 16)		153,389	151,424
Revenue from operating costs (IFRS 16)		9,782	10,867
Revenue from real estate management	**5.1**	**163,170**	**162,291**
Revenue from operating costs (IFRS 15)		15,271	15,171
Revenue from heating costs (IFRS 15)		13,696	16,983
Revenue from management services and other trade		1,791	1,421
Other revenue		316	320
Other revenue from real estate management	**5.1**	**31,074**	**33,895**
Total revenue		**194,244**	**196,186**
Profit or loss from the sale of property		107	-
Profit or loss from the remeasurement of investment property	5.2	418,643	316,124
Change in inventories for property and other inventories		7,927	10,877
Own work capitalized		1,443	489
Cost of materials	5.3	- 53,094	- 52,492
Personnel expenses	5.5	- 23,295	- 21,058
Amortization, depreciation and impairment	5.4	- 1,320	- 3,192
Impairment of financial assets	6.9	970	279
Other operating income	5.6	4,103	6,674
Other operating expenses	5.7	- 16,040	- 14,143
Profit or loss from investments accounted for using the equity method	6.10	511	498
Finance income	5.8	21	21
Finance costs	5.8	- 14,612	- 13,883
Profit or loss before taxes		**519,606**	**426,380**
Income taxes	5.9	- 109,789	- 106,250
Other taxes	5.9	- 13,360	- 12,959
Profit or loss for the period		**396,457**	**307,171**
Other comprehensive income		-	-
Total comprehensive income		**396,457**	**307,171**

In the reporting periods ended 30 June 2021 and 30 June 2020, 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 financial position

as of 30 June 2021 with comparative figures as of 31 December 2020

Assets in EUR k	Note	**30 Jun 2021**	**31 Dec 2020**
Non-current assets			
Intangible assets	6.5	333	541
Investment property	6.1	11,127,689	10,543,853
Prepayments on investment property		101,852	79,296
Property, plant and equipment	6.2	41,531	32,912
Investments in associates and joint ventures		12,552	11,530
Financial assets	6.6	84,195	81,860
Rental and lease receivables		9	8
Receivables from other trade		83	163
Other financial assets	6.6	0	-
Total non-current assets		**11,368,243**	**10,750,163**
Current assets			
Inventories for property and other inventories		27,404	19,477
Rental and lease receivables		10,723	21,523
Receivables from other trade		646	831
Contract assets	5.1	7,418	47,946
Other financial assets	6.6	4,286	4,140
Other assets		20,400	36,594
Income tax receivables		2,773	1,779
Cash and cash equivalents		23,602	43,485
Assets held for sale		-	220
Total current assets		**97,252**	**175,995**
Total assets		**11,465,496**	**10,926,159**

Equity and liabilities in EUR k	Note	**30 Jun 2021**	**31 Dec 2020**
Equity			
Subscribed capital		25,000	25,000
(Other) capital reserves		311,717	311,565
Accumulated retained earnings		7,017,301	6,650,139
Consolidated net retained profit		-	367,144
Total comprehensive income		396,457	-
Total equity	6.11	**7,750,476**	**7,353,848**
Non-current liabilities			
Other provisions	6.12	1,790	1,250
Financial liabilities	6.6	1,853,784	1,799,659
Trade payables		4,028	5,407
Tax liabilities		1,830	1,961
Other liabilities		27,396	27,375
Deferred tax liabilities		1,605,899	1,515,511
Total non-current liabilities		**3,494,726**	**3,351,163**
Current liabilities			
Other provisions	6.12	1,632	4,637
Rental and lease liabilities	6.6	9,252	8,797
Trade payables		58,698	72,571
Contract liabilities	5.1	17,438	55,717
Financial liabilities		110,529	74,597
Tax liabilities		16,117	676
Other liabilities		6,627	4,153
Total current liabilities		**220,294**	**221,148**
Total liabilities		**3,715,020**	**3,572,311**
Total equity and liabilities		**11,465,496**	**10,926,159**

Consolidated statement of changes in equity

for the period from 1 January to 30 June 2021 with comparative figures from the prior-year period from 1 January to 30 June 2020

in EUR k	Subscribed capital	(Other) capital reserves	Retained earnings	Reserve required by the articles of incorporation and bylaws	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	-	396,457	7,750,476

in EUR k	Subscribed capital	(Other) capital reserves	Retained earnings	Reserve required by the articles of incorporation and bylaws	Accumulated retained earnings	Consolidated net retained profit	Total comprehensive income	Total equity
1 Jan 2020	25,000	309,773	5,868,146	22,500	5,890,646	757,962		6,983,380
Profit or loss for the period	-	-	-	-	-	-	307,171	307,171
Other comprehensive income	-	-	-	-	-	-	-	-
Contribution from land transfers	-	-	-	-	-	-	-	-
Allocation to retained earnings from consolidated profits earned	-	-	757,962	-	757,962	- 757,962		-
Appropriation of retained earnings	-	-	-	-	-	-	-	-
Other changes	-	-	276	-	276	-	-	276
30 Jun 2020	25,000	309,773	6,626,384	22,500	6,648,884	-	307,171	7,290,828

Consolidated statement of cash flows

for the period from 1 January to 30 June 2021 with comparative figures from the prior-year period from 1 January to 30 June 2020

