Instone Group

Instone Real Estate Group SE

Annual financial statements 2023

Statement of financial position

Statement of financial position
Assets
In thousands of euros

TABLE 01

				Note	31/12/2023	31/12/2022
A.	**Non-current assets**					
	I.	**Intangible assets**				
		Concessions acquired for consideration and licences to such rights and assets			620	1,275
	II.	**Property, plant and equipment**				
		Operating and office equipment			136	193
	III.	**Financial assets**		1		
		1.	Investments in affiliated companies		222,651	222,626
		2.	Loans to affiliated companies of which to shareholders		119,400	200,362
		3.	Investments		1,400	1,300
					343,451	**424,287**
					344,207	**425,755**
B.	**Current assets**					
	I.	**Receivables and other assets**		2		
		1.	Receivables from affiliated companies from trade payables: €120 thousand (previous year: €53 thousand) of which from other assets: €88,153 thousand (previous year: €103.237 thousand)		88,273	103,290
		2.	Receivables from companies with which there is an equity relationship		511	0
		3.	Other assets		2,284	1,575
					91,068	**104,865**
	II.	**Cash on hand, bank balances**		3	**209,158**	**189,643**
					300,226	**294,508**
C.	**Prepaid expenses and deferred income**				**435**	**424**
D.	**Deferred tax assets**			4	**5,642**	**4,787**
					650,509	**725,474**

Statement of financial position (continued)

Statement of financial position
Equity and liabilities
In thousands of euros

TABLE 01

			Note	31/12/2023	31/12/2022
A.	Equity		5		
	I.	Share capital		46,988	46,988
		Own shares		-3,666	-3,154
		Issued capital		43,323	43,834
		Conditional capital: €4,699 thousand (previous year: €4,699 thousand)			
	II.	Capital reserves		358,958	358,958
	III.	Other profit provisions		29,988	22,606
	IV.	Net profit		21,455	25,200
				453,723	**450,598**
B.	Provisions				
	1.	Provisions for pensions and similar obligations	6	2,160	2,183
	2.	Tax provisions	7	4,439	24,138
	3.	Other provisions		7,989	5,302
				14,588	**31,622**
C.	Liabilities				
	1.	Loans from banks and other lenders of which with a remaining term of up to one year: €7,645 thousand (previous year: €15,354 thousand) of which with a remaining term of more than one year: €170,000 thousand (previous year: €165,500 thousand)	8	177,645	180,854
	2.	Trade payables of which with a remaining term of up to one year: €1,844 thousand (previous year: €3,390 thousand)	9	1,844	3,390
	3.	Liabilities to affiliated companies of which with a remaining term of up to one year: €1,540 thousand (previous year: €58,174 thousand) of which from other liabilities: €1,540 thousand (previous year: €58,174 thousand)	10	1,540	58,174
	4.	Other liabilities of which with a remaining term of up to one year: €1,168 thousand (previous year: €837 thousand) of which in the context of social security: €2 thousand (previous year: €54 thousand) of which from taxes: €481 thousand (previous year: €72 thousand)	11	1,168	837
				182,198	**243,254**
				650,509	**725,474**

Income statement

Income statement from 1 January to 31 December 2023 TABLE 02

In thousands of euros

		Note	2023	2022
1.	Revenue	12	7,802	7,364
2.	Other operating income	13	5,569	4,742
	Operating performance		**13,370**	**12,107**
3.	Staff costs	14		
	a) Wages and salaries		-12,469	-9,445
	b) Social security contributions and expenses for pensions and other employee benefits			
	of which for retirement pension: €140 thousand (previous year: €423 thousand)		-1,600	-1,448
4.	Depreciation and amortisation of intangible non-current assets and property, plant and equipment		-714	-564
5.	Other operating expenses		-14,329	-13,264
	Operating profit		**-15,742**	**-12,614**
6.	Income from profit and loss transfer agreements	16	51,594	71,089
7.	Income from other securities and loans of the financial assets			
	of which from affiliated companies: €15,254 thousand (previous year: €9,203 thousand)	16	15,267	9,212
8.	Other interest and similar income			
	of which from discounting: €37 thousand (previous year: €20 thousand)	16	4,496	299
9.	Expenses from the acceptance of losses	16	-3,090	-5,843
10.	Interest and similar expenses			
	of which to affiliated companies -€1,793 thousand (previous year: €-1,150 thousand)			
	of which from compounding: €-58 thousand (previous year: €-192 thousand)	16	-11,970	-11,042
11.	Taxes on income and earnings			
	of which deferred tax expenses: €0 thousand (previous year: €-1,157 thousand)			
	of which deferred tax income: €855 thousand (previous year: €0 thousand)	17	-17,717	-16,851
12.	**Earnings after tax/Annual net profit**		**22,836**	**34,250**
13.	Transfer to other profit provisions		-11,418	-17,125
14.	Profit carried forward from the previous year		10,037	8,074
15.	**Net profit**		**21,455**	**25,200**

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 Stoc Exchange since 15 February 2018.

