INSTONE REAL ESTATE GROUP SE

ANNUAL FINANCIAL STATEMENTS 2022

Statement of financial position

Statement of financial position
Assets

TABLE 01

In thousands of euro

			Note	31/12/2022	31/12/2021
A.	**Non-current assets**				
	I.	**Intangible assets**			
		Concessions acquired for consideration and licences associated with such rights and assets		1,275	0
	II.	**Property, plant and equipment**			
		Plant, property and office equipment		193	0
	III.	**Financial assets**	1		
	1.	Investments in affiliated companies		222,626	222,626
	2.	Loans to affiliated companies		200,362	312,460
	3.	Investments		1,300	258
				424,287	**535,344**
				425,755	**535,344**
B.	**Current assets**				
	I.	**Receivables and other assets**	2		
	1.	Trade receivables		0	1
	2.	Receivables from affiliated companies			
		of which with a remaining term of more than one year: €0 thousand (previous year: €21,529 thousand)			
		of which trade payables €53 thousand (previous year: €669 thousand)			
		of which from other assets: €103,237 thousand (previous year: €132,788 thousand)		103,290	133,457
	3.	Other assets		1,575	1,532
				104,865	**134,990**
	II.	**Bank balances**	3	**189,643**	**73,204**
				294,508	**208,194**
C.	**Prepaid expenses and deferred income**			**424**	**75**
D.	**Deferred tax asset**		4	**4,787**	**5,944**
				725,474	**749,557**

Statement of financial position (continued)

Statement of financial position
Equity and liabilities

TABLE 01

In thousands of euro

			Note	31/12/2022	31/12/2021
A.	**Equity**		5		
	I.	Share capital		46,988	46,988
		Treasury shares		–3,154	0
		Issued capital		43,834	0
		Contingent capital: €4,699 (previous year: €4,699 thousand)			
	II.	Capital reserves		358,958	358,958
	III.	Other retained earnings		22,606	34,372
	IV.	Net profit		25,200	36,824
				450,598	**477,142**
B.	**Provisions**				
	1.	Provisions for pensions and similar obligations	6	2,183	1,081
	2.	Tax provisions	7	24,138	13,778
	3.	Other provisions		5,302	7,688
				31,622	**22,547**
C.	**Liabilities**				
	1.	Loans from banks and other lenders of which with a remaining term of up to one year: €15,354 thousand (previous year: €71,808 thousand) of which with a remaining term of more than one year: €165,500 thousand (previous year: €128,477 thousand)	8	180,854	200,285
	2.	Trade payables of which with a remaining term of up to one year: €3,390 thousand (previous year: €235 thousand)	9	3,390	235
	3.	Liabilities to affiliated companies of which with a remaining term of up to one year: €58,174 thousand (previous year: €48,770 thousand) of which from other liabilities: €58,174 thousand (previous year: €48,770 thousand)	10	58,174	48,770
	4.	Other liabilities of which with a remaining term of up to one year: €837 thousand (previous year: €577 thousand) of which liabilities under social security: €54 thousand (previous year: €7 thousand) of which from taxes: €72 thousand (previous year: €76 thousand)	11	837	577
				243,254	**249,868**
				725,474	**749,557**

Income statement

Income statement of 1 January to 31 December 2022

TABLE 02

In thousands of euro

		Note	2022	2021
1.	Revenue	12	7,364	3,927
2.	Other operating income	13	4,742	1,202
	Operating performance		**12,107**	**5,129**
3.	Staff costs	14		
	a) Wages and salaries		–9,445	–4,239
	b) Social security contributions and expenses for pensions and other employee benefits of which for retirement provision: €423 thousand (previous year: €147 thousand)		–1,448	–294
4.	Depreciation and amortisation of intangible non-current assets and property, plant and equipment		–564	0
5.	Other operating expenses	15	–13,264	–7,242
	Operating profit		**–12,614**	**–6,646**
6.	Income from profit and loss transfer agreements	16	71,089	110,562
7.	Income from other securities and loans of the financial assets of which from affiliated companies: €9,203 thousand (previous year: €10,286 thousand)	16	9,212	10,286
8.	Other interest and similar income of which from discounting: €20 thousand (previous year: €14 thousand)	16	299	42
9.	Depreciation on financial assets of which from affiliated companies: €0 thousand (previous year: €–990 thousand)	16	0	–1,015
10.	Expenses from profit and loss transfer agreements	16	–5,843	–4,170
11.	Interest and similar expenses of which to affiliated companies: €–1,150 thousand (previous year: €–1,613 thousand) of which from discounting: €–192 thousand (previous year: €–293 thousand)	16	–11,042	–10,008
12.	Taxes on income and earnings of which deferred tax expenses: €–1,157 thousand (previous year: €–17,085 thousand)	17	–16,851	–30,307
13.	**Earnings after tax/net profit**		**34,250**	**68,744**
14.	Attribution to other retained earnings		–17,125	–34,372
15.	Profit carried forward from the previous year		8,074	2,452
16.	**Net profit**		**25,200**	**36,824**

Notes to the annual financial statements

Basis of the annual financial statements

General principles

Instone Real Estate Group SE (hereinafter also referred to as the "Company") with its registered office at Grugaplatz 2–4, 45131 Essen, Germany, is registered under reference number HRB 32658 in the Commercial Register of the Essen District Court. Instone Real Estate Group SE has been listed on the regulated market of the Frankfurt Stock Exchange since February 15, 2018.

In the 2022 financial year, the focus as a management holding company was further concentrated through the transfer of personnel from the central Group functions and the associated expansion of the holding services. In the course of this transition, essential operating property, plant and equipment and intangible assets as well as personnel-related provisions and contracts with external service providers were also transferred. In comparison with the previous year, this resulted in an increase in sales and other operating income from the recalculation of the intra-Group services, as well as an increase in staff costs and other operating expenses.

The Company is the parent company of the Instone Group and assumes the function of the management holding company in this respect. As part of this function, it is responsible for defining and monitoring the overall strategy and implementing the corporate objectives.