in EUR k	H1 2021	H1 2020
Profit or loss before taxes	**519,606**	**426,380**
Non-cash expenses and income	**-419,021**	**-318,973**
(Gains)/losses on the remeasurement of investment property and assets held for sale	-418,643	-316,124
Amortization, depreciation and impairment/(reversals of impairment) of intangible assets and property, plant and equipment	1,320	3,192
(Decrease)/increase in provisions	-2,464	-185
Other non-cash expenses/(income)	1,278	-5,797
(Gain)/loss on joint ventures accounted for using the equity method, and other investments	-511	-58
Working capital adjustments	**27,788**	**-9,041**
Decrease/(increase) in rental and lease receivables, receivables from other trade and contract assets	73,426	-47,224
Decrease/(increase) in inventories	7,927	10,877
(Decrease)/increase in trade payables and other liabilities, and contract liabilities	-53,564	27,305
Reclassifications to other areas of activity	**14,374**	**13,937**
(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	-111	74
Net finance costs/(income)	14,591	13,863
Other taxes paid	-13,360	-12,959
Income taxes paid	-19,401	-5,014
Cash flows from operating activities	**109,987**	**94,331**
Cash paid for investments in investment property	-199,854	-205,090
Cash received from disposals of investment property	107	-
Cash paid for investments in other non-current assets	-6,543	-43,687
- thereof in property, plant and equipment	-4,601	-74
- thereof in intangible assets	-	-
- thereof in financial assets	-1,941	-43,613
Cash received from disposals of other assets	111	-
- thereof in property, plant and equipment	111	-
- thereof in intangible assets	-	-
- thereof in financial assets	-	-
Interest received	21	0
Cash flows from investing activities	**-206,158**	**-248,777**
in EUR k	**H1 2021**	**H1 2020**
Cash received from borrowings	121,787	200,021
Cash repayments of borrowings	-40,429	-43,125
Proceeds from shareholder loans	10,000	-
Cash repayments of lease liabilities	-457	-297
Interest paid	-14,613	-13,863
Cash flows from financing activities	**76,289**	**142,737**
Net change in cash and cash equivalents	**-19,883**	**-11,710**
Cash and cash equivalents as of 1 January	**43,485**	**56,899**
Cash and cash equivalents as of 30 June	**23,602**	**45,189**

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 78,100 rental units of its own relevant for valuation, as of the reporting date 30 June 2021 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 10 August 2021.

1.2. Basis of preparation of the interim consolidated financial statements

The interim consolidated financial statements as of 30 June 2021 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). They were prepared on a voluntary basis in accordance with IFRS.

The income statement for the period from 1 January to 30 June 2021 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 2020. These interim consolidated financial statements as of 30 June 2021 should therefore be read in conjunction with the consolidated financial statements as of 31 December 2020. 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.

2. Consolidation principles

The interim consolidated financial statements as of 30 June 2021 include the separate financial statements of HOWOGE and its subsidiaries, Wohnungsbaugesellschaft Lichtenberg mbH (WBL), HOWOGE Servicegesellschaft mbH (Servicegesellschaft), HOWOGE Wärme GmbH (Wärme GmbH) and Kramer + Kramer Bau- und Projektmanagement GmbH (Kramer + Kramer) which have identical fiscal years (calendar year). All companies have their registered office in Berlin.

No acquisitions of companies took place in the first half of 2021. For 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 2020. For information on accounting for joint ventures, please also see the aforementioned IFRS consolidated financial statements.

3. Accounting policies

a) <u>Investment property</u>

Investment property comprises the properties of HOWOGE that are held to earn rentals or for capital appreciation and not for owner occupation or sale in the ordinary course of business. The investment property includes residential property (some of which is used commercially), undeveloped land, project developments and land subject to hereditary building rights granted to third parties (hereditary building rights granted to third parties).

Investment property is initially recognized at cost including transaction costs unless it was acquired as part of a business combination. The properties are subsequently measured at fair value in accordance with the option in IAS 40 in conjunction with IFRS 13. Changes in the fair values of the properties are recognized in profit or loss for the period.

As of the reporting date 30 June 2021 and the comparative reporting date 31 December 2020, the fair values of the properties were based in full on valuations by an independent appraiser. A valuation model equivalent to that recommended by the International Valuation Standards Committee was applied.

The fair values of the investment property and property held for sale are determined based on the forecast net cash inflows from the management of the properties using the discounted cash flow method (DCF method). Undeveloped properties are valued regularly based on the official land values under an indirect sales comparison approach. Deductions are made, in particular to reflect the readiness for development and the potential use as well as the probability of development and available infrastructure. Project developments are measured using the multi-period excess earnings method until construction has been completed. For any structures on the properties that need to be removed (demolitions), the related demolition costs are included as part of the DCF method for residential properties and in the official land value for undeveloped land or the multi-period excess earnings for project developments. Hereditary building rights granted to third parties are measured as encumbered land under an indirect sales comparison approach as for undeveloped land. The value of the hereditary building right comprises the land value discounted over the term of the hereditary building right and the capitalized rent agreed for the hereditary building right.

The earnings in the DCF model mainly comprise anticipated rental income (current net rent, market rents and market rent development) taking reductions from vacancies into account. The anticipated rental income for each location is derived from current rent indices and tables and from studies on geographic prosperity.

Costs include maintenance expenses and administrative expenses. In Germany, these are derived from the Second Computation Ordinance *(II. Berechnungsverordnung*, “II. BV”) and adjusted for inflation in the period under review. The II. BV is a German ordinance that governs the calculation of the economic efficiency of housing. Other costs are rent payable for hereditary building rights, non-allocable operating costs, reletting costs and other special factors impacting value (e.g. maintenance backlog). Modernization work on the properties is taken into account in the form of adjustments to current maintenance expenses and adjusted amounts for market rent.

Due to the limited availability of market data or data not directly observable in the market and valuation inputs, the complexity of real estate appraisal and the specifics of properties, the fair value measurement of investment property is allocated to Level 3 of the fair value hierarchy of IFRS 13.86 (valuation on the basis of unobservable inputs).

The valuation is based on homogeneous valuation units that meet the criteria of economically connected and comparable land and buildings. These include:

- Geographic location (same micro-location and geographic proximity)
- Similar use types, building category, year of construction category, property condition and number of levels
- Same property features, such as rent levels, rent controls, hereditary building rights and full or partial ownership

As a municipal housing company, HOWOGE plays a key role in increasing the municipal housing stock and therefore in supplying broad sections of the population, especially middle and low-income households, with inexpensive housing. This gives rise to the following contractual obligations, which were taken into account in connection with the valuation of investment property if they have a significant effect on the valuation.