The Company is the supreme parent company of Instone Real Estate Group SE (hereinafter also referred to as "Instone Group") and performs the function of management holding in it. As part of this function, it is responsible for defining and monitoring the overall strategy and implementing the corporate objectives.

In the previous year, the focus as a management holding company was further concentrated through the takeover of staff from the central Group functions and the associated expansion of the holding services. In the course of this transition, operational property, plant and equipment and intangible assets as well as staff-related provisions and contracts with external service providers were also transferred.

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, Nyoo Real Estate 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 applicable to corporations as per the German Commercial Code (Sections 242 et seqq. and 264 et seqq. HGB) at the time of their preparation, 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 (€ thousand) 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) of the German Commercial Code (HGB). The annual and consolidated financial statements are announced in the Company Register. 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 recorded at 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 cost of acquisition or capital cost less scheduled and unscheduled depreciation and amortisation. Manufacturing costs include direct production costs and appropriate parts of overheads. Depreciation and amortisation on property, plant and equipment is carried out on a straight-line basis in accordance with their service lives. The normal service lives for other systems, operating and office equipment are two to 14 years.

Low-value fixed assets with acquisition costs of up to EUR 250.00 were recorded as an expense in the year of acquisition or production. Independently useful fixed assets whose cost of acquisition or production exceeds EUR 250.00, but not EUR 1,000.00, are combined into a single item and are depreciated on a straight-line basis over five years. Due to the fact that it is insignificant, purchased user software (trivial programs) is listed under business and office equipment.

Interests in affiliated companies and **interests in holdings** are valued at acquisition cost. Unscheduled depreciation and amortisation takes place in the case of permanent impairment. If impairment provisions 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, in the case of an expected permanent impairment, at the lower fair value.

Receivables and other assets are recorded at acquisition cost. For the valuation of receivables and other assets, the foreseeable risks are taken into account through appropriate impairment provisions. 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 – in other words at the time of handover to the purchaser. At this point, the sales revenue in the P&L and the receivables can be included on 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 tax arises 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 offset. 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 option to capitalise under Section 274 (1) sentence 2 HGB was exercised and the resulting asset was accounted for with the liability amount after offsetting.

Equity is recognised at nominal value.

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

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 pensions and accrued benefits known as of 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: 2.25%) and fluctuation probabilities (3.42%; previous year: 3.42%) that are expected in 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 1.82% (previous year: 1.78%). 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

	31/12/2023	31/12/2022
Provisions derived		
Using the 10-year average interest rate	4,526,381.00	4,349,354.00
Using the 7-year average interest rate	4,606,857.00	4,706,223.00
Difference according to Section 253 (6) HGB	80,476.00	356,869.00
Of which, subject to a distribution block in accordance with Section 253 (6) sentence 1 HGB	80,476.00	356,869.00

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 pensions are calculated using actuarial principles include obligations by the Company with respect to current and future benefits for eligible current and passive employees.

The tax provisions and **other provisions** are formed on the basis of 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 internal value is the one used for the HGB valuation of provisions for long-term stock option programmes. The intrinsic value corresponds to the current closing price on the valuation date due to the valuation parameters taken into account on the reporting date.

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

Schedule of assets

Schedule of assets

TABLE 04

In thousands of euros

	Acquisition/manufacturing costs				Depreciation and amortisation	Carrying amount	Carrying amount from previous year
	01/01/2023[1]	Additions	Disposals	31/12/2023	Accumulated depreciation and amortisation	31/12/2023	31/12/2022
Intangible assets							
Concessions acquired for consideration and licences to such rights and assets	1,766	0	0	1,766	-1,147	620	1,275
	1,766	**0**	**0**	**1,766**	**-1,147**	**620**	**1,275**
Property, plant and equipment							
Operating and office equipment	266	2	0	268	-132	136	193
	266	**2**	**0**	**268**	**-132**	**136**	**193**
Financial assets							
Investments in affiliated companies	222,626	25	0	222,651	0	222,651	222,626
Loans to affiliated companies	200,362	0	-80,962	119,400	0	119,400	200,362
Investments	1,300	100	0	1,400	0	1,400	1,300
	424,287	**125**	**-80,962**	**343,451**	**0**	**343,451**	**424,287**
Total non-current assets	**426,319**	**127**	**-80,962**	**345,485**	**-1,278**	**344,207**	**425,755**

Schedule of assets (continued)