The Company holds investments in subsidiaries whose principal activity is the acquisition, development, construction, leasing, management and sale or other use of land and buildings, as well as investment in other companies active in this industry.

Instone Real Estate Group SE is the controlling company for corporate and commercial tax purposes of Instone Real Estate Development GmbH, as well as for almost all domestic companies, including for sales tax purposes.

The annual financial statements of Instone Real Estate Group SE have been prepared according to the accounting standards currently applicable to corporations as per the German Commercial Code (Sections 242 et seq. and 264 et seqq. HGB (German Commercial Code)), taking into account the specific legal form statutory provisions of the German Stock Corporation Act (AktG). As a listed company, the Company is a large corporation within the meaning of Section 264d HGB in conjunction with Section 267 (3) sentence 2 HGB.

The income statement has been prepared according to the nature of expense method pursuant to Section 275 (2) HGB.

In order to improve the clarity of the presentation, individual items in the statement of financial position and income statement have been grouped together. These items are shown and explained separately in the notes. Due to the similar use, loans from banks and liabilities to other lenders are combined in one item on the statement of financial position.

All amounts are expressed in thousands of euros (in thousands of euros) unless stated otherwise. As a result, there may be minor deviations between figures in tables and their respective analyses in the body of the text of the Notes to the financial statements, as well as between totals of individual amounts in tables and the total values similarly provided in the text.

As the parent company of the Instone Group, the Company prepares a consolidated financial statement in accordance with the International Financial Reporting Standards as applicable in the European Union and the supplementary commercial law provisions to be applied in accordance with Section 315e (1) HGB. The annual and consolidated financial statements are announced in the register of companies. The consolidated financial statements are also available for access on the Company's website.

The management report was combined, in application of Section 315 (5) HGB in conjunction with Section 298 (2) HGB, with the management report of the Instone Group's consolidated financial statements and will be published together with them.

Accounting and measurement principles

Intangible assets are recognised at acquisition cost. These include software for commercial and technical applications only. Intangible assets are generally amortised on a straight-line basis over a period of one to five years.

Property, plant and equipment are valued at acquisition cost or the mandatory capitalisable production cost less scheduled and unscheduled depreciation. Production costs include individual production costs and an appropriate share of overall costs. Depreciation on property, plant and equipment is carried out on a straight-line basis in accordance with the average useful life. The average useful life for other systems, operating and office equipment is two to fourteen years.

Low-value assets with acquisition costs of up to €250.00 were recorded as an expense in the year of acquisition or production. Independently usable assets whose cost of acquisition or production exceeds €250.00, but not €1,000.00, are combined into a single item and are depreciated on a straight-line basis over five years. On account of triviality, purchased user software (trivial programs) is listed under plant, property and office equipment.

Financial assets include interests in affiliated companies and equity investments and are valued at acquisition cost. Unscheduled depreciation and amortisation takes place in the case of permanent impairment. If impairment losses were recognised in previous years and the reasons for the impairment have been partially or completely eliminated in the meantime, the impairment is reversed up to a maximum of the acquisition cost.

Loans are carried at amortised costs or, if impairment is expected to be permanent, at the lower fair value.

Receivables and other assets are recognised at amortised costs. For the valuation of receivables and other assets, the foreseeable risks are taken into account through appropriate value adjustments (impairment). The amount of the impairment provision is based on the probable default risk. Receivables are generally deemed to have been realised at the time of the transfer of risk – i.e. at the time of handover to the purchaser. At this point, the revenue can be reflected in the income statement and the receivable in the balance sheet.

Cash and cash equivalents are reported at their nominal value.

Expenses paid before the date up to which the financial statements are prepared are reported under **Prepaid expenses and deferred income** on the assets side of the statement of financial position, insofar as they represent expenses for a certain period thereafter.

Deferred taxes arise due to temporary differences between the statements of financial position prepared for commercial and for tax purposes. Not only are the differences from the Company's own statement of financial position items included in this calculation, but also for those subsidiaries where Instone Real Estate Group SE is the controlling company.

Deferred tax assets are also recognised for tax refund claims arising from the anticipated utilisation of existing tax loss carryforwards in subsequent years. Deferred tax liabilities are capitalised if it can be assumed with sufficient certainty that the associated economic benefits can be claimed. Deferred tax assets and liabilities are netted. Their amount is calculated on the basis of the tax rates which apply, or are expected to apply, at the time of adoption. For all other purposes, deferred tax liabilities are measured on the basis of the tax regulations in force or enacted at the time of reporting. The capitalisation option pursuant to Section 274 (1) sentence 2 HGB was exercised and the resulting asset excess was accounted for after offsetting against liabilities.

Equity is recognised at nominal value.

Treasury shares are deducted from the subscribed capital at their nominal value. The amount of acquisition costs exceeding the nominal value is offset against other retained earnings. Transaction costs in connection with the purchase of own shares are recognised in profit or loss. In the event of a renewed issue, shares are taken from the holdings of treasury shares at the average cost of acquisition.

Provisions for pensions and similar obligations include obligations by the Company with respect to current and future benefits for eligible current and former employees and their survivors. These obligations largely relate to pension benefits. The individual commitments are determined on the basis of the length of service and the salaries of the employees. The measurement of provisions for defined benefit plans is based on the actuarial value of the respective obligation. This is determined using the projected-unit credit method. This projected unit credit method not only includes the pensions and accrued benefits that were known at the reporting date, but also wage increases (3.00%; previous year: 3.00%), pension increases for commitments with an adjustment guarantee (1.00%; previous year: 1.00%), pension increases for other commitments (2.25%; previous year: 1.85%) and probability of fluctuation (3.42%; previous year: 3.42%), which is estimated for the future. The calculation is based on actuarial reports using biometric calculation methods ("Richttafeln 2018 G" (guideline tables) produced by Professor Dr Klaus Heubeck). Direct pension obligations are valued in accordance with the provisions of Section 253 (1) and (2) HGB.