Rent increase restrictions apply to approximately 1,614 residential units; for this portfolio of funded housing, cost rents or the agreed rent amounts are realized until the end of the extended rent restriction period. These amounts are mostly below market rents, giving rise to reduced income and therefore effects on the market value. An additional 44 units are subject to rent controls due to the obligation to provide inexpensive housing for a period of five years from the completion of construction (according to the purchase agreement). In addition, HOWOGE has signed the cooperation agreement “Affordable rents, new residential construction and supply of social housing”. Under this agreement, for new construction projects for which construction started on or after 1 July 2017, 50% of units are to be let to tenants holding housing entitlement certificates (WBS) subject to rent and occupancy restrictions and the other 50% in the freely funded new construction segment at less than EUR 10/sqm per month on average with appropriately differentiated pricing. These restrictions can prevent HOWOGE from realizing future market rent increases for newly constructed properties, which would also have an effect on the profitability and market values of the properties. In the calculation of multi-period excess earnings, it is assumed that in the unlikely event of a sale, the letting requirements pertaining the new construction project will continue to be met by the buyer. According to the information provided, no sales are expected at present.

In terms of the effects of the cooperation agreement on the Group’s portfolio properties, it is assumed that rents will be increased and apartments re-let based on the usual market conditions that apply to a third party. The voluntary commitment under the agreement is not directly taken into account. Instead, the letting policies of the owner are factored in using the reletting assumptions based on actual lets in the recent past.

The discontinuation of the rent cap affects the value of the investment property portfolio. An analysis of the valuation inputs showed that the further development is primarily dependent on the anticipated minimum and average development of rents within the next five years. It is thus expected that the value of the residential properties will rise by 1.2% (2.99%) due to the anticipated minimum (average) development of rents in the next five years. Prior to the discontinuation of the rent cap, the importance of the development of rents for the value of the investment property portfolio was much lower at 0% and 0.45%. Note *6.1 Investment property* contains an overview of the key value drivers.

In order to ensure comparability in the income statement, an appraisal of the real estate was performed as of 30 June 2020. The procedure was as follows. The basis for the valuation as of 30 June 2020 is the real estate appraisal as of 31 December 2020. The first step involves an adjustment of the quantity structure to account for the economic units that were not yet under the ownership of HOWOGE (portfolio purchases, contributions, etc.) on the reporting date 30 June 2020. The second step involves accounting for the market development. An adjustment factor for the valuation date of 1.10 (+10% for the first and second halves of 2020 based on the official land values as of 1 January 2020) was assumed for the 2020 annual appraisal and applied to the official land values/hereditary building rights granted to third parties. The increase in value in the second half of 2020 was thus accounted for at 5%. With regard to the portfolio properties and project developments, only an immaterial change in value was observable as the market was effectively frozen. The rent cap was in place on both 30 June 2020 and 31 December 2020 and thus led to a nearly unchanged market rent at the individual property level. The purely market-driven effects were not notable and thus did not give rise to any significant like-for-like increases in the value of the HOWOGE portfolio, which came to only around 2.5% in the fiscal year. In the third step, the construction costs incurred in the second half of 2020 for current project developments and those that were not completed until the second half of 2020 were deducted.

Germany’s Federal Constitutional Court declared the Berlin rent cap unconstitutional on April 2021. As a result, the rent cap was no longer valid for reletting, although rent price controls (“Mietpreisbremse”) continued to apply.

b) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. To recognize revenue, the criteria of IFRS 15 or IFRS 16 must also be met.

HOWOGE mainly generates revenue from the lease of land, buildings and rental apartments and the associated operating, heating and ancillary costs. It distinguishes between revenue (largely revenue from rents) within the scope of IFRS 16 *Leases* and revenue from the provision of services or supply of goods that falls within the scope of IFRS 15 *Revenue from Contracts with Customers*.

<u>Revenue from real estate management</u>

Rental and lease revenue (IFRS 16)

Revenue from the rental and lease (IFRS 16) of real estate is recognized straight line over the term of the agreement where the relevant rental and lease agreements are classified as operating leases.

Revenue from operating costs (IFRS 16)

Operating costs comprising property tax and insurance (building and liability insurance) are also recognized in the statement of comprehensive income straight line over the term of the corresponding agreements as revenue from operating costs (IFRS 16) as a component of revenue from real estate management, but separately from rental and lease revenue (IFRS 16).

<u>Other revenue from real estate management</u>

Revenue from operating and heating costs (IFRS 15)

In addition, HOWOGE also generates revenue (IFRS 15) from payments for operating, heating and ancillary costs if the related services have already been rendered. They are not netted, in accordance with the principal method, in particular due to HOWOGE's business model under which a high share of services that are relevant for operating costs are rendered in-house and because tenants consider HOWOGE to be primarily responsible for providing the services. HOWOGE also bears an inventory risk in respect of all services not rendered in-house due to the invoicing bases customary in the real estate industry (rental space). The only exceptions are allocated operating costs in connection with cold water and charges for street cleaning and rubbish collection for which HOWOGE acts as an agent within the meaning of IFRS 15 since HOWOGE does not obtain control over the services before they are transferred to the customers or provided for the customers. The relevant allocations are netted with the corresponding expenses. Services provided to tenants but not yet billed for which HOWOGE acts as the agent are shown under other assets.

Revenue from operating, heating and ancillary costs is determined based on the costs incurred and are equivalent to the contractually agreed transaction price. The corresponding prepayments are due at the beginning of each month. Revenue is recognized over the month. In the subsequent year, the prepayments are netted with the actual operating costs.

Rental income from operating, heating and ancillary costs recognized during the year in relation to which HOWOGE acts as the principal represent assets that are recognized separately from the rent receivables (IFRS 15.105, 107). Prepayments additionally give rise to a contract liability. Prepayments received from installments are recognized as contract liabilities. Contract assets and contract liabilities are not netted because services rendered are not allocated to prepayments received at the level of the individual agreements outside of the year-end operating and ancillary cost billing. HOWOGE is working on establishing a process that will allow these items to be netted in the future.

Technical netting of the contract liabilities and contract assets from operating costs and heating costs was performed as of 30 June 2021 for the prepayments received, which was done using a calculated allocation key based on the work in process figures (see note *5.1 Revenue from real estate management and other revenue from real estate management*).

Revenue from management services and other trade

Income from other services comprises revenue from services (such as construction and project management) and third-party management.

Income from other services is recognized as revenue over time if the customer simultaneously receives the benefits from and uses the service or HOWOGE owes an asset which has no alternative use and has an enforceable right to payment. In all other instances, revenue is recognized at a point in time when the customer accepts the service. The transaction price and its maturity are based on the agreed contractual modalities.

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.