Schedule of assets

TABELLE 04

Schedule of assets

	Depreciation and amortisation		
	01/01/2023[1]	Depreciation and amortisation in the financial year	Accumulated depreciation and amortisation
Intangible assets			
Concessions acquired for consideration and licences to such rights and assets	-491	-655	-1,147
	-491	**-655**	**-1,147**
Property, plant and equipment			
Operating and office equipment	-73	-59	-132
	-73	**-59**	**-132**
Financial assets			
Investments in affiliated companies	0	0	0
Loans to affiliated companies	0	0	0
Investments	0	0	0
	0	**0**	**0**
Total depreciation and amortisation	**-564**	**-714**	**-1,278**

[1] The merger of Instone Real Estate Leipzig GmbH into Instone Real Estate Development GmbH with effect from 1 January 2023 will result in the transfer of the original acquisition costs in the amount of €79,184 thousand and cumulative depreciation and amortisation of €38,893 thousand to the holding in Instone Real Estate Development GmbH. The reported net carrying amount represents the acquisition costs of the investment.

Non-current assets

1 Financial assets

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

Development of shares in affiliated companies

TABLE 05

In thousands of euros

	2023[1]	2022
Acquisition costs		
As at 1 January	**222,626**	**261,519**
Additions	25	0
As of 31 December	**222,651**	**261,519**
Cumulative depreciation and amortisation		
As at 1 January	**0**	**-38,893**
As of 31 December	**0**	**-38,893**
Carrying amounts as at 31 December	**222,651**	**222,626**

[1] The merger of Instone Real Estate Leipzig GmbH into Instone Real Estate Development GmbH with effect from 1 January 2023 will result in the transfer of the original acquisition costs in the amount of €79,184 thousand and cumulative depreciation and amortisation of €38,893 thousand to the holding in Instone Real Estate Development GmbH. The reported net carrying amount represents the acquisition costs of the investment.

Shares in affiliated companies are shown in the following table. In the 2023 financial year, Instone Real Estate Leipzig GmbH and Instone Real Estate Landmark GmbH were merged with their sister company Instone Real Estate Development GmbH.

Investments in affiliated companies

TABLE 06

In thousands of euros

	31/12/2023	31/12/2022
Investments in affiliated companies		
Instone Real Estate Development GmbH	222,137	181,821
Westville 1 GmbH	464	464
Instone Real Estate Beteiligungsgesellschaft mbH	25	0
Nyoo Real Estate GmbH	25	25
Instone Real Estate Leipzig GmbH	0	40,291
Instone Real Estate Landmark GmbH	0	25
	222,651	**222,626**

With the exception of Instone Real Estate Beteiligungsgesellschaft mbH, all companies are included in the consolidated financial statements of the company.

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

Development of loans to affiliated companies

TABLE 07

In thousands of euros

	2023	2022
Acquisition costs		
As at 1 January	**200,362**	**312,460**
Additions	0	82,338
Disposals	-80,962	-194,436
As of 31 December	**119,400**	**200,362**
Carrying amounts as at 31 December	**119,400**	**200,362**

Loans to affiliated companies are presented in the following table.

Loans to affiliated companies TABLE 08

In thousands of euros

	31/12/2023	31/12/2022
Loans to affiliated companies included in the consolidated financial statement		
Instone Real Estate Development GmbH	109,000	184,462
Nyoo Real Estate GmbH	10,400	15,900
	119,400	**200,362**

The development of investments is shown below.

Development of investments TABLE 09

In thousands of euros

	2023	2022
Acquisition costs		
As at 1 January	**1,300**	**258**
Additions	100	1,042
As of 31 December	**1,400**	**1,300**
Carrying amounts as at 31 December	**1,400**	**1,300**

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 and interest from a loan agreement.

Receivables from affiliated companies TABLE 10

In thousands of euros

	31/12/2023	31/12/2022
Receivables from affiliated companies		
Instone Real Estate Development GmbH	88,198	102,574
Westville 1 GmbH	35	41
Westville 4 GmbH	32	0
Instone Real Estate Projekt Rosenheim GmbH	5	0
Westville 5 GmbH	2	0
Instone Real Estate Projekt MarinaBricks GmbH	1	0
Nyoo Real Estate GmbH	0	656
Instone Real Estate Leipzig GmbH	0	20
	88,273	**103,290**

The other assets include the following items:

Other receivables and assets TABLE 11

In thousands of euros

	31/12/2023	31/12/2022
Other receivables and assets		
Receivables from the tax authorities	2,147	338
Receivable tax exemption Hochtief Solutions AG	128	1,235
Other assets	6	0
Other	2	2
	2,284	**1,575**

The Company has created a corresponding provision for the items relating to Hochtief Solutions AG.

3 Cash on hand, bank balances

Bank balances in the amount of €209,158 thousand essentially comprise current cash investments as at 31 December 2023. As in the previous year, they are not subject to any drawing restrictions.

