Instone Group

2023 ANNUAL REPORT

Sustainable action

Key indicators

TABLE 001

In millions of euros

		2023	2022	Q4 2023	Q4 2022
Key performance indicators					
Volume of sales contracts		211.4	292.1	120.1	41.9
Volume of new approvals[1]		0.0	336.7	0.0	0.0
Revenues adjusted		616.0	621.0	182.7	179.1
Key earnings figures					
Gross profit adjusted		154.5	157.2	43.8	43.4
Gross profit margin adjusted	In %	25.1	25.3	24.0	24.2
EBIT adjusted		86.1	88.6	20.3	27.7
EBIT margin adjusted	In %	14.0	14.3	11.1	15.5
EBT adjusted		71.2	72.7	18.0	23.4
EBT margin adjusted	In %	11.6	11.7	9.9	13.1
EAT adjusted		48.2	50.0	11.1	16.0
EAT margin adjusted	In %	7.8	8.1	6.1	8.9
Key liquidity figures					
Cash flow from operations		107.7	70.2		
Cash flow from operations without new investments		118.1	187.2		
Free cash flow		119.2	79.6		

[1] Excluding volume of approvals from joint ventures consolidated at equity.

Key indicators

TABLE 001

In millions of euros

		31/12/2023	31/12/2022
Key performance indicators			
Project portfolio		6,972.0	7,668.8
Key balance sheet figures			
Total assets		1,839.6	1,780.3
Equity		576.0	573.0
Carrying amount per share[1]		13.3	13.1
Cash and cash equivalents[2]		267.7	255.6
Net financial debt[3]		186.8	265.1
Leverage[4]		2.1	2.8
Loan-to-cost[5]	In %	15.1	20.8
ROCE adjusted[6]	In %	10.3	10.2
Employees			
Number[7]		468	486
FTE[8]		382.5	409.4

[1] Based on 43,322,575 shares as at 31 December 2023 and 43,834,318 as at 31 December 2022 respectively.

[2] Excluding €115.9 million in restricted cash and cash equivalents from the "Westville" project subsidised loan.

[3] Net financial debt = financial liabilities less cash and cash equivalents and term deposits. Excluding the €78.1 million subsidised loan.

[4] Leverage = net financial debt/12-month EBITDA adjusted.

[5] Loan-to-cost = net financial debt/(inventories + contract assets).

[6] Return on capital employed = LTM EBIT adjusted/(four-quarter average equity + net financial debt).

[7] Average number of employees including trainees, interns and student trainees.

[8] Full-time equivalent.

Contents

In conversation with the Management Board

Navigating stormy waters

The crisis in the real estate industry is now impossible to ignore. How is the difficult situation impacting on the company? What challenges need to be overcome? What measures is Instone Group taking to overcome them, and why is there still cause for optimism despite everything? The Management Board discusses these questions in this interview.

Mr Crepulja, there seems to be one crisis after the other: first the pandemic, then the challenging macro-economic developments last year. How is Instone Group facing these challenges?

KRUNO CREPULJA Because we continuously monitor and analyse the economic conditions and the status of our projects at very regular intervals, our response to this situation was early and far-sighted. Regarding new investments, we have been taking an opportunistic approach since as long ago as 2022. We conducted another critical reappraisal of our cost structure and adapted it accordingly last year. In procurement, we are also benefiting from having concluded fixed-price agreements and leveraged economies of scale at an early stage. This has allowed us to secure the scheduled construction progress across all projects.

How would you describe the impact of the market situation on sales business?

ANDREAS GRÄF Compared with previous years, demand for new homes was low, as expected. We were not immune to the negative effects of rising interest rates and the growing uncertainty among private and institutional investors. However, we observed a moderate upturn in demand towards the end of last year. Against all odds, we sold properties with a value of more than €211 million in 2023. In addition, the positive response to the sales launch of our new projects gives us confidence that our core business will pick up significantly this year. At the same time, we are planning our marketing activities much more actively and rigorously so that we can also withstand the industry pressures on a long-term basis.