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 2020. 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 2020. Furthermore, no major effects on accounting judgments resulting from the Covid-19 situation were identified for the current reporting period.

5. Selected notes to the income statement

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

Rental and lease revenue

in EUR k	H1 2021	H1 2020
Rental and lease revenue (IFRS 16)	153,389	151,424
Revenue from operating costs (IFRS 16)	9,782	10,867
Revenue from real estate management	**163,170**	**162,291**
Revenue from operating costs (IFRS 15)	15,271	15,171
Revenue from heating costs (IFRS 15)	13,696	16,983
Revenue from management services and other trade	1,791	1,421
Other revenue	316	320
Other revenue from real estate management	**31,074**	**33,895**
Total revenue	**194,244**	**196,186**

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 153,389k (first half of 2020: EUR 151,424k). Revenue from real estate management also includes revenue from allocable operating costs (property tax, building and liability insurance) of EUR 9,782k (first half of 2020: EUR 10,867k).

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 2020).

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 2021**	**31 Dec 2020**
Current contract assets from operating costs	7,344	18,464
Current contract assets from heating costs	283	30,837
Impairment loss (IFRS 9)	- 209	- 1,356
Total contract assets	**7,418**	**47,946**
Current contract liabilities from operating costs	2,430	16,352
Current contract liabilities from heating costs	15,008	39,365
Total contract liabilities	**17,438**	**55,717**

Revenue from operating costs relates to contract liabilities of EUR 16,352k (not netted) at the beginning of the period (1 January 2020: EUR 14,346k). At the beginning of the fiscal year, they contrasted with contract assets of EUR 18,464k (1 January 2020: EUR 14,877k). As of 30 June 2021, contract liabilities came to EUR 62,333k and contract assets to EUR 67,246k (gross).

Revenue from heating costs relates to contract liabilities of EUR 39,365k (not netted) at the beginning of the period (1 January 2020: EUR 36,730k). At the beginning of the fiscal year, they contrasted with assets of EUR 30,837k (1 January 2020: EUR 29,387k). As of 30 June 2021, contract liabilities came to EUR 49,852k and contract assets to EUR 35,128k (gross). The rise in contract liabilities and contract assets is attributable to the process of preparing the ancillary cost invoices, which was ongoing as of the 30 June 2021 reporting date. The contract liabilities and contract assets will thus be derecognized after this date.

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 2021, corresponding income of EUR 316k was recognized (first half of 2020: EUR 320k).

See disclosures on government grants in the IFRS consolidated financial statements as of 31 December 2020 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 418,643k (first half of 2020: EUR 316,124k). Based on the property held at the beginning of the fiscal year (including purchases), this is equivalent to a 3.7% increase in the value of the investment property (first half of 2020: 3.0%).

Accordingly, 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 2021, EUR 418,643k (first half of 2020: EUR 316,124k) 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 153,389k in the first half of 2021 (first half of 2020: EUR 151,424k). Operating expenses directly connected with this property came to EUR 22,453k in the first half of 2021 (first half of 2020: EUR 14,414k). These include expenses for maintenance, non-allocable operating costs, personnel expenses from property management and residential services.

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 2021**	**H1 2020**
Facility management expenses	44,669	41,468
thereof operating costs	22,216	27,054
thereof maintenance and modernization	9,220	12,172
thereof other cost of purchased services	13,232	2,243
Expenses for land held for sale	-	0
Expenses for other goods and services	498	147
Total cost of materials	**45,167**	**41,615**
Change in inventories for property and other inventories	7,927	10,877
Cost of materials according to the income statement	**53,094**	**52,492**

The increase in expenses for other goods and services in the first half of 2021 is connected to activities performed by HOWOGE as part of the Berlin school construction scheme. The cost of materials for school construction is due to activities extending beyond the basic model.

5.4. Amortization, depreciation and impairment

Amortization, depreciation and impairment of non-financial assets in EUR k	**H1 2021**	**H1 2020**
Impairment of property, plant and equipment	- 1,039	- 1,910
Amortization and impairment of intangible assets	- 281	- 1,282
	- 1,320	**- 3,192**

The much higher amortization and impairment of intangible assets recorded in the first half of 2020 compared to the figure for the first half of 2021 is attributable to the derecognition of software, for which the last amortization charge was recorded in fiscal year 2020.

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 6.3 Leases as the lessee*; it amounted to EUR 4.2k in the first half of 2021 (first half of 2020: EUR 4.2k).

5.5. Personnel expenses

Employee benefits expenses

in EUR k	**H1 2021**	**H1 2020**
Wages and salaries	19.402	17.630
Social security costs	3.797	3.360
Pension costs	97	68
	23.295	**21.058**

For information concerning personnel expense types, please see the IFRS consolidated financial statements as of 31 December 2020.

5.6. Other operating income

in EUR k	**H1 2021**	**H1 2020**
Reversal of provisions	1,389	-
Out-of-period income	149	232
Income from cost allocations	13	44
Miscellaneous other income	2,551	6,399
	4,103	**6,674**

The much higher miscellaneous other operating income recorded in the first half of 2020 compared to the figure for the first half of 2021 is primarily attributable to income from the derecognition of liabilities as a result of the hereditary building rights for the property located at Dolgenseestrasse 1a being transferred back to HOWOGE.

5.7. Other operating expenses

in EUR k	**H1 2021**	**H1 2020**
Audit and consulting fees	5,191	1,073
IT costs	3,891	2,805
Insurance premiums	2,111	2,287
Non-staff expenses	1,552	1,141
Training costs	561	644
Advertising and sponsorship costs	529	917
Contributions to associations	285	358
Development studies	285	71
Out-of-period expenses	82	75
Donations	3	54
Miscellaneous other operating expenses	1,550	4,718
	16,040	**14,143**

The much higher miscellaneous other operating expenses recorded in the first half of 2020 compared to the figure for the first half of 2021 are mainly attributable to an additional allocation (in the first half of 2021) to the provisions for potential losses.