The option under Section 253 (2) sentence 2 HGB was used for determining the actuarial interest rate. Provisions for pension obligations or comparable long-term obligations may therefore be discounted as a lump sum with the average market interest rate which results for an assumed residual term of 15 years. The underlying actuarial interest rate for discounting pension obligations amounted to 1.78% (previous year: 1.58%). In accordance with Section 253 (6) sentence 3 HGB, the difference between the recognition of provisions in accordance with the corresponding average market interest rate from the past ten years and the recognition of the provisions in accordance with the corresponding average market interest rate from the past seven financial years is to be determined in each financial year.

The difference arising from the change in the annual average interest rate due to the extension of the period from seven to ten years is determined as follows:

Pension provisions TABLE 03

In euros

	31/12/2022	31/12/2021
Provisions derived		
using the 10-year average interest rate	4,349,354.00	2,273,046.00
using the 7-year average interest rate	4,706,223.00	2,546,212.00
Difference according to Section 253 (6) HGB	356,869.00	273,166.00
Of which, subject to a distribution block in accordance with Section 253 (6) sentence 1 HGB	356,869.00	273,166.00

The liabilities from pension commitments are primarily covered by assets which are used exclusively for meeting pension obligations and cannot be accessed by other creditors. These include assets which are invested in trust as part of a Contractual Trust Arrangement, reinsurances pledged to employees and fund units acquired from deferred compensation. They are measured at fair value. Depending on the nature of the cover fund, this value is derived from market prices, bank statements and insurance information. If the fair value is greater than the acquisition cost, a dividend block is observed. According to Section 246 (2) sentence 2 HGB, the fair value of the cover fund is to be offset against the covered pension obligations, as are the associated income and expenses.

Provisions for partial retirement are determined on an actuarial basis and include obligations by the Company with respect to current and future benefits for eligible active and non-active employees.

The tax provisions and **other provisions** are formed in accordance with reasonable commercial judgement. Price and cost increases expected in future are taken into account when determining the settlement value of the other provisions. Provisions with a residual maturity of more than one year are each discounted with the average market interest rate of the past seven years with matching maturities calculated and announced by the Bundesbank using the net method. The intrinsic value is decisive for the HGB valuation of provisions for long-term stock option programmes. Based on the observation of the valuation parameters used on the reporting date, the intrinsic value corresponds to the current closing price on the valuation date.

The **liabilities** are recognised at the settlement value.

Estimates and assumptions

The preparation of the financial statements requires estimates and assumptions that may affect the application of the Company's accounting principles, recognition and measurement. Estimates are based on past experience and other knowledge of the transactions to be posted. Actual amounts may differ from these estimates.

Notes to the statement of financial position

Asset overview

Asset overview

TABLE 04

In thousands of euro

	Acquisition/production costs				Depreciation and amortisation	Carrying amount	Carrying amount
	01/01/2022	Additions	Disposals	31/12/2022	Accumulated depreciation and amortisation	31/12/2022	31/12/2022
Intangible assets							
Concessions acquired for consideration and licences associated with such rights and assets	0	1,766	0	1,766	– 491	1,275	0
	0	**1,766**	**0**	**1,766**	**– 491**	**1,275**	**0**
Property, plant and equipment							
Plant, property and office equipment	0	266	0	266	– 73	193	0
	0	**266**	**0**	**266**	**– 73**	**193**	**0**
Financial assets							
Investments in affiliated companies	261,519	0	0	261,519	– 38,893	222,626	222,626
Loans to affiliated companies	312,460	82,338	– 194,436	200,362	0	200,362	312,460
Investments	258	1,042	0	1,300	0	1,300	258
	574,237	**83,380**	**– 194,436**	**463,181**	**– 38,893**	**424,287**	**535,344**
Total non-current assets	**574,237**	**85,412**	**– 194,436**	**465,213**	**– 39,457**	**425,755**	**535,344**

Asset overview (continued)

Asset overview TABLE 04

In thousands of euro

	Depreciation and amortisation		
	01/01/2022	Depreciation and amortisation for the financial year	Accumulated depreciation and amortisation
Intangible assets			
Concessions acquired for consideration and licences associated with such rights and assets	0	–491	–491
	0	**–491**	**–491**
Property, plant and equipment			
Plant, property and office equipment	0	–73	–73
	0	**–73**	**–73**
Financial assets			
Investments in affiliated companies	–38,893	0	–38,893
	–38,893	**0**	**–38,893**
Total depreciation and amortisation	**–38,893**	**–564**	**–39,457**

Non-current assets

1 Financial assets

The development of shares in affiliated companies is presented in the following overview.

Development of shares in affiliated companies TABLE 05

In thousands of euro

	2022	2021
Acquisition costs		
As at 1 January	**261,519**	**261,519**
Disposals	0	0
As of 31 December	**261,519**	**261,519**
Cumulative depreciation and amortisation		
As at 1 January	**–38,893**	**–38,893**
Additions	0	0
As of 31 December	**–38,893**	**–38,893**
Carrying amounts as at 31 December	**222,626**	**222,626**

Shares in affiliated companies are shown in the following table. In the 2022 financial year, the shares decreased due to a disposal of Instone Real Estsate Leipzig GmbH Overall, the impairment test of material investments resulted in a depreciation requirement at Instone Real Estate Leipzig GmbH of €990 thousand.

Investments in affiliated companies TABLE 06

In thousands of euro

	31/12/2022	31/12/2021
Investments in affiliated companies included in the consolidated financial statements		
Instone Real Estate Development GmbH	181,821	181,821
Instone Real Estate Leipzig GmbH	40,291	40,291
Westville 1 GmbH	464	464
Instone Real Estate Landmark GmbH	25	25
Nyoo Real Estate GmbH	25	25
	222,626	**222,626**

The development of loans to affiliated companies is presented in the following overview.

Development of loans to affiliated companies TABLE 07

In thousands of euro

	2022	2021
Acquisition costs		
As at 1 January	**312,460**	**268,116**
Additions	82,338	188,208
Disposals	–194,436	–143,864
As of 31 December	**200,362**	**312,460**
Carrying amounts as at 31 December	**200,362**	**312,460**

Loans to affiliated companies are presented in the following overview.