The ongoing crisis within the industry has hit several competitors. What challenges does this entail for a CFO?

DAVID DREYFUS When a heavy storm approaches, like the one we've been going through, the first priority is to make the company even more crisis-resistant so that opportunities can be seized again afterwards. We identified the major turning point in the market at an early stage, and we made the necessary adjustments back in the middle of last year. Specifically, this meant focusing more strongly on cutting costs and securing liquidity. For instance, we met our cost-cutting targets and successfully reduced our platform costs. We deferred investments in new properties. Overall, our balance sheet has been further strengthened as a result. And this is acknowledged by our financing partners, which is why we continue to have unlimited access to capital – something that is definitely an exception at the moment.

Do you also see opportunities arising from the current market situation? How are you positioned to take advantage of them?

DAVID DREYFUS The current industry crisis will accelerate the consolidation within the industry. The German market is highly fragmented, and it is now clearly apparent that many competitors lack such things as the financial strength to survive in the market. Along with our considerable expertise, which is reflected in factors such as our leading profitability, Instone Group has a very strong balance sheet. This puts us in a position to remain active on the property market, and we will do so again soon. Not many project developers can say that. As such, we will be able to gain further market share in the future. Our bargaining power in relation to property buyers and suppliers has improved considerably.

"We are in a position to remain active on the property market, and we will do so again soon. Not many project developers can say that."

David Dreyfus
CFO

CFO David Dreyfus is optimistic about Instone Group's future.

KRUNO CREPULJA Moreover, we are not just sitting tight on our ship and watching what the storm is doing to us. We are pursuing various strategic options for strengthening our balance sheet even further, including above and beyond our core business. Are our products solely of interest to investors and owner-occupiers? What additional strategic options can we pursue, and what business partnerships might suit Instone Group? We are intensively examining the answers to these and other questions. And I will be glad to share further details with our stakeholders as soon as we initiate tangible projects in these areas.

Let's turn to Instone Group's shares. The crisis within the industry has hit the share price hard. How do you see things developing next?

DAVID DREYFUS As expected, Instone Group's shares were not immune to the challenging macro-environment. It goes without saying that we are not happy about this. However, in our discussions with analysts and investors, we are also hearing that Instone Group's strategy is widely supported, and that we are expected to be a major beneficiary when the market recovers. Most market players believe it is merely a matter of when and not if this happens. Ultimately, the growing shortage of housing clearly vindicates our business model. Having welcomed several prestigious institutional investors again in recent months, we are feeling positive about the future. The analysts who follow us closely also see significant upside potential, with an average target price of €10 per share.

Last year, Instone Group made a commitment to being a pioneer within the industry when it comes to sustainability. Is this still realistic in view of the current cost pressure?

KRUNO CREPULJA Our intentions in terms of sustainability are more than just lip service – they are now the clear benchmark for our own actions, and hence an increasingly integral aspect in all phases of our value chain. Of course, we are a business with an interest in profitability and efficiency. At the same time, we have a social and ecological responsibility as a project developer. Finding solutions to these supposedly conflicting goals is our aspiration and our obligation. In our view, sustainable action and economic efficiency are not mutually exclusive. Both aspects are becoming increasingly interdependent as the expectations of investors, municipalities and customers grow with regard to sustainability.

"Of course, we are a business with an interest in profitability and efficiency. At the same time, we have a social and ecological responsibility. Finding solutions to these supposedly conflicting goals is our aspiration and our obligation."

Kruno Crepulja
CEO

Implementing Instone's ambitious sustainability goals is extremely important to CEO Kruno Crepulja.

Five newly established working groups were mentioned in the 2022 annual report. What goal are you pursuing with them? What findings have already resulted from this teamwork?