5.8. Finance income and costs

in EUR k	H1 2021	H1 2020
Finance income from the unwinding of the discount on a lease receivable	21	21
Finance income	**21**	**21**
Finance costs from loan liabilities	- 13.717	- 13.582
Finance costs from lease liabilities	- 233	- 237
Amortization of government grants received	316	320
Other finance costs	- 978	- 385
Finance costs	**- 14.612**	**- 13.883**
Net finance costs	**- 14.591**	**- 13.863**

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

5.9. Income and other taxes

Income taxes include current tax expenses of EUR 19,401k (first half of 2020: EUR 5,014k) and deferred tax expenses of EUR 90,388k (first half of 2020: EUR 101,236k).

Other taxes of EUR 13,360k (first half of 2020: EUR 12,959k) 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 2020 and in the first half of 2021:

in EUR k	Residential properties	Undeveloped land	Project development	Hereditary building rights granted to third parties	Total
1 Jan 2020	**9,566,208**	**164,320**	**161,530**	**6,076**	**9,898,134**
Purchases	165,450	13,701	1,118	-	180,270
Other additions	25,048	25,651	120,806	-	171,504
Reclassification to assets held for sale	-	-220	-	-	-220
Reclassification between categories	72,070	-47,632	-20,079	-4,360	-
Fair value adjustment	295,944	14,430	-16,255	47	294,165
31 Dec 2020	**10,124,720**	**170,250**	**247,120**	**1,763**	**10,543,853**

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	80,149			-	80,149
Other additions	28,806	24,930	39,910	-	93,645
Reclassification between categories	175,013	-29,359	-145,654	-	-
Reclassification to property, plant and equipment	-8,600	-	-	-	-8,600
Fair value adjustment	408,674	-8,121	18,024	66	418,643
31 Dec 2021	**10,808,761**	**157,700**	**159,400**	**1,829**	**11,127,689**

The fair values of investment property are all assigned to Level 3 of the fair value hierarchy (IFRS 13). There were no reclassifications to/from other levels of the fair value hierarchy as of the respective reporting dates.

In the first half of 2021 (as in the first half of 2020), there were no additions from acquisitions by way of business combinations within the meaning of IFRS 3. As of 30 June 2021, the quantifiable purchase commitments for construction services and developments amounted to EUR 333m (31 December 2020: EUR 319m).

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).

The net valuation effect from adjustments to fair value related to portfolio property (net) in the first half of 2021 and in fiscal year 2020 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.

The entire housing stock of HOWOGE has undergone complex maintenance and modernization in the last 25 years. There are only a few remaining properties that are being comprehensively refurbished on a case-by-case basis.

Complex maintenance will be carried out on the following properties in calendar year 2021:

- Grevesmühlener Strasse 16 – 20
- Hendrichplatz 2 – 10, Ruschestrasse 22 – 33b
- Kienhorststrasse 97, 99/Lienemannstrasse 30 – 36
- Leopoldstrasse 18, 18a, 19, 19a, 20
- Turmstrasse 45

In line with the 2035 strategy, HOWOGE will focus on making its properties more energy efficient in the years to come. In order to achieve the 2050 climate targets, it will be necessary to further reduce carbon emissions. We will only succeed in doing so by developing technical and other innovations together with Wärme GmbH. The relevant surveys and planning are still being conducted for Rhinstrasse 2, 4 and Zerbster Strasse 80-84. Our goal is to complete new construction projects in accordance with the KfW40 standard.

The shareholder did not contribute any properties in the first half of 2020. The traffic area at Lückstrasse 33 was contributed in the first half of 2021.

A focus was again placed on the achievement of the growth targets for the purchase of developments in the year to date. As part of this growth strategy, 15 developments have been added to the portfolio since 2015. Additional projects have been notarized and are under construction, bringing the total number of purchased projects to 22. As the focus of the first half of 2021 was placed on the acquisition of potential new developments, no further developments were notarized (first half of 2020: completion and handover of the development at Goeckestrasse 32-34e with a total of 264 apartments).

Due to the purchase of portfolio properties relevant for valuation in the first half of 2021, around 498 apartments were added to the portfolio (fiscal year 2020: around 723 apartments). These are attributable to the purchases of the properties at Mehringplatz (Mehringplatz 12-14/Friedrichstrasse 246/Wilhelmstrasse 2-6) and Ruschestrasse 43.

The residential portfolio relevant for valuation also increased by 101 apartments as a result of new buildings constructed by the Group (second construction section for Melli-Beese-Strasse 64-70, Strasse am Flugplatz 65-69D).

Disposals in the first half of 2021 relate to the sale of the portfolio property at Strasse 9 No. 17.

The situation on the real estate markets continues to be shaped by comparatively low returns on purchase prices. The observations from the market transactions conducted in this half-year reporting period are reflected in the discount and capitalization rates used to determine fair values. The selected valuation methods account for both the general market environment and the continued strength of HOWOGE's operating activities.

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 2021**	**31 Dec 2020**
Fair value according to external valuation	11,103,973	10,519,916
Adjustments for lease liabilities	23,716	23,937
Fair value in the statement of financial position	11,127,689	10,543,853

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 factors take into account the current developments, in particular the rent price controls ("Mietpreisbremse") in Berlin.

Valuation inputs as of 30 June 2021

		Fair value (in EUR k)	Valuation method	Market rent EUR/sqm or parking space per month	Maintenance costs EUR/sqm 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		10,844,424	DCF	-	-	-	0.00%/0.51%/100.00%
	Residential	-	-	6.00/7.51/15.00	2.40/10.46/15.00	215.00/227.53/450.00	-
	Commercial (office/retail/ other commercial use)	-	-	0.25/8.42/25.00	2.00/10.38/15.00	3.00%	-
	Garages	-	-	20.00/69.54/142.50	14.70/71.55/73.50	39.00	-
	Outdoor parking spaces	-	-	10.00/30.53/60.00	6.30/31.45/31.50	39.00	-
Undeveloped land/ hereditary building rights granted to third parties		159,529	Capitalization of earnings method/ sales comparison approach	-	-	-	-
Project developments		159,400	Residual value	-	-	3.00%/4.38%/5.00%	-
	Residential	-	-	8.19/8.83/9.95	9.00	-	-
	Commercial (office/retail/ other commercial use)	-	-	13.50/14.19/17.50	7.50	-	-
	Garages	-	-	75.00/78.36/80.00	50.00	-	-
	Outdoor parking spaces	-	-	15.00/45.96/100.00	30.00	-	-
Total portfolio (IAS 40)		**11,163,353**		-	-	-	-