Loans to affiliated companies TABLE 08

In thousands of euro

	31/12/2022	31/12/2021
Loans to affiliated companies included in the consolidated financial statements		
Instone Real Estate Development GmbH	184,462	300,200
Nyoo Real Estate GmbH	15,900	9,850
Westville 1 GmbH	0	2,410
	200,362	**312,460**

The development of the shares in investments is presented below.

Development of investments TABLE 09

In thousands of euro

	2022	2021
Acquisition costs		
As at 1 January	**258**	**0**
Additions	1,042	258
As of 31 December	**1,300**	**258**
Carrying amounts as at 31 December	**1,300**	**258**

Additions for the financial year relate exclusively to beeboard GmbH.

Current assets

2 Receivables and other assets

Receivables from affiliated companies primarily result from a profit and loss transfer agreement.

Receivables from affiliated companies TABLE 10

In thousands of euro

	31/12/2022	31/12/2021
Receivables from affiliated companies		
Instone Real Estate Development GmbH	102,574	132,729
Nyoo Real Estate GmbH	656	553
Westville 4 GmbH	0	46
Instone Real Estate Leipzig GmbH	20	42
Westville 2 GmbH	0	38
Westville 5 GmbH	0	32
Westville 1 GmbH	41	11
Instone Real Estate Landmark GmbH	0	6
KORE GmbH	0	1
	103,290	**133,457**

The other assets include the following items:

Other receivables and assets TABLE 11

In thousands of euro

	31/12/2022	31/12/2021
Other receivables and assets		
Receivable tax exemption Hochtief Solutions AG	1,235	1,229
Input tax surplus	0	294
Receivables from tax authorities	338	6
Other	2	2
	1,575	**1,532**

The Company has recognised a corresponding provision of the same amount as a liability for the items relating to Hochtief Solutions AG.

3 Bank balances

Bank balances amounting to €189,643 thousand essentially comprise short-term cash investments as at 31 December 2022. As in the previous year, they are not subject to any drawing restrictions.

4 Deferred tax assets

Deferred tax assets amounting to €4,787 thousand (previous year: €5,944 thousand) result from valuation and recognition differences for pension and personnel provisions. The development compared with the previous year is mainly due to the utilisation of loss and interest carryforwards. The deferred taxes calculation is made on the basis of a tax rate of 31.64% (previous year: 31.74%).

5 Equity

As at 31 December 2022, the subscribed capital of the Company amounted to €46,988,336.00 (previous year: €46,988,336.00) and is fully paid up. It is divided into 46,988,336 no-par-value shares (previous year: 46,988,336) without a nominal amount. The nominal value per no-par-value share is €1.00.

On 29 June 2018, the Annual General Meeting resolved to create authorised capital. The Management Board is authorised to increase the registered capital of the Company by up to €18,450 thousand in the period to 28 June 2023 through the issue of up to 18,450,000 new shares. In connection with the capital increase in the 2020 financial year, the authorised capital was utilised through the issue of 10,000,000 no-par value shares, so that the authorised capital amounted to €8,450,000.00 as at 31 December 2021. This corresponds to 8,450,000 no-par-value shares. On 9 June 2021, the Annual General Meeting resolved to create further authorised capital. The Management Board is also authorised to increase the total capital of the Company by up to €8,000,000 thousand in the period until 8 June 2026 through the issue of up to 8,000,000 no-par value shares. As of 31 December 2022, the total amount of the authorised capital was €16,450,000.00 and corresponds to 16,450,000 no-par-value shares.

The Annual General Meeting authorised the Executive Board to repurchase up to 10% of the share capital at that time, which corresponds to 3,698,833 shares, until 12 June 2024. The Management Board, with the consent of the Supervisory Board, resolved on 10 February 2022 to acquire up to 2,349,416 shares and on 25 October 2022 to acquire a further up to 1,349,417 shares. In the 2022 financial year, a total of 3,187,090 shares were acquired at prices of between €6.05 and €18.86. Within the scope of the employee share programme , Instone Real Estate Group SE issued a total of 33,072 shares to employees of the Group companies at reduced prices in the fourth quarter of the 2022 financial year. The shares were taken from the stock of the Company's own shares, valued at an average cost of €11.23 euros. The company incurred staff costs of €8,496.96. As at the balance sheet date 31 December 2022, the Company holds 3,154,018 treasury shares.

In the financial year, a distribution of €28,749,696.36 was made on the basis of a dividend of €0.62 per no-par value share entitled to dividends.

A minimum dividend was not paid according to Section 254 AktG.

As part of the acquisition of treasury shares, €28,890,797.52 was offset against other retained earnings.

For the 2022 financial year, the Management Board has decided to allocate €17,125,197.40 from net profit to other retained earnings.

The capital reserves as at 31 December 2022 amount to €358,957,638.59 (previous year: €358,957,638.59).

Information on amounts subject to a distribution block

The provisions for pension obligations recognised on the statement of financial position (before deduction of the corresponding hedging funds) were calculated on the basis of the corresponding average market interest rate from the past ten years. An average formation on the basis of seven financial years would have resulted in higher liabilities of €356,869.00. This difference is subject to a distribution block pursuant to Section 253 (6) HGB. The deferred tax assets of €4,786,801.46 in the statement of financial position are blocked pursuant to Section 268 (8) HGB. A total of €5,143,670.46 is therefore subject to a distribution block.