KRUNO CREPULJA Our ambitious sustainability goals require clearly defined steps. To ensure that we don't just address these topics theoretically and to avoid instances where implementation may be infeasible, we apply our internal expertise and collective intelligence to develop solutions. The main goal of our working groups is to conduct a holistic assessment of the lifecycle of our buildings. Each phase is critically assessed with regard to sustainability aspects – from the selection of the construction materials through the construction process to subsequent use. Every element, however small, helps us to improve the environmental footprint of our properties while creat-

COO Andreas Gräf is confident that the new brand identity will help to boost the external visibility of the company's strengths even more.

ing added value for the neighbourhood and society. To this end, our team of more than 30 internal experts have already obtained promising insights that we will apply in individual construction projects this year For instance, the hybrid timber working group has examined the extent to which a reduction in grey emissions (embodied carbon) is possible by replacing the structural components with timber solutions. In one specific example, calculations were made for various structures in order to compare them with regard to cost, quality and construction time savings. We are pleased that we are now putting the results into practice.

In this way, sustainability is becoming increasingly ingrained in how the company views itself. What difference is that making to the company's image?

ANDREAS GRÄF We have adopted a clear attitude and developed expertise in the area of sustainability. What this means is we can no longer sail under the radar. In recent months, we have therefore critically analysed our brand identity, which had hardly changed since 2017, and revamped it. Our entire team is working passionately to plan and construct our residential neighbourhoods to deliver substantial added value for the community and the environment – and yet there was barely a hint of this in our corporate identity previously. By embodying our new and clearly defined brand essence, we will impress right across the board in future in terms of our identity, our image and our quality. If you've read an annual report of Instone Group before, you'll no doubt recognise our more clearly defined positioning in the layout.

Finally, how would you describe Instone Group's new brand personality?

ANDREAS GRÄF We aim to be **the** housing developer in Germany, and we have set ourselves high targets. Whatever challenges we face, we will keep on taking **bold steps.**

DAVID DREYFUS Thanks to the expertise of our team and our strong financial foundations, our projects and our performance are **genuinely good.**

KRUNO CREPULJA We act transparently, seek out dialogue on continuous improvement and strive to keep our stakeholders' best interests at heart. As a result, whenever we go through a storm, we are **always together.**

"Our entire team is working passionately to plan and construct our residential neighbourhoods to deliver substantial added value for the community and the environment."

Andreas Gräf
COO

Genuinely good

Leading profitability founded on a strong balance sheet

Instone Group's growth strategy has always been based on a strong balance sheet and healthy profitability as a foundation for sustainable corporate success. In the current crisis within the industry, rigorous adherence to this principle is paying off, and Instone Group remains a reliable partner for various stakeholders.

Instone Group's growth strategy has always involved one key element: a strong balance sheet with healthy profitability provides the foundations for sustainably successful business development that benefits all stakeholders. The systematic pursuit of this principle is now paying off in the current crisis within the industry. Thanks to its extremely robust financial position, Instone Group remains a reliable partner to lenders, customers, employees, suppliers, and sellers of land. We are proud to say that this has always been a part of how we view ourselves. Whereas some merely pay lip service to the concept, we ensure that our stability remains clearly visible. Downtime is an alien concept on our construction sites. Instone always finishes what it starts.

→ Continued overleaf

Three questions for David Dreyfus

You were appointed as the new CFO of the Instone Group on 1 September 2023. What were the main issues during the initial phase?

DAVID DREYFUS Obviously, lots of different things demand your attention whenever you start a new role. However, I was able to rely on the support of a skilled and experienced team. One major achievement was the successful placement of a new promissory note loan with a volume of €20 million in October 2023 in spite of the bad news emanating from the industry. This served to underline the position Instone Group enjoys with its financing partners even in times like these.

David Dreyfus
CFO

David Dreyfus has been the CFO of Instone Real Estate Group SE since September 2023. He has more than 28 years of professional experience in corporate finance and capital market transactions thanks to his various roles, including as a partner at the consulting firm Lilja & Co. and M&A Director at Lazard.

You are keen to emphasise the remarkable strength of Instone Group's balance sheet. What form does this take?