	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	3.28%/4.41%/ 6.78%	1.40%/2.41%/ 4.98%	1.20%/2.99%/3.30%	1.00%/1.99%/2.20%
Undeveloped land/ hereditary building rights granted to third parties	-	-	-	-
Project developments	-	1.25%/1.49%/ 3.20%	-	-
	-	-	-	-

Valuation inputs as of 31 December 2020

		Fair value (in EUR k)	Valuation method	Market rent EUR/sqm or parking space per month	Maintenance costs EUR/sqm 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		10,100,783	DCF	-	-	-	0.00%/0.51%/100.00%
	Residential	-	-	2.21/6.29/15.00	2.40/10.46/15.00	215.00/227.70/450.00	-
	Commercial (office/retail/ other commercial use)	-	-	0.25/7.04/18.50	2.00/10.25/15.00	3.00%	-
	Garages	-	-	20.00/62.51/142.50	14.70/69.52/73.50	39.00	-
	Outdoor parking spaces	-	-	10.00/29.30/60.00	6.30/31.45/31.50	39.00	-
Undeveloped land/ hereditary building rights granted to third parties		172,013			-	-	-
Project developments		247,120	Residual value	-	-	1.50%/3.47%/5.00%	-
	Residential	-	-	6.50/8.31/10.28	9.00	-	-
	Commercial (office/retail/ other commercial use)	-	-	12.50/16.88/22.50	7.50	-	-
	Garages	-	-	50.00/67.24/80.00	50.00	-	-
	Outdoor parking spaces	-	-	15.00/52.59/100.00	30.00	-	-
Total portfolio (IAS 40)		**10,519,916**		-	-	-	-

	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	3.25%/4.20%/ 6.80%	1.30%/2.26%/ 5.00%	0.00%/0.45%/3.30%	1.00%/1.99%/2.20%
Undeveloped land/ hereditary building rights granted to third parties	-	-	-	-
Project developments	-	1.25%/1.70%/ 2.25%	-	-
	-	-	-	-

The following sensitivities arose as of 30 June 2021 and as of 31 December 2020:

Sensitivity analysis as of 30 June 2021

	Fair value (in EUR k)	Valuation method	Capitalization rate sensitivity +0.25% Fair value (in EUR k)	+0.25% Absolute variance	+0.25% Percentage variance	-0.25% Fair value (in EUR k)	-0.25% Absolute variance	-0.25% Percentage variance
Residential properties	10,844,424	DCF	10,009,701	-834,722	-7.70%	11,874,985	1,030,562	9.50%
Undeveloped land/ hereditary building rights granted to third parties	159,529	Capitalization of earnings method/ sales comparison approach	159,529	-	-	159,529	-	-
Project developments	159,400	Residual value	159,400	-	-	159,400	-	-
Total portfolio (IAS 40)	**11,163,353**		**10,328,630**	**(834,722)**	**-7.48%**	**12,193,914**	**1,030,562**	**9.23%**

	Fair value (in EUR k)	Valuation method	Discount rate sensitivity +0.25% Fair value (in EUR k)	+0.25% Absolute variance	+0.25% Percentage variance	-0.25% Fair value (in EUR k)	-0.25% Absolute variance	-0.25% Percentage variance
Residential properties	10,844,424	DCF	10,613,219	-231,205	-2.13%	11,083,237	238,813	2.20%
Undeveloped land/ hereditary building rights granted to third parties	159,529	Capitalization of earnings method/ sales comparison approach	159,529	-	-	159,529	-	-
Project developments	159,400	Residual value	159,400	-	-	159,400	-	-
Total portfolio (IAS 40)	**11,163,353**		**10,932,148**	**(231,205)**	**-2.07%**	**11,402,166**	**238,813**	**2.14%**

	Fair value (in EUR k)	Valuation method	Market rent sensitivity +2.00% Fair value (in EUR k)	+2.00% Absolute variance	+2.00% Percentage variance	-2.00% Fair value (in EUR k)	-2.00% Absolute variance	-2.00% Percentage variance
Residential properties	10,844,424	DCF	10,960,118	115,694	1.07%	10,724,408	-120,016	-1.11%
Undeveloped land/ hereditary building rights granted to third parties	159,529	Capitalization of earnings method/ sales comparison approach	159,529	-	-	159,529	-	-
Project developments	159,400	Residual value	159,400	-	-	159,400	-	-
Total portfolio (IAS 40)	**11,163,353**		**11,279,047**	**115,694**	**1.04%**	**11,043,337**	**-120,016**	**-1.08%**

Sensitivity analysis as of 31 December 2020

	Fair value (in EUR k)	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	10,100,783	DCF	9,273,805	(826,978)	-8.19%	11,138,174	1,037,391	10.27%
Undeveloped land/ hereditary building rights granted to third parties	172,013	Capitalization of earnings method/ sales comparison approach	172,013	-	-	172,013	-	-
Project developments	247,120	Residual value	247,120	-	-	247,120	-	-
Total portfolio (IAS 40)	**10,519,916.08**		**9,692,938**	**(826,978)**	**-7.86%**	**11,557,307**	**1,037,391**	**9.86%**

	Fair value (in EUR k)	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	10,100,783	DCF	9,883,080	(217,703)	-2.16%	10,322,391	221,608	2.19%
Undeveloped land/ hereditary building rights granted to third parties	172,013	Capitalization of earnings method/ sales comparison approach	172,013	-	-	172,013	-	-
Project developments	247,120	Residual value	247,120	-	-	247,120	-	-
Total portfolio (IAS 40)	**10,519,916.08**		**10,302,213**	**(217,703)**	**-2.07%**	**10,741,524**	**221,608**	**2.11%**

	Fair value (in EUR k)	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	10,100,783	DCF	10,182,720	81,937	0.81%	10,020,982	(79,801)	-0.79%
Undeveloped land/ hereditary building rights granted to third parties	172,013	Capitalization of earnings method/ sales comparison approach	172,013	-	-	172,013	-	-
Project developments	247,120	Residual value	247,120	-	-	247,120	-	-
Total portfolio (IAS 40)	**10,519,916.08**		**10,601,853**	**81,937**	**0.78%**	**10,440,115**	**(79,801)**	**-0.76%**