6 Provisions for pensions and similar obligations

The liabilities from defined benefit plans of Instone Real Estate are listed in the following table:

Pension provisions TABLE 12

In thousands of euro

	31/12/2022	31/12/2021
Pension provisions		
Settlement value of the pensions and similar obligations	4,349	2,273
Fair value of the cover fund	– 2,166	– 1,192
Net value of the provision for pensions and similar obligations	**2,183**	**1,081**
Acquisition costs of the cover fund	2,455	1,249

The fair value of the cover fund is broken down as follows:

Securities TABLE 13

In thousands of euro

	31/12/2022	31/12/2021
Securities		
CTA assets	2,069	1,155
DC assets	97	37
	2,166	**1,192**

7 Provisions

Provisions TABLE 14

In thousands of euro

	31/12/2022	31/12/2021
Provisions		
Pensions	2,183	1,081
Tax	24,138	13,778
	26,321	**14,859**
Other provisions		
Stock option programmes	2,348	3,503
Indirect personnel costs	478	2,019
Premiums	1,304	1,591
External costs of the annual financial statements	360	450
Outstanding leave	335	125
Structural measures	194	0
Severely disabled compensation levy	17	0
Partial retirement backlog	16	0
Partial retirement top-up contributions	249	0
	5,302	**7,688**
	31,622	**22,547**

8 Loans from banks and other lenders

Loans from banks and other lenders amount to €180,854 thousand (previous year: €200,285 thousand). Maturing promissory note loans in the amount of €69,500 thousand were refinanced by a new fixed-interest promissory note loan in the amount of €50,000 thousand with a five-year term. Due to the good liquidity of Instone Real Estate Group SE and the negative interest rates charged to banks for account balances at the time of refinancing, full refinancing was not required.

9 Trade payables

On the balance sheet date, there are liabilities of €3,390 thousand (previous year: €235 thousand).

10 Liabilities to affiliated companies

Liabilities to affiliated companies — TABLE 15

In thousands of euro

	31/12/2022	31/12/2021
Liabilities to affiliated companies		
Instone Real Estate Leipzig GmbH	43,449	43,279
Nyoo Real Estate GmbH	10,013	4,170
Instone Real Estate Landmark GmbH	1,871	922
Instone Real Estate Development GmbH	1,433	212
Westville 3 GmbH	0	54
Westville 4 GmbH	0	46
Westville 2 GmbH	0	38
Westville 5 GmbH	0	32
KORE GmbH	0	12
Westville 1 GmbH	1,406	5
Instone Real Estate Projekt MarinaBricks GmbH	1	0
	58,174	**48,770**

11 Other liabilities

Other liabilities — TABLE 16

In thousands of euro

	31/12/2022	31/12/2021
Other liabilities		
Liabilities to employees	103	0
Liabilities from Supervisory Board bonuses	608	493
Liabilities under social security	54	7
Liabilities from taxes	72	76
	837	**577**

Notes to the income statement

12 Revenue

The revenue of €7,364 thousand (previous year: €3,927 thousand) mainly relates to revenue with affiliated companies in Germany from intra-Group services.

13 Other operating income

Other operating income — TABLE 17

In thousands of euro

	2022	2021
Other operating income		
Other income	2,133	684
Income from the reversal of provisions	2,609	518
	4,742	**1,202**

The increase in other operating income is mainly due to the passing on of intra-Group costs to the income statement and the reversal of personnel provisions for remuneration associated with long-term incentives.

14 Staff costs

Staff costs — TABLE 18

In thousands of euro

	2022	2021
Staff costs		
Wages and salaries	–9,445	–4,239
	–9,445	**–4,239**
Social security contributions/expenses for pensions		
Social security contributions	–1,025	–147
Changes in pension provisions	–423	–147
	–1,448	**–294**
	–10,893	**–4,533**

The Company employed an average of 80 employees over the year (previous year: 11 employees), all of whom were assigned to the commercial services department at the Essen site.

15 Other operating expenses

Other operating expenses are as shown below. Sundry other operating expenses not recognised elsewhere primarily include administration expenses. The increase is mainly due to services commissioned in the 2022 financial year as a result of the concentration of service functions within the Company.

Other operating expenses — TABLE 19

In thousands of euro

	2022	2021
Other operating expenses		
Organisational consulting	–6,850	–2,328
Intra-Group services	–382	–1,526
Insurance premiums	–1,003	–1,110
Costs of the annual financial statements	–415	–592
Other taxes	–1,268	–584
Costs of the Supervisory Board	–604	–519
Travel costs	–303	–99
Car leasing	–219	–90
Rents, leases, usage fees	–395	–76
Costs for IT	–272	–18
Costs of payment transactions	–285	–15
Other overheads	–242	0
Severance payments	–199	0
Other expenses	–828	–285
	–13,264	**–7,242**

16 Financial result

The income from profit and loss transfer agreements amounts to €71,089 thousand (previous year: €110,562 thousand) and relates to the profit and loss transfer agreement of Instone Real Estate Development GmbH.

Of the income from other securities and loans under financialassets, €9,203 thousand (previous year: €10,286 thousand) relates to affiliated companies.

Income from the discounting of provisions for long-term incentive plans amounted to €20 thousand (previous year: €14 thousand).

In the previous year, unscheduled depreciation and amortisation on financial assets related to Instone Real Estate Leipzig GmbH, which was amortised by €–990 thousand.

The losses from profit and loss transfer agreements relate to the loss transfer of Nyoo Real Estate GmbH in the amount of €5,843 thousand (previous year: €4,170 thousand.

The net interest expense in connection with pension provisions in the amount of €–358 thousand (previous year: €–197 thousand) includes interest from the interest accrued on the pension obligations in the amount of €–159 thousand (previous year: €–241 thousand). These amounts are recognised in interest expenses/income from plan assets amounting to €–199 thousand (previous year: €44 thousand). The increase in the effects results from the assumption of the pension obligations of the transferred personnel.

17 Taxes on income and earnings

Taxes on income and earnings — TABLE 20

In thousands of euro

	2022	2021
Taxes on income and earnings		
Trade income tax	–8,433	–5,738
Corporation tax	–6,935	–7,094
Solidarity surcharge	–325	–390
Deferred tax	–1,157	–17,085
	–16,851	**–30,307**

The deferred taxes calculation is made on the basis of a combined income tax rate of 31.64% (previous year: 31.74%).

In the previous year, the tax expense resulted mainly from the use of tax loss carryforwards.