4 Deferred tax assets

Deferred tax assets of €5,642 thousand (previous year: €4,787 thousand) result from valuation and recognition differences in pension and personnel provisions. The calculation of deferred tax is carried out on the basis of a combined income tax rate of 31.73% (previous year: 31.64%).

5 Equity

The share capital of the Company as at 31 December 2023 was €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 no-par-value shares). The arithmetic nominal value of the shares is €1.00.

On 9 June 2021, the Annual General Meeting resolved to create authorised capital. The Management Board is authorised, with the consent of the Supervisory Board, to increase the registered capital of the Company in the period until 8 June 2026 through the issue of up to 8,000,000 no-par value shares by up to €8,000 thousand (2021 Authorised Capital).

In addition, the Annual General Meeting on 14 June 2023 resolved to create another authorised capital. The Management Board is therefore authorised to increase the registered capital of the Company in the period until 13 June 2028 through the issue of up to 15,494,168 no-par value shares by up to €15,494 thousand (authorised capital 2023).

With effect from 31 August 2021, the Management Board was authorised by the Annual General Meeting to grant options or convertible bond terms once or several times until 8 June 2026 on up to 4,698,833 new shares of the company (conditional capital), subject to the approval of the Supervisory Board.

As part of the employee share programme, Instone Real Estate Group SE issued a total of 33,072 treasury shares to the employees of the Group companies at reduced conditions in the fourth quarter of the 2022 financial year. The shares were withdrawn from the holdings of treasury shares at an average cost of €11.23. The issue price for the shares was €8.48. These shares have a vesting period of twelve months. In connection with the employee share programme, expenses of €91 thousand were incurred in the previous year and were recognised in equity with no effect on profit or loss.

The Annual General Meeting 2019 authorised the Management Board to buy back up to 10% of the registered capital at the time, i.e. 3,698,833 shares, by 12 June 2024. With the approval of the Supervisory Board, the Management 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. A total of 511,743 treasury shares were acquired in the 2023 financial year at prices between 7.70 and 9.65 euros.

At the reporting date of 31 December 2023, treasury shares amounted to 3,665,761 shares (previous year: 3,154,018 shares). This corresponds to 7.80% of the registered capital.

In the financial year, dividends of €15,162,901.25 were paid on the basis of a dividend of €0.35 per share entitled to a dividend.

A minimum dividend under Section 254 of the German Stock Corporation Act (Aktiengesetz) was not paid.

As part of the acquisition of treasury shares, a total of €32,836,696.55 was offset against the other profit provisions. The amount for the 2023 financial year is €4,036,704.82.

For the 2023 financial year, the Management Board has decided to allocate €11,418,146.28 from the net profit to other profit provisions.

As of 31 December 2023, the capital reserves amounted 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 €80,476.00. This difference is subject to a dividend block pursuant to Section 253 (6) HGB. The deferred tax assets of €5,641,544.60 in the statement of financial position are blocked under Section 268 (8) HGB. A total of €5,722,020.60 is therefore subject to a dividend 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 euros

	31/12/2023	31/12/2022
Pension provisions		
Settlement value of pensions and similar obligations	4,526	4,349
Fair value of the cover fund	-2,366	-2,166
Net value of the provision for pensions and similar obligations	**2,160**	**2,183**
Acquisition costs of the cover fund	2,516	2,455

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

Securities TABLE 13

In thousands of euros

	31/12/2023	31/12/2022
Securities		
CTA assets	2,265	2,069
DC assets	101	97
	2,366	**2,166**

7 Provisions

Provisions TABLE 14

In thousands of euros

	31/12/2023	31/12/2022
Provisions		
Tax	4,439	24,138
Pensions	2,160	2,183
	6,599	**26,321**
Other provisions		
Bonuses	3,366	1,304
Share option programmes	2,672	2,348
Structural measures	414	194
External costs of the annual financial statement	395	360
Other	349	0
Outstanding annual leave	288	335
Staff costs	185	0
Partial retirement top-up amounts	141	249
Partial retirement fulfilment arrears	110	16
Indirect staff costs	49	478
Compensation levy for severely disabled persons	22	17
	7,989	**5,302**
	14,588	**31,622**

8 Loans from banks and other lenders

Loans from banks and other lenders amount to €177,645 thousand (previous year: €180,854 thousand), of which €151,915 thousand (previous year: €152,196 thousand) are attributable to other lenders. Promissory note loans due in the amount of €23,000 thousand were financed by a new fixed-interest promissory note loan in the amount of €20,000 thousand a five-year term. Due to the good liquidity of Instone Real Estate Group SE, no full refinancing was required.

9 Trade payables

At the balance sheet date, there were liabilities of €1,844 thousand (previous year: €3,390 thousand).