6.2. 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 con-struction	Construction preparation costs	Furniture, fixtures and office equipment	Right-of-use assets	Total
Cost								
1 Jan 2020	**6,586**	**8,846**	**3,365**	**7,961**	**1,986**	**9,448**	**19**	**38,212**
Additions	-	-	-	10,016	-	1,703	19	11,738
Disposals	-	-	-	-	-	- 178		- 178
31 Dec 2020	**6,586**	**8,846**	**3,365**	**17,978**	**1,986**	**10,973**	**38**	**49,771**
Additions			-		-	2,107		2,107
Disposals	-	-		- 1,050	-	- 6		- 1,056
Reclassification	8,600					-	-	8,600
30 Jun 2021	**15,186**	**8,846**	**3,365**	**16,928**	**1,986**	**13,074**	**38**	**59,422**
Depreciation and impairment							-	
1 Jan 2020	**474**	**5,006**	**-**	**-**	**-**	**7,721**	**12**	**13,213**
Depreciation and impairment for the fiscal year	237	2,503				1,070	11	3,820
Disposals						- 171	-	- 171
31 Dec 2020	**711**	**7,509**	**-**	**-**	**-**	**8,620**	**22**	**16,861**
Depreciation and impairment for the fiscal year	119	210	-			706	4	1,038
Disposals						- 6	-	- 6
30 Jun 2021	**830**	**7,719**	**-**	**-**	**-**	**9,320**	**26**	**17,893**
Net carrying amount								
30 Jun 2021	**14,355**	**1,127**	**3,365**	**16,928**	**1,986**	**3,758**	**12**	**41,531**
31 Dec 2020	**5,874**	**1,337**	**3,365**	**17,978**	**1,986**	**2,353**	**16**	**32,912**

6.3. 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 2021 and in the comparative prior-year period:

Lease expenses

in EUR k	H1 2021	H1 2020
Depreciation and impairment of right-of-use assets	4	4
Interest expenses on lease liabilities	233	237
Expense relating to leases of low-value assets	29	29
Total amount recognized in profit or loss	**266**	**270**

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 486k (first half of 2020: EUR 320k) for leases. No variable lease payments were made.

The development of right-of-use assets is presented under note *6.2 Property, plant and equipment*.

6.4. 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 *5.1. 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 2021**	**31 Jun 2020**
Within 12 months	64	64
1 to 2 years	54	59
2 to 3 years	54	54
3 to 4 years	54	54
4 to 5 years	54	54
More than 5 years	3,611	3,638
	3,892	**3,924**

6.5. Intangible assets

Intangible assets exclusively relate to purchased software licenses.

in EUR k	Software	Goodwill	Total
Cost			
1 Jan 2020	**14,867**	**357**	**15,224**
Additions	340	-	340
31 Dec 2020	**15,208**	**357**	**15,564**
Additions	73	-	73
30 Jun 2021	**15,281**	**357**	**15,637**
Amortization and impairment			
1 Jan 2020	**11,998**	**357**	**12,355**
Amortization and impairment for the fiscal year	2,669	-	2,669
31 Jun 2020	**14,667**	**357**	**15,024**
Amortization and impairment in the first half of 2021	281	-	281
30 Jun 2021	**14,948**	**357**	**15,305**
Net carrying amount			
31 Jun 2021	**333**	**-**	**333**
30 Dec 2020	**541**	**-**	**541**

6.6. 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 2021

in EUR k	IFRS 9 measurement category	**Carrying amount 30 Jun 2021**	**Fair value 30 Jun 2021**	thereof Level 3
Financial assets		84,195		
thereof in scope:				
Investments	At fair value through profit or loss	82,135	82,135	82,135
Rental and lease receivables	Amortized cost	10,731	10,731	-
Receivables from other trade	Amortized cost	729	729	-
Other financial assets	Amortized cost	4,286	4,286	-
Cash and cash equivalents	Amortized cost	23,602	23,602	-
		121,483	**121,483**	**82,135**
Financial liabilities		1,964,313		
thereof in scope:				
Liabilities to banks	Amortized cost	1,905,588	2,030,747	-
Liabilities to shareholders	Amortized cost	35,000	34,613	-
Rental and lease liabilities	Amortized cost	9,252	9,252	-
Trade payables	Amortized cost	62,726	62,726	-
Other liabilities		34,023		
thereof in scope:				
Other financial liabilities	Amortized cost	8,255	9,901	
		2,054,844	**2,147,240**	**-**

Thereof aggregated by IFRS 9 measurement category:	
Financial assets at fair value through profit or loss	82,135
Financial assets at amortized cost	39,348
Financial liabilities at amortized cost	2,054,844

Measurement categories as of 31 December 2020

in EUR k	IFRS 9 measurement category	**Carrying amount 31 Dec 2020**	**Fair value 31 Dec 2020**	thereof Level 3
Financial assets		81,860		
thereof in scope:				
Investments	At fair value through profit or loss	79,788	79,788	79,788
Rental and lease receivables	Amortized cost	21,531	21,531	-
Receivables from other trade	Amortized cost	994	994	
Other financial assets	Amortized cost	4,140	4,140	-
Cash and cash equivalents	Amortized cost	43,485	43,485	-
		149,938	**149,938**	**79,788**
Financial liabilities		1,874,256		
thereof in scope:				
Liabilities to banks	Amortized cost	1,825,259	2,048,672	-
Liabilities to shareholders	Amortized cost	25,049	25,262	-
Rental and lease liabilities	Amortized cost	8,797	8,797	-
Trade payables	Amortized cost	77,978	77,978	-
Other liabilities		31,528		
thereof in scope:				
Other financial liabilities	Amortized cost	5,980	6,018	
		1,974,591	**2,166,727**	**-**

Thereof aggregated by IFRS 9 measurement category:	
Financial assets at fair value through profit or loss	79,788
Financial assets at amortized cost	70,150
Financial liabilities at amortized cost	1,974,591

For assets related to contracts with customers (IFRS 15) and leases (IFRS 16) see the relevant notes *(6.3 Leases as the lessee, 6.4 Leases as the lessor* and *5.1 Revenue from real estate management and other revenue from real estate management)*.

6.7. 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.
- 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.