Other disclosures

18 Members of the Management Board

The Management Board is comprised of the following three members:

Kruno Crepulja

→ Chair of the Management Board/CEO of Instone Real Estate Group SE

Dr Foruhar Madjlessi

→ Member of the Management Board/CFO of Instone Real Estate Group SE

Andreas Gräf

→ Member of the Management Board/COO of Instone Real Estate Group SE

19 Members of the Supervisory Board

Stefan Brendgen, independent management consultant

In addition to his function as Chairman of the Supervisory Board of the Company, Mr Brendgen is a member of the following other statutory supervisory boards and comparable domestic and foreign supervisory bodies of commercial enterprises:

→ HAHN-Immobilien-Beteiligungs AG (Chair of the Supervisory Board)

Dr Jochen Scharpe, Managing Director of AMCi and ReTurn Immobilien GmbH

In addition to his role as Deputy Chair of the Supervisory Board of the Company, Dr Scharpe is a member of the following other statutory supervisory boards and comparable domestic and foreign supervisory bodies of commercial enterprises:

→ FFIRE Immobilienverwaltung AG (Deputy Chairman of the Supervisory Board)

→ LEG Immobilien SE (member of the Supervisory Board)

Dietmar P. Binkowska, independent management consultant

Mr Binkowska is a member of the following statutory supervisory boards or comparable domestic and foreign supervisory bodies of commercial enterprises in addition to his function as a member of the Supervisory Board of the Company.

→ Kathrein SE (member of the Supervisory Board)

Thomas Hegel, lawyer and independent consultant

Mr Hegel is a member of the following statutory supervisory boards of comparable domestic and foreign supervisory bodies of commercial enterprises in addition to his function as a member of the Supervisory Board of the Company.

→ Wohnbau GmbH (member of the Supervisory Board)

→ Sahle Wohnen GmbH & Co. KG (member of the Supervisory Board)

Christiane Jansen, Managing Director of Westdeutsche Lotterie GmbH & Co. OHG

Ms Jansen is not a member of the other statutory supervisory boards or comparable domestic or foreign supervisory bodies of commercial enterprises besides her role as a member of the Supervisory Board of the Company.

20 Remuneration of the Management Board

The main components of the remuneration system for members of the Management Board are the following:

Fixed basic remuneration

→ The fixed remuneration is paid in equal monthly instalments.

Fringe benefits

→ Fringe benefits consist of taxable monetary benefits, such as the private use of company cars or other benefits-in-kind.

Performance-based emoluments – Short Term Incentive (STI)

→ The one-year variable compensation in the form of an STI is linked to the economic performance of the Instone Group in the underlying financial year and the personal targets set for the individual members of the Management Board.

Multi-year variable compensation (LTI)

→ As a further component of variable remuneration, the members of the Management Board are also promised multi-year variable compensation in the form of an LTI bonus.

Pension commitments

→ Some members of the Management Board have a company pension plan in the form of individual contractual pension agreements which are valid after reaching the minimum pensionable age of 65 years.

The total remuneration granted for the members of the Management Board for the 2022 financial year within the meaning of Section 285 (9) HGB amounted to €1,356 thousand (previous year: €2,797 thousand). Of the total remuneration €1,401 thousand (previous year: €1,254 thousand) was paid in fixed, non-performance-related remunerationcomponents, including benefits-in-kind and fringe benefits, €33 thousand (previous year: €936 thousand) to variable, one-year performance-related remuneration components and €–199 thousand (previous year: €441 thousand) to variable, multi-year performance-related remuneration components. The value of fringe benefits was measured at the amount determined for tax purposes. The gross pension costs for the members of the Management Board amount to €121 thousand (previous year: €165 thousand).

The present value of the pension commitments to active and former members of the Management Board amounts to €2,380 thousand (previous year: €2,131 thousand). The pension obligations to former members of the Management Board amount to €1,546 thousand (previous year: €1,418 thousand).

In the year under review, no advances were paid to members of the Management Board and no loans were made.

21 Remuneration of the Supervisory Board

The total remuneration of the Supervisory Board in the 2022 financial year was €608 thousand (previous year: €493 thousand). Of which, €488 thousand (previous year: €405 thousand was remuneration for work on the General Committee. Remuneration for work in committees amounted to €120 thousand (previous year: €88 thousand).

In the 2022 financial year, the Companies of the Instone Group did not pay or grant any remuneration or other benefits to members of the Supervisory Board for services rendered in a personal capacity, in particular advisory and agency services. Nor were members of the Supervisory Board granted any advances or credits.

22 Auditor's fees

The following total fees were recorded as an expense for the financial year for the services of the auditor, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Dusseldorf Office:

Audit fees TABLE 21

In thousands of euro

	2022	2021
Audit fees		
Annual audit	163	579
of which relating to previous years[1]	– 197	36
Other confirmation services	179	135
	342	**714**

[1] In the 2022 financial year, income form the reversal of provisions is included in the amount of €197 thousand.

In addition to the audit of the annual and consolidated financial statements, the auditor mainly conducted an audit review pursuant to IDW PS 900, which is reported within the audit services. In addition, the auditor provided other assurance services; these are agreed investigative actions (covenant reporting) in accordance with ISRS 4400 and agreed investigative actions in accordance with ISAE 3000.

23 Events after the end of the financial year

There were no events of particular significance to report after the closing date of the statement of financial position on 31 December 2022.