DAVID DREYFUS At the reporting date, our loan-to-cost ratio (the ratio of inventories and contract assets to financial liabilities) was just 15.1 percent. This is extremely low compared with our sector peer group. Free cash and cash equivalents amounted to €383.6 million as at 31 December 2023. The company also has unutilised credit facilities and project finance for guaranteeing project completion amounting to €304.6 million. In other words, the company enjoys a very robust financial position.

Many construction projects in Germany are coming to a standstill in the construction phase. Is this not also a risk factor for Instone Group?

DAVID DREYFUS Absolutely not. Our projects under construction are fully financed and already have an impressive sales level. A project volume of €2.9 billion is currently in the construction phase. 89 percent of this figure is already sold, meaning that the corresponding cash inflows are guaranteed. We completed all of our projects on schedule in 2023. As such, I am confident that Instone Group is extremely well positioned to emerge from the difficult current market situation even stronger than before.

Among other things, our strong balance sheet is characterised by extremely low leverage and extremely high liquidity compared with our sector peer group. That is no coincidence, but rather the result of a forward-looking business policy that has always been based on the belief that a company needs to take precautions against potential downturns and ensure that it is resilient. This includes an understanding that crisis situations can give rise to particular opportunities. We intend to leverage these opportunities and make project acquisitions as soon as the market has visibly stabilised. Our liquidity situation will allow us to respond quickly once this is the case.

One of Instone Group's main strengths – and something that plays a key role in reducing its risk profile – is the extensive portfolio of projects that it has already sold. This means it can rely on considerable future cash inflows with a high degree of certainty, which serves to reinforce its financial strength.

From a very early stage, Instone's growth strategy targeted brownfield projects in line with its sustainability focus. This involves housing development projects on spaces that are already in use or have been developed. Among other things, this prevents the need for additional surface sealing, which is more environmentally friendly and resource-efficient. Unlike many of its competitors, Instone Group is well versed in complex urban planning projects and possesses in-house expertise in the area of construction management. This outstanding project development quality within the industry is ultimately also reflected in healthy profitability that benefits all stakeholder groups. As a result, we remain able to act even in times of cost and price pressure and can absorb these adverse effects better than many of our competitors. Our clear strategy combined with our financial strength provides the solid ground upon which our customers, subcontractors and employees can lay the foundations for a good life. We are proud to be seen as a reliable and sustainable partner not only within our industry, but by society as a whole. Our mission is to create a better future, and financial stability and strong foundations are essential when it comes to achieving this aim.

Downtime is an alien concept on our construction sites.

In Berlin, construction of "Friedenauer Höhe", an urban neighbourhood comprising over 1,060 apartments, is currently in progress.

The Instone Group in figures

Our sound financial position is a key pillar of our success. This stability enables us to remain a reliable partner and pursue our goals even in challenging times. Our actions are guided by a clear commitment to sustainability and a value-oriented approach. This annual report illustrates how the Instone Group successfully combines efficiency and the pursuit of profit with a focus on the future and continuous enhancement.

441

employees
(As at: 31.12.2023)

28%

Proportion of women at the second level of management. We will continue to support and advance women by giving them management roles with disciplinary responsibility.

90.0%

of revenue in 2023 is already EU taxonomy-compliant. We are therefore making an important contribution to the transition to a carbon-free economy.

The goal for

2045

is to achieve climate neutrality in terms of net zero for all greenhouse gas emissions throughout the value chain.

Adjusted revenue

€616 million

Previous year: €621 million

Sales totalling

€211.4 million

€6,972 million

Project portfolio

Bold steps

nyoo: innovative and forward-thinking

Nyoo Real Estate (nyoo) was officially unveiled as a new, wholly-owned subsidiary of the Instone Group at Expo Real 2021 in Munich. A lot has happened since then: The first nyoo projects have been completed and handed over to the buyers, competitions have been won and new properties have been purchased. But the origins of nyoo go back much further.