6.8. Collateral

Overall, financial assets of EUR 82,135k were pledged as collateral as of 30 June 2021 (31 December 2020: EUR 79,788k). As in fiscal year 2020, collateral in the first half of 2021 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).

6.9. 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 2020.

With regard to liquidity risk, the following tables show how the undiscounted cash outflows arising from financial liabilities as of 30 June 2021 and as of 31 December 2020 as the comparative date can be classified based on the contractually agreed maturities:

30 Jun 2021

in EUR k	Up to 1 year	1 to 5 years	More than 5 years	**Total**
Liabilities to banks[1]	175,295	420,263	1,613,333	**2,208,891**
Liabilities to shareholders[1]	-	-	35,380	**35,380**
Rental and lease liabilities	9,235	17	-	**9,252**
Trade payables	14,747	6,151	46,757	**67,655**
Other financial liabilities	9,468	-	-	**9,468**
				2,330,647

[1] Liabilities to banks and shareholders comprise interest liabilities

31 Dec 2020

in EUR k	Up to 1 year	1 to 5 years	More than 5 years	**Total**
Liabilities to banks[1]	106,658	436,357	1,588,787	**2,131,802**
Liabilities to shareholders[1]	-	-	25,284	**25,284**
Rental and lease liabilities	8,797	-	-	**8,797**
Trade payables	72,571	5,407	-	**77,978**
Other financial liabilities	1,240	4,740	-	**5,980**
				2,249,841

[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 *6.6 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.

6.10. 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 2020.

6.11. Equity

Breakdowns of equity, subscribed capital and reserves are presented in the IFRS consolidated financial statements as of 31 December 2020. Please see the figures presented in these interim consolidated financial statements for information about the corresponding changes in these items.

6.12. Other provisions

Please see the IFRS consolidated financial statements as of 31 December 2020 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 2021 and for fiscal year 2020 as the comparative period were as follows:

Development of other provisions

in EUR k	1 Jan 2020	Utilization	Reversal	Allocation	31 Dec 2020
Provision for litigation costs	67	12	13	343	385
Other provisions	557	530	33	2,108	2,103
Provision for financial statement costs	112	101	0	149	160
Provision for retention of business documents	127	13	-	19	132
Provision for advertising fund	66	7	-	7	65
Warranty provision	135	-	-	32	166
Provision for consulting fees	28	16	0	18	30
Miscellaneous other provisions	**1,091**	**679**	**47**	**2,676**	**3,042**
Provision for long-service awards	822	51	-	153	924
Provisions for employee bonuses	1,587	1,320	84	1,736	1,920
Provisions for employees	**2,409**	**1,371**	**84**	**1,890**	**2,844**
Total other provisions	**3,500**	**2,049**	**131**	**4,566**	**5,886**
thereof current	2,408				4,637
thereof non-current	1,092				1,250

in EUR k	1 Jan 2021	Utilization	Reversal	Allocation	30 Jun 2021
Provision for litigation costs	385	-	-	-	385
Other provisions	2,103	1,376	667	462	522
Provision for financial statement costs	160	105	-	14	69
Provision for retention of business documents	132	6	0	6	132
Provision for advertising fund	65	2	-	-	64
Warranty provision	166	-	-	-	166
Provision for consulting fees	30	16	-	-	14
Miscellaneous other provisions	**3,042**	**1,504**	**667**	**482**	**1,353**
Provision for long-service awards	924	22	-	72	974
Provisions for employee bonuses	1,920	1,322	199	696	1,095
Provisions for employees	**2,844**	**1,343**	**199**	**768**	**2,069**
Total other provisions	**5,886**	**2,847**	**867**	**1,251**	**3,422**
thereof current	4,637				1,632
thereof non-current	1,250				1,790

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 2021:

in EUR k	H1 2021	H1 2020
Cash flows from operating activities	**109,987**	**94,331**
Cash flows from investing activities	**- 206,158**	**- 248,777**
Cash flows from financing activities	**76,289**	**142,737**

Cash flows from operating activities rose slightly in the reporting period compared to the prior-year period, which is mainly attributable to the increase in trade payables, other liabilities and contract liabilities. Changes in cash flows from investing and financing activities compared to the first half of 2020 are primarily due to lower investments by HOWOGE in its financial assets as well as a decline in its volume of borrowed funds.

8. Information on group companies and related party disclosures

Unchanged from 31 December 2020, HOWOGE holds 100% of the shares in its four subsidiaries. For information concerning the business activities of the subsidiaries, please see the IFRS consolidated financial statements as of 31 December 2020.

With effect from 28 January 2020, HOWOGE acquired 100% of the shares in KW Goecke S.A.R.L., which in contrast to the other subsidiaries has its head office in Bertrange, Luxembourg. The purpose of the entity is to construct a residential rental building on the land at Goeckestrasse 32-24 in Berlin-Lichtenberg. The entity is to be legally merged into HOWOGE in the second half of 2021. The share acquisition is treated as an asset deal for accounting purposes and not as a business combination since KW Goecke S.A.R.L. does not constitute a business pursuant to IFRS 3.

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 and supervisory board of HOWOGE, please see the disclosures in the IFRS consolidated financial statements as of 31 December 2020.

9. Events after the reporting date

The master agreement for the new “school construction” business segment between HOWOGE and the State of Berlin was adopted on 7 January 2019 and came into effect after being signed by the management board and the three Berlin Senate Departments (Finance; Education, Youth and Families; Urban Development and Housing). 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 3.2b (EUR 2.6b in project costs plus fees, construction cost increases and financing costs) has been included for this in the long-term corporate budget.

Needs-based programs were announced for 11 school locations (13 schools). Nine needs-based programs have been completed to date (thereof three in 2019, four in 2020 and two in the first half of 2021) and handed over to the Berlin Senate Department for Education, Youth and Families. Four schools are still at the planning stage, while the competition procedures are underway for four additional projects. For the “Allee der Kosmonauten” project, all contracts were notarized in 2020 and the building permit was issued in July 2021. As a result, the lease and hereditary building rights agreement can take effect and the construction work can begin.

Berlin, 10 August 2021

HOWOGE Wohnungsbaugesellschaft

mit beschränkter Haftung

The Management Board

Felgenhauer Schiller