24 Affiliates and investment companies

List of shareholdings as at 31 December 2022 TABLE 22

	Share of capital In %	Direct shareholdings	Indirect shareholdings	Equity in thousands of euros	Earnings in thousands of euros
Interests in affiliated companies to be consolidated					
Durst-Bau GmbH, Vienna, Austria	100.0		x	341	– 56
formart Immobilien GmbH, Essen, Germany[1]	100.0		x	701	0
formart Luxemburg S.à r.l., Luxemburg, Luxemburg	100.0		x	1,119	403
Gartenhöfe GmbH, Leipzig, Germany	100.0		x	6,154	44
Instone Real Estate Development GmbH, Essen, Germany[2]	100.0	x		153,986	0
Instone Real Estate Landmark GmbH, Leipzig, Germany	100.0	x		2,637	– 914
Instone Real Estate Leipzig GmbH, Leipzig, Germany	100.0	x		35,311	909
Instone Real Estate Projekt MarinaBricks GmbH, Erlangen, Germany	100.0		x	921	– 305
Instone Real Estate Projekt Rosenheim GmbH & Co. KG, Erlangen, Germany	100.0		x	– 1,227	– 463
Instone Real Estate Projektbeteiligungs GmbH, Erlangen, Germany	100.0		x	1,138	76
KORE GmbH, Dortmund, Germany	85.0		x	6,374	52
Nyoo Real Estate GmbH (formerly: Instone Real Estate Property GmbH), Essen, Germany[2]	100.0	x		25	0
Projekt am Sonnenberg Wiesbaden GmbH (formerly: Instone Real Estate Erste Projektbeteiligung GmbH & Co. KG), Essen, Germany	51.0		x	– 743	– 655
Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main, Germany	70.0		x	62	44
Westville 1 GmbH, Essen, Germany	100.0	x	x	162	1
Westville 2 GmbH, Essen, Germany	99.9		x	77	– 350
Westville 3 GmbH, Essen, Germany	99.9		x	69	– 314

List of shareholdings as at 31 December 2022 TABLE 22

	Share of capital In %	Direct shareholdings	Indirect shareholdings	Equity in thousands of euros	Earnings in thousands of euros
Westville 4 GmbH, Essen, Germany	99.9		x	58	– 315
Westville 5 GmbH, Essen, Germany	99.9		x	80	– 304
Shares in joint ventures valued at equity					
beeboard GmbH, Cologne, Germany	33.3	x		3,436	– 391
FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin, Germany	50.0		x	– 543	– 133
FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin, Germany	50.0		x	– 1,407	– 989
FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin, Germany	50.0		x	– 1,654	– 223
FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin, Germany	50.0		x	– 3,019	– 18
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG, Frankfurt am Main, Germany	50.0		x	21	– 4
Twelve GmbH & Co. KG, Stuttgart, Germany	50.1		x	26,818	2,192
Wohnpark Gießener Straße GmbH & Co. KG, Frankfurt am Main, Germany	50.0		x	16	– 9
Wohnpark Heusenstamm GmbH & Co. KG, Essen, Germany	50.1		x	3,344	– 233
Interests in other companies					
BEYOUTOPE GmbH, Hanover, Germany	0.02		x	239	– 2
CONTUR Wohnbauentwicklung GmbH, Cologne, Germany[3]	50.0		x	14	– 17
FHP Friedenauer Höhe Verwaltungs GmbH, Berlin, Germany	50.0		x	29	2
formart Wilma Verwaltungsgesellschaft mbH, Frankfurt am Main, Germany	50.0		x	43	– 1
Immobiliengesellschaft CSC Kirchberg s.à r.l., Luxemburg, Luxemburg	100.0		x	81	3
Instone Real Estate Projektverwaltungs GmbH, Essen, Germany	100.0		x	– 30	– 22

List of shareholdings as at 31 December 2022 TABLE 22

	Share of capital In %	Direct shareholdings	Indirect shareholdings	Equity in thousands of euros	Earnings in thousands of euros
Kleyer Beteiligungsgesellschaft mbH, Frankfurt am Main, Germany	100.0		x	165	34
Projekt Wilhelmstraße Wiesbaden Verwaltung GmbH, Cologne, Germany	70.0		x	–5	–6
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH, Cologne, Germany	50.0		x	79	51
TG Potsdam Projektentwicklungsgesellschaft mbH i.L, Neubiberg, Germany[4]	10.0		x	–1,002	–324
Twelve Verwaltungs GmbH, Stuttgart, Germany	50.1		x	28	5
Uferpalais Verwaltungsgesellschaft mbH, Essen, Germany	70.0		x	–4	–4
Westville Vermietungs GmbH (formerly: Instone Real Estate Erste Projekt GmbH), Essen, Deutschland	100.0		x	21	–1
Wohnpark Heusenstamm Verwaltungs GmbH, Essen, Germany	50.1		x	24	–1

[1] Profit and loss transfer agreement with Instone Real Estate Development GmbH
[2] Profit and loss transfer agreement with Instone Real Estate Group SE
[3] Annual financial statements 31/12/2021
[4] Annual financial statements 31/12/2020

25 Contingent liabilities

Obligations under guarantees and suretyships amounted to €86,067 thousand (previous year: €437,085 thousand). They were issued in favour of subsidiaries. In the 2022 financial year, a declaration was made to guarantee – up to the reporting date in the following financial year – the obligations that Instone Real Estate Leipzig GmbH entered into. To our knowledge of the relevant economic situation of the companies concerned, the underlying obligations can be met in all cases; use of the guarantees is not to be expected.

26 Other financial obligations

Minimum lease payments due in the future are comprised as follows:

Other financial obligations TABLE 23

In thousands of euro

	31/12/2022	31/12/2021
Other financial obligations		
Due in up to one year	559	73
Due in one to five years	967	94
	1,526	**167**

27 Declaration of Compliance with the German Corporate Governance Code

The Management Board and Supervisory Board of Instone Real Estate Group SE issued a declaration of compliance for the 2022 financial year in line with the recommendations of the German Government Commission on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) in December 2022.

The declaration of compliance was made permanently publicly available to the shareholders by a link on the Company's website under the ↗ Instone Compliance Statement.

28 Suggested use of earnings

The Management Board proposes to use the net profit of €25,199,641.16 to distribute a dividend of €0.35 per no-par-value-share entitled to dividends and to carry forward the remaining net profit, including the amount attributable to no-par-value shares not entitled to dividends.