Project "DUI 06", Duisburg
(Artist's impression from 2021/22)

Back in 2015, Kruno Crepulja, CEO of the Instone Group, and current nyoo Managing Director Stefan Dahlmanns were discussing the nature of planning and construction in Germany. "We soon agreed that substantial change was required in order to enable the planning, construction and use of residential buildings to be managed sustainably and efficiently in the future," says Stefan Dahlmanns. "Complex and multifaceted processes, constantly increasing requirements and labour-intensive, traditional building methods are no recipe for competitive housing construction in Germany – especially with an ongoing skills shortage."

The fact is that continuously new prototype planning in housing construction, particularly for affordable homes, is inefficient. In view of the growing housing shortage in Germany, it is imperative to shorten project times as effectively as possible. One sensible approach is to make planning processes thoroughly standardised. This prevents every project from having to start from scratch and allows economies of scale to be leveraged.

The nyoo concept

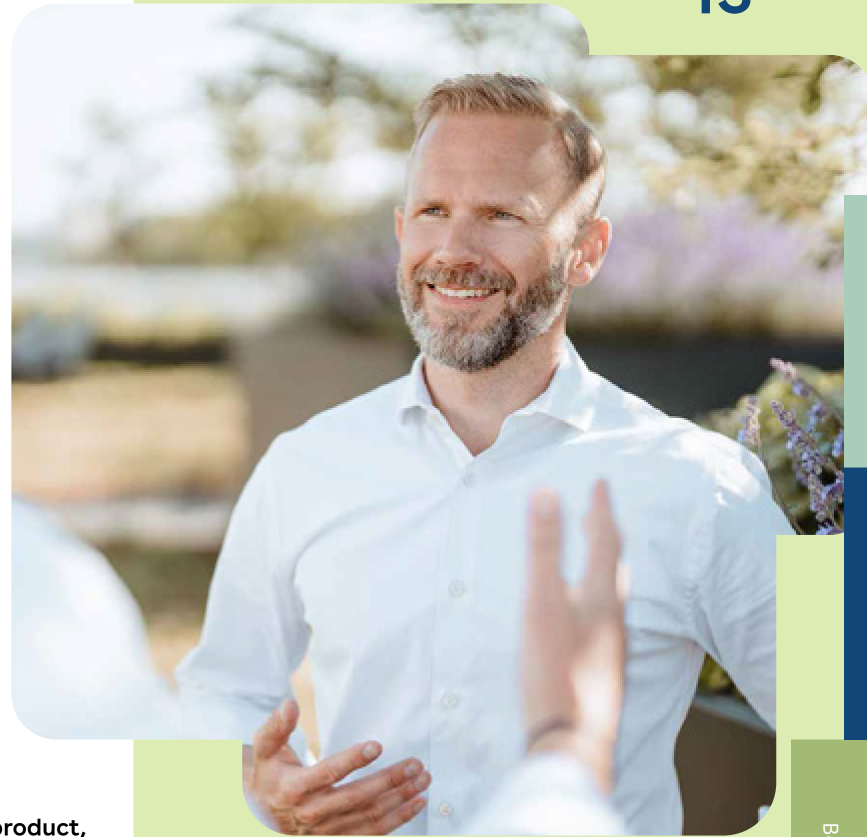
The decision to invest strategically in standardisation and digitalisation while tapping into new markets was taken at an early stage. However, the systematic shift from individual project development to serial product development requires a focused initiative that is separate from day-to-day project business. With this in mind, nyoo was established as a standalone platform that is wholly dedicated to developing the new line of business. Since then, an interdisciplinary team has been working constantly to enhance the concept and deliver and acquire nyoo projects throughout Germany.

"Thanks to our wide range of services covering the entire value chain, we can provide our customers with affordable housing as an a full-service package from a single source."

Stefan Dahlmanns
Managing Director

The nyoo concept is based on three pillars: **product, process, production.**

Compact and scalable product – The concept is built around the rigorous standardisation and digitalisation of planning and product. BIM-based, fully eligible for funding and compliant with building law throughout Germany, this planning module for multi-storey residential and townhouse construction forms the basis for every nyoo project. The innovative aspect is that, despite a high level of scalability, the concept has substantial variability in terms of architecture and urban planning and enables a flexible, rapid response to individual property conditions.