10 Liabilities to affiliated companies

Liabilities to affiliated companies

TABELLE 15

In thousands of euros

	31/12/2023	31/12/2022
Verbindlichkeiten gegenüber verbundenen Unternehmen		
Nyoo Real Estate GmbH	1,356	10,013
Westville 3 GmbH	72	0
Westville 4 GmbH	64	0
Instone Real Estate Projekt Rosenheim GmbH	35	0
KORE GmbH	7	0
Westville 5 GmbH	4	0
Instone Real Estate Projekt MarinaBricks GmbH	2	1
Instone Real Estate Leipzig GmbH	0	43,449
Instone Real Estate Landmark GmbH	0	1,871
Instone Real Estate Development GmbH	0	1,433
Westville 1 GmbH	0	1,406
	1,540	**58,174**

11 Other liabilities

Other liabilities

TABLE 16

In thousands of euros

	31/12/2023	31/12/2022
Other liabilities		
Liabilities from Supervisory Board bonuses	592	608
Liabilities from taxes	481	72
Liabilities to workforce	94	103
Liabilities in the context of social security	2	54
	1,168	**837**

Notes to the income statement

12 Revenue

Revenue €7,802 thousand (previous year: €7,364 thousand) mainly relate to sales revenues with affiliated companies in Germany resulting from Group-internal services.

13 Other operating income

Other operating income TABLE 17

In thousands of euros

	2023	2022
Sonstige betriebliche Erträge		
Other income	3,887	2,133
Income from the reversal of provisions	1,682	2,609
	5,569	**4,742**

The other operating income is mainly the result of the transfer of internal Group costs to the income statement.

14 Staff costs

Staff costs TABLE 18

In thousands of euros

	2023	2022
Staff costs		
Wages and salaries	-12,469	-9,445
	-12,469	**-9,445**
Social security contributions/Pension costs		
Social security contributions	-1,460	-1,025
Pension costs	-140	-423
	-1,600	**-1,448**
	-14,069	**-10,893**

On an annual average, the company had 100 employees (previous year: 80 employees) who are exclusively assigned to the commercial service department at the Essen site.

15 Other operating expenses

Other operating expenses are comprised as shown below. Sundry other operating expenses not recognised elsewhere primarily include administration expenses.

Other operating expenses TABLE 19

In thousands of euros

	2023	2022
Other operating expenses		
Organisational consulting	-5,493	-6,850
Other taxes	-1,671	-1,268
Costs for IT	-1,198	-272
Severance payments	-1,370	-199
Insurance premiums	-813	-1,003
Other general costs	-645	-242
Costs of the annual financial statements	-643	-415
Costs of the Supervisory Board	-602	-604
Rents, leases, usage fees	-525	-395
Travel costs	-301	-303
Vehicle leasing	-247	-219
Costs of payment transactions	-93	-285
Group-internal services	0	-382
Other expenses	-728	-828
	-14,329	**-13,264**

16 Financial result

The income from profit and loss transfer agreements relates to €51,594 thousand (previous year: €71,089 thousand) from the profit and loss transfer agreement with Instone Real Estate Development GmbH.

Of the income from other securities and loans of non-current financial assets, €15,244 thousand (previous year: €9,203 thousand) relates to affiliated companies

Income from the discounting of provisions for long-term incentive plans amounted to €37 thousand (previous year: €20 thousand).

The expenses from the acceptance of losses in the amount of €3,090 thousand (previous year: €5,843 thousand) relate to the assumption of the loss from Nyoo Real Estate GmbH.

Net interest income (previous year: net interest expense) relating to pension provisions in the amount of €163 thousand (previous year: €-358 thousand) includes interest from the interest accrued on the pension obligations in the amount of €-37 thousand (previous year: €-159 thousand). These amounts are included in the interest income (previous year: interest expenses) from the cover fund in the amount of €200 thousand (previous year: €-199 thousand).

17 Taxes on income and earnings

Taxes on income and earnings TABLE 20

In thousands of euros

	2023	2022
Steuern vom Einkommen und vom Ertrag		
Trade income tax	-9,305	-8,433
Corporation tax	-8,813	-6,935
Solidarity surcharge	-454	-325
Deferred tax	855	-1,157
	-17,717	**-16,851**

The calculation of deferred tax is carried out on the basis of a combined income tax rate of 31.73% (previous year: 31.64%).