Essen, Germany, 9 March 2023

The Management Board

Kruno Crepulja — Dr Foruhar Madjlessi — Andreas Gräf

TRANSLATION

– German version prevails –

Independent auditor's report

To Instone Real Estate Group SE, Essen/Germany

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of Instone Real Estate Group SE, Essen/Germany, which comprise the balance sheet as at 31 December 2022, and the statement of profit and loss for the financial year from 1 January to 31 December 2022, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the combined management report on the Group and the Company of Instone Real Estate Group SE, Essen/Germany, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the section "Sustainability report" and the content of the corporate governance statement pursuant to Sections 289f and 315d German Commercial Code (HGB) and further information on corporate governance included in section "Corporate Governance Statement" as well as the marking of text passages marked as unaudited with regard to the requirements of the General Reporting Initiative (GRI) and the Task Force on Climate Related Financial Disclosures (TCFD) with the respective GRI or TCFD symbol of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

→ the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German Legally Required Accounting Principles, and

→ the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the section "Sustainability report" and the content of the corporate governance statement pursuant to Sections 289f and 315d German Commercial Code (HGB) and further information on corporate governance included in section "Corporate Governance Statement" as well as the marking of text passages marked as unaudited with regard to the requirements of the General Reporting Initiative (GRI) and the Task Force on Climate Related Financial Disclosures (TCFD) with the respective GRI or TCFD symbol.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the

"Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the combined management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matter we have determined in respect of the accounting for financial assets.

Our presentation of these key audit matters has been structured as follows:

a. description (including reference to corresponding information in the annual financial statements), and

b. auditor's response.

Accounting for Financial Assets

a In the annual financial statements of Instone Real Estate Group SE, Essen/Germany, for the year ended 31 December 2022, Financial Assets of kEUR 424,287 (58.5 % of the balance sheet total) are reported. These are measured at acquisition cost or – where impairment is expected to be of permanent nature – at the lower fair value.

The interest in Instone Real Estate Development GmbH, Essen (book value 31 December 2022: kEUR 181,821) together with the loans to Instone Real Estate Development GmbH, Leipzig (book value 31 December 2022: kEUR 184,462) represent 86.3 % of the book value of financial assets. As at the balance sheet date, the recoverability of these financial assets was examined by performing internal business valuations. The fair value of was established as the present value of the future cash flows using the discounted cash flow method. The underlying cash flows are based on the corporate planning, which includes the expectations of the executive directors of the subsidiary with regard to the future development of the projects. The cash flows are discounted on the basis of the weighted average costs of capital.

As regards the sundry financial assets, the book value of the respective investment as at the balance sheet date is assessed by the executive directors as to indications of required write-downs. Should the analysis indicate that related write-downs might be required, a detailed business valuation will be performed on the basis of the corporate planning using the discounted cash flow method.

We classified the accounting for the financial assets as a key audit matter since these are highly contingent on discretionary estimates and assumptions made by the executive directors.

The disclosures of the executive directors on the investments in associates are included in the "Accounting and Measurement Principles" section of the notes to the financial statements.

b. In auditing the fair values of the financial assets, we verified the business valuations performed using the discounted cash flow method as to their methodological approach and accuracy of the figures, involving our valuation specialists. In addition, we examined the determination of the costs of capital. We examined the underlying corporate planning with professional scepticism, cross-checking the parameters used with, inter alia, industry-specific market expectations, and conducted surveys among the executive directors on value drivers underlying the corporate planning.

Other Information

The executive directors and the supervisory board are responsible for the other information. The other information comprises:

- the section “Corporate Governance Statement” of the combined management report, which also includes the statement on corporate governance pursuant to Sections 289f and 315d German Commercial Code (HGB) and further information on corporate governance,
- the marking of text passages marked as unaudited with regard to the requirements of the General Reporting Initiative (GRI) and the Task Force on Climate Related Financial Disclosures (TCFD) with the respective GRI or TCFD symbol
- the section “Sustainability report” of the combined management report,
- the executive directors’ confirmation regarding the annual financial statements and the combined management report pursuant to Section 264 (2) Sentence 3 and Section 289 (1) Sentence 5 German Commercial Code (HGB), respectively.
- all other parts of the published annual report, which are expected to be made available to us after the date of this auditor's report,
- but not the annual financial statements, not the audited content of the combined management report and not our auditor’s report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for content of the corporate governance statement pursuant to Sections 289f and 315d German Commercial Code (HGB) and further information on corporate governance included in section “Corporate Governance Statement” of the combined management report. The executive directors are responsible for the remaining other information.

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

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error (i.e., fraudulent financial reporting and misappropriation of assets).

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

→ identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

→ obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

→ evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- evaluate the consistency of the combined management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats..

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Files of the Annual Financial Statements and of the Combined Management Report prepared for Publication pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value d2deac831dcc62f3791791a1a3a3491c9395ebb935b192ea0a02a86964397c13da, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic files of the annual financial statements and of the combined management report prepared for publication contained in the accompanying file stated above meet, in all material respects, the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying annual financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2022 contained in the above "Report on the Audit of the Annual Financial Statements and of the Combined Management Report", we do not express any audit opinion on the information contained in these electronic files and on any other information contained in the file stated above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the combined management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Files

The executive directors of the Company are responsible for the preparation of the ESEF files based on the electronic files of the annual financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF files that are free from material violations against the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Audit of the ESEF Files

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the shareholders' general meeting on 9 June 2022. We were engaged by the supervisory board on 22 September 2022. We have been the auditor of Instone Real Estate Group SE, Essen/Germany, without interruption since the financial year 2018.

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

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as with the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Prof. Dr. Holger Reichmann.

Düsseldorf/Germany, 10 March 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Prof. Dr. Holger Reichmann
Wirtschaftsprüfer
[German Public Auditor]

Signed: Michael Pfeiffer
Wirtschaftsprüfer
[German Public Auditor]

Insurance of legal representatives

To the best of our knowledge and in accordance with the applicable accounting principles, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company. Furthermore, the combined management report of the Company includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Essen, Germany, 9 March 2023

The Management Board

Kruno Crepulja | Dr Foruhar Madjlessi | Andreas Gräf

About us

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Management Board

Kruno Crepulja (Chairman),
Dr Foruhar Madjlessi,
Andreas Gräf

Chairman of the Supervisory Board

Stefan Brendgen

Commercial Register

Registered in the Commercial Register
of the Essen Local Court under HRB 32658

Sales tax ID number
DE 300512686

Concept, design and implementation

MPM – Part of RYZE Digital
www.mpm.de

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