Stefan Dahlmanns
Stefan Dahlmanns is the Managing Director responsible for Nyoo Real Estate GmbH. The qualified architect, real estate economist and project developer ran the North Rhine-Westphalia branch of Instone and its predecessor formart from 2013 to 2020. Before that, he worked as a partner for a large German architecture firm in Cologne. This means he has many years' experience in the development, planning and delivery of large-scale urban development and architectural design projects.

Standardised and low-interface process – Lean construction is increasingly becoming the industry standard for modern site management. nyoo goes much further, and has shifted the entire planning and development process to a digital process map. Through its stake in beeboard GmbH, nyoo was heavily involved in developing the digital project management and communication tool that enables collaborative work within the project team. This results in a significant increase in efficiency while also ensuring process quality.

Our three pillars: product, process and production

Efficient and non technology-specific production – Conventional construction methods are evolving and increasingly being supplemented by elements of industrial prefabrication, as in the case of bathrooms, lift cores and balconies, for instance. This helps to reduce construction time considerably while maintaining a high level of workmanship or even improving on it. Attention is also paid to the future in areas such as production and the use of renewable raw materials. In this way, the ideal foundations are being put in place for continuously increasing the proportion of prefabrication in the years ahead.

The nyoo product is an all-round package for third parties

"As well as making our concept available to investors in the form of conventional trade development, we offer our services on third-party sites as part of a general contractor model for portfolio holders, municipal housing companies and cooperatives," says Stefan Dahlmanns. "The great thing is that, thanks to our wide range of services covering the entire value chain, we can provide our customers with affordable housing as a full-service package from a single source."

With its innovative concept, nyoo is delivering answers to the question of how planning and construction can be made sustainable and efficient – both now and in the future.

The "DUS 19" project was successfully completed in May 2023. It was purchased by the portfolio holder LEG at the end of 2020, before construction began.

Visualisation of the "DUS 19" project in Düsseldorf-Unterbach with 66 mainly publicly subsidised apartments.

Always together

Togetherness in action: Parkstadt Leipzig – a flagship project

Instone is currently developing a unique project in a historic setting to the south of Leipzig. The shared aim of everyone involved is to create a neighbourhood fit for the future with a high standard of living. Key factors in the project's success include partnership-driven cooperation and transparent communication.

Paul Kienlin (left) and Roman Richter (right) regularly meet on site to discuss the current issues concerning Parkstadt.

With Parkstadt, Instone is developing a new residential neighbourhood with around 600 apartments on a former hospital site comprising some 14 hectares. Why do you consider Parkstadt Leipzig to be a flagship project?

ROMAN RICHTER Parkstadt was constructed in the late 19th century and is one of the most important examples of pavilion-style construction in Germany. It boasts stylish original façades and trees that are over 120 years old. Parkstadt Leipzig is a place where people can truly enjoy a high quality of life in a park environment, especially in spring and autumn when the atmosphere is awash with light.

PAUL KIENLIN When I visited Parkstadt for the first time after joining Instone in 2019, I was struck by the size of the project, as well as the dilapidated condition of some of the existing listed buildings. I realised we would have a big task ahead of us. Today, four years later, the southern section is nearly complete and the results are more than impressive. We are seeing the emergence of a new residential neighbourhood that offers a high standard of living – a unique combination of old and new buildings that embodies the historical and the modern alike.

What were the challenges during the planning and construction phase?

ROMAN RICHTER Because the City of Leipzig also had a keen interest in giving Parkstadt a new lease on life, the project enjoyed particular attention right from the very beginning. For example, we held numerous coordination meetings with the city authorities while the development plan was being drawn up, which took several years.

The site of Parkstadt Leipzig and its buildings is one of the most important examples of pavilion-style construction in Germany.

Facts & figures

Residential units
Around 350 residential units are being built in more than 20 listed buildings.

Around 250 residential units are being created in 18 additional new builds.