Other disclosures

18 Members of the Management Board

The Management Board comprises the following three members:

Kruno Crepulja

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

David Dreyfus (since 1 September 2023)

→ 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

Members of the Management Board who left in the 2023 financial year:

Dr. Foruhar Madjlessi (until 31 July 2023)

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

19 Members of the Supervisory Board

Stefan Brendgen, freelance management consultant

In addition to his function as Chair 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)

→ Adler Group S.A. (Member of the Board of Directors, Chair since 19 February 2024)

Dr. Jochen Scharpe, Managing Partner of AMCI and ReTurn Immobilien GmbH

In addition to his function as Deputy Chairman 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 Chair of the Supervisory Board)

→ LEG Immobilien SE (member of the Supervisory Board)

Dietmar P. Binkowska, freelance 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.

→ Nordwestlotto in Nordrhein-Westfalen GmbH (Chair of the Supervisory Board)

Thomas Hegel (until 14 June 2023), solicitor and freelance management consultant

Mr Hegel 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.

→ 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 any other statutory supervisory boards of comparable domestic or foreign supervisory bodies of commercial enterprises in addition to her role as a member of the Supervisory Board of the Company.

Stefan Mohr (since 14 June 2023), Partner and Head of Corporate Investments, Activum SG Capital

Mr Mohr is not a member of any other statutory supervisory boards of comparable domestic or foreign supervisory bodies of commercial enterprises in addition to his role as a member of the Supervisory Board of the Company.

Sabine Georgi (since 3 July 2023), Executive Director DACH, ULI – Urban Land Institute

Ms Georgi is not a member of any other statutory supervisory boards of comparable domestic or foreign supervisory bodies of commercial enterprises in addition to 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 the members of the Management Board are as follows:

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.

Short-term performance-based emoluments – short-term incentive (STI)

→ The one-year variable compensation in the form of an STI is linked to the commercial success 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 2023 financial year within the meaning of Section 285 (9) HGB amounted to a total of €3,577 thousand (previous year: €1,356 thousand). Of the total remuneration, €1,399 thousand (previous year: €1,401 thousand) was paid for fixed, performance-independent remuneration components, including benefits in kind and fringe benefits, €1,325 thousand (previous year: €33 thousand) on variable, one-year performance-related remuneration components and €780 thousand (previous year: €-199 thousand) on 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 €73 thousand (previous year: €121 thousand).

The cash value of pension commitments to active and former members of the Management Board amounts to €2,467 thousand (previous year: €2,380 thousand). The pension commitments to former members of the Management Board amount to €1,559 thousand (previous year: €1,546 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 financial year 2023 was €645 thousand (previous year: €608 thousand). Of which, €525 thousand (previous year: €488 thousand) was remuneration for work on the General Committee. Remuneration for work in committees amounted to €120 thousand (previous year: €120 thousand).

In the 2023 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 euros

	2023	2022
Audit fees		
Annual audit	684	163
of which relating to previous years[1]	163	-197
Other confirmation services	87	179
	771	**342**

[1] In the 2022 financial year, income from the liquidation of provisions amounted to €197 thousand.

In addition to the annual audit and the audit of the consolidated financial statements for the Group, the auditor primarily performed an audit in accordance with IDW PS 900, which is shown in the audit services. In addition, the auditor provided other confirmation services; these are agreed investigative procedures (covenant reporting) under ISRS 4400 (Revised) and coordinated investigative procedures under to ISAE 3000 (Revised).

23 Events after the end of the financial year

There were no events of particular significance to report after the balance sheet date of 31 December 2023.

24 Affiliates and investment companies

List of shareholdings as at 31 December 2023

TABLE 22

	Share of capital in %	Direct shareholdings	Indirect shareholdings	Equity In thousand euros	Annual result In thousand euros
Interests in affiliated companies to be consolidated					
Durst-Bau GmbH, Vienna, Austria	100.0		x	304	-37
formart Luxemburg S.à r.l., Luxembourg, Luxembourg	100.0		x	1,213	94
Gartenhöfe GmbH, Leipzig, Germany	100.0		x	5,705	-449
Instone Real Estate Development GmbH, Essen, Germany[1]	100.0	x		190,097	0
Instone Real Estate Projekt MarinaBricks GmbH, Erlangen, Germany	100.0		x	670	-251
Instone Real Estate Projekt Rosenheim GmbH & Co. KG, Nuremberg, Germany	100.0		x	3,267	4,494
Instone Real Estate Projektbeteiligungs GmbH, Erlangen, Germany	100.0		x	4	-1,134
KORE GmbH, Dortmund, Germany	85.0		x	6,484	110
Nyoo Real Estate GmbH, Essen, Germany[1]	100.0	x		25	0
Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt a. M., Germany	70.0		x	43	-19
Westville 1 GmbH, Essen, Germany	100.0	x		7,072	6,910
Westville 2 GmbH, Essen, Germany	89.9		x	711	-443
Westville 3 GmbH, Essen, Germany	89.9		x	728	-295
Westville 4 GmbH, Essen, Germany	89.9		x	938	-21
Westville 5 GmbH, Essen, Germany	89.9		x	1,003	43
Shares in investments					
beeboard GmbH, Cologne, Germany	50.0	x		3,308	-381
FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin, Germany	50.0		x	-143	401
FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin, Germany	50.0		x	-1,771	-365
FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin, Germany	50.0		x	-985	668
FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin, Germany	50.0		x	-3,074	-55
Projekt Am Sonnenberg Wiesbaden GmbH, Essen, Germany	51.0		x	-2,152	-1,410
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG, Frankfurt a. M., Germany	50.0		x	64	44
Twelve GmbH & Co. KG, Stuttgart, Germany	50.1		x	29,215	2,396
Wohnpark Gießener Straße GmbH & Co. KG, Frankfurt a. M., Germany	50.0		x	8	-8
Wohnpark Heusenstamm GmbH & Co. KG, Essen, Germany	50.1		x	3,670	326
BEYOUTOPE GmbH, Hanover, Germany	0.02		x	239	-6