Unit size
Approx. 50-250 m²
2-6 rooms

Location
In the Dölitz-Dösen district in the south of Leipzig (Saxony)

PAUL KIENLIN Another challenge was the change in the market conditions during the planning phase. In particular, rising interest rates meant that demand for larger and more expensive apartments declined in favour of smaller apartments, which meant that we had to make some changes to our plans. The funding landscape is also subject to continuous change, and the same is true for the statutory requirements in areas such as heating systems. It is important for us to be able to respond flexibly in order to create properties that are energy-efficient yet affordable despite these challenges.

As a company, we are confident that project development achieves the best results when we approach all tasks cooperatively and work together to resolve them. What role does this mindset play when it comes to the realisation of the Parkstadt project?

ROMAN RICHTER Partnership-driven cooperation and transparent communication – both internally and externally – were vital to the success of this project, too. Ultimately, all of the stakeholders have the same objective: to create apartments and neighbourhoods that offer a high standard of living. Every challenge and every milestone demanded close cooperation within our team and with the City of Leipzig.

PAUL KIENLIN I would have to agree. For a project of this size in particular, regular dialogue is essential. Everyone across every department is on board, from the buyers, customer managers and sales staff through to the project managers and project developers. There is a lot of discussion and debate, but we always end up finding a solution that works for everyone. The same is true for coordination with the authorities. We have occasionally had to deal with differing requirements from various departments, including heritage protection, fire safety and environ-

About the interviewees

Roman Richter (36) is the head of customer management and sales at Instone's Leipzig branch. He has worked for Instone and its predecessor since 2014. He and his sales team have been working intensively on the Parkstadt Leipzig project since early 2019.

Paul Kienlin (33) is a project developer and has been with Instone's Berlin office since 2019. He has been the project manager responsible for Parkstadt Leipzig since mid-2023.

Project IMPACT – "Always together" for a sustainable future

In all, around 30 colleagues from various departments have been working together since October 2022, exchanging their experiences on ESG topics and developing viable ideas.

Five working groups have been tasked with intensively addressing the following key sustainability areas:

- **Sustainable construction:** Investigating different construction products and examining how intelligent planning can reduce the use of carbon-intensive materials.
- **Hybrid timber:** Closely examining and evaluating the use of timber as a construction material
- **Neighbourhood infrastructure:** Addressing the focal points of energy, mobility and water
- **Neighbourhood IMPACT:** Investigating social value added in neighbourhoods and developing a proprietary scoring model
- **ESG Inside**: Analysing the opportunities in the working environment of Instone Group with regard to potential changes in the office and on the construction site

In this way, the working groups are making an important contribution to the future viability of Instone Group and our projects.

Collaborative innovation leads to sustainable success.

Around 2,250 m²

of greened roof space is being created in Parkstadt Leipzig

mental criteria. The key was to find an approach that was acceptable for all concerned. That is also something that requires a willingness to compromise and intense coordination between all parties.

Looking back, how would you sum up your experiences with Parkstadt Leipzig to date? Do you have any personal highlights that left a particular impression or that you are especially proud of?

PAUL KIENLIN I have been particularly pleased to see how much our work is appreciated by the city. Now that the quality of the southern section of the project is becoming evident, we are seeing greater acceptance when it comes to obtaining approval for additional dormers and balconies that were not part of the original plans, for example. As such, I am confident that we are doing everything right with our cooperative approach and our commitment to quality.

ROMAN RICHTER I am extremely proud of the successful adoption of the development plan and the imminent completion of the southern section of the Parkstadt. We have demonstrated our ability to successfully implement even complex projects. In particular, I would like to highlight the successful integration of existing and new properties in this unique environment, and the efficient cooperation between the various teams and specialists involved in making Parkstadt Leipzig vision a reality.

To our shareholders

Letter to shareholders

Kruno Crepulja
Chairman of the Management Board and CEO

Dear Shareholders,
Dear Readers,

The past financial year was another very eventful one. 2023 can certainly be described as a year of crisis for the residential development sector. The cumulative effects of rising construction