List of shareholdings as at 31 December 2023

TABLE 22

	Share of capital in %	Direct shareholdings	Indirect shareholdings	Equity In thousand euros	Annual result In thousand euros
CONTUR Wohnbauentwicklung GmbH, Cologne, Germany[2]	50.0		x	-6	-32
FHP Friedenauer Höhe Verwaltungs GmbH, Berlin, Germany	50.0		x	15	-14
formart Wilma Verwaltungsgesellschaft mbH, Frankfurt a. M., Germany	50.0		x	52	9
Real Estate Company CSC Kirchberg S.à rl, Luxembourg, Luxembourg	100.0		x	139	54
Instone Real Estate Verwaltungsgesellschaft mbH, Essen, Germany	100.0		x	25	0
Instone Real Estate Projektverwaltungs GmbH, Essen, Germany	100.0		x	-56	-27
Instone Real Estate Beteiligungsgesellschaft mbH, Essen, Germany	100.0	x		25	0
Kleyer Beteiligungsgesellschaft mbH, Frankfurt a. M., Germany	100.0		x	140	-26
Project Wilhelmstraße Wiesbaden Verwaltung GmbH, Cologne, Germany	70.0		x	-5	0
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH i.L, Cologne, Germany[3]	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	100.0		x	30	2
Uferpalais Verwaltungsgesellschaft mbH, Essen, Germany	70.0		x	89	93
Westville Vermietungs GmbH, Essen, Germany	100.0		x	20	-1
Wohnpark Heusenstamm Verwaltungs GmbH, Essen, Germany	100.0		x	23	0

[1] Profit and loss transfer agreement with Instone Real Estate Group SE.

[2] Annual financial statements 31/12/2021.

[3] Annual financial statements 31/12/2022.

[4] Annual financial statements 31/12/2020.

25 Contingent liabilities

Obligations from warranties and guarantees amounted to €57,561 thousand (previous year: €86,067 thousand). They were made for obligations of subsidiaries in favour of third parties. On the basis of the financial situation of the subsidiaries, the risk of recourse is low.

26 Other financial obligations

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

Other financial obligations TABLE 23

In thousands of euros

	31/12/2023	31/12/2022
Other financial obligations		
Due in up to one year	543	559
Due in one to five years	634	967
	1,177	**1,526**

27 Declaration of Compliance with the German Corporate Governance Code

The Management Board and Supervisory Board of Instone Real Estate Group SE issued their regular declaration of compliance in December 2023 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) for the 2023 financial year.

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

28 Proposed use of profits

The Management Board proposes to use the net profit of €21,454,886.19 to pay a dividend of €0.33 per share entitled to dividend and to carry forward the remaining net profit, including the amount attributable to no-par value shares not entitled to a dividend, to the new account.

Essen, 8 March 2024

The Management Board

Kruno Crepulja David Dreyfus Andreas Gräf

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 2023, and the statement of profit and loss for the financial year from 1 January to 31 December 2023, 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 for the parent and the group of Instone Real Estate Group SE, Essen/Germany, for the financial year from 1 January to 31 December 2023. In accordance with German legal requirements, we have not audited the content of the corporate governance statement in accordance with Sections 289f and 315d German Commercial Code (HGB), including the further reporting on corporate governance included therein, part of the "Other information" section of the combined management report. Furthermore, we have neither audited the contents of the "Sustainability report" included in the combined management report nor the references extraneous to the combined management report marked as unaudited as regards the provisions of the General Reporting Initiative (GRI) as well as of the Task Force on Climate Related Financial Disclosures (TCFD) each labelled with the GRI or TCFD symbol.

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 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 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 contents of section "Sustainability report" and the afore-mentioned corporate governance statement including the further reporting on corporate governance included therein as well as the references extraneous to combined management reports marked as unaudited as regards the provisions of the General Reporting Initiative (GRI) as well as of the Task Force on Climate Related Financial Disclosures (TCFD) each labelled with the 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 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 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the 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 2023. 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 recoverability of long-term financial assets, which we have determined to be a key audit matter.

Our presentation of this key audit matter has been structured as follows:

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

b. auditor's response

Recoverability of long-term financial assets

a. The annual financial statements of Instone Real Estate Group SE, Essen/Germany, as at 31 December 2023, disclose long-term financial assets of kEUR 343,451 (52.8% of total assets). Long-term financial assets have been measured at the lower of acquisition cost or – in case of expected permanent impairment – at the lower fair value.

Shares in Instone Real Estate Development GmbH, Essen/Germany, (carrying amount as at 31 December 2023: kEUR 222,137) in concert with loans granted to Instone Real Estate Development GmbH, Essen/Germany, (carrying amount as at 31 December 2023: kEUR 109,000) make up 96.4% of recognised long-term financial assets as at 31 December 2023. In principle, the recoverability of long-term financial assets was assessed by means of internal business evaluations. The fair value was determined as the present value of future cash flows by means of the discounted cash flow method. The underlying cash flows are based on corporate planning, which incorporates the executive directors' expectations for the respective subsidiary as regards its future project developments. Cash flows are discounted by means of company-specific weighted average cost of capital.

In regard to sundry long-term financial assets, the respective carrying amount as at the balance sheet date is examined for indications alluding to a need for valuation allowance. To the extent these analyses indicate a potential need for devaluation, a detailed business evaluation is carried out based on the corporate planning by means of the discounted cash flow method.

We have deemed the valuation of long-term financial assets to be a key audit matter as it is highly dependent on the executive directors' judgement and assumptions.

Information provided by the executive directors on long-term financial assets are included in the section "Accounting and measurement principles" of the notes to the financial statements.

b. When auditing the long-term financial assets' fair value, we examined the methodical approach and the computational correctness of the discounted cash flow method used for business valuations involving our valuation specialists. Furthermore, we have evaluated the determination of the average cost of capital. We have critically assessed the underlying corporate planning and thereby compared, among other things, the parameters used with industry-specific market expectations and conducted interviews with the executive directors on the value drivers underlying the corporate planning.

Other Information

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

→ the report of the supervisory board,

→ the corporate governance statement, including the further reporting on corporate governance included therein, in section "Corporate governance statement" of the combined management report,

→ the references in the combined management report marked as unaudited as regards the provisions of the General Reporting Initiative (GRI) as well as of the Task Force on Climate Related Financial Disclosures (TCFD) each labelled with the GRI or TCFD symbol, respectively,

→ the "Sustainability report" section included in the combined management report, and

→ 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 HGB.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the statement according to Section 161 German Stock Corporation Act (AktG) concerning the German Corporate Governance Code, which is part of the corporate governance statement in section "Other information" of the combined management report. Otherwise, the executive directors are responsible for the 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 identified above and, in doing so, 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

he 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 (i.e., fraudulent financial reporting and misappropriation of assets) or error.

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 combined 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 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 judgement 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 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 for the current period and are therefore the key audit matters. We describe these matters in the 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 Reproductions 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 annual 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 b90497adba3910bf1cc2f7f3f71270f5c04bddcce85b30a4f686e2ee2778334a, 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 annual 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 reproductions of the annual financial statements and of the combined management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for 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 2023 contained in the "Report on the Audit of the Annual Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the annual 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 "Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the requirements of the IDW Quality Management Standards.

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

The executive directors of the Company are responsible for the preparation of the ESEF documents 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 controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

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 Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the 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 annual 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 general meeting on 14 June 2023. We were engaged by the supervisory board on 9 November 2023. 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 annual financial statements and the audited combined management report as well as with the audited ESEF documents. The annual 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 annual 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 Nicole Meyer.

Düsseldorf/Germany, 11 March 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Rolf Künemann Wirtschaftsprüfer (German Public Auditor)	Signed: Nicole Meyer Wirtschaftsprüferin (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, 8 March 2024

The Management Board

Kruno Crepulja   David Dreyfus   Andreas Gräf

Legal notice

Instone Real Estate Group SE

Grugaplatz 2–4
45131 Essen
Germany
Telephone: +49 201 45355-0
Fax: +49 201 45355-934
E-Mail: info@instone.de

Management Board

Kruno Crepulja (Chair)
David Dreyfus
Andreas Gräf

Chairman of the Supervisory Board

Stefan Brendgen

Commercial Register

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

Sales tax ID number
DE 300512686

Concept, design and implementation

RYZE Digital
www.ryze-digital.de

Instone Real Estate Group SE

Grugaplatz 2–4
45131 Essen
Germany

E-Mail: info@instone.de
www.instone-group.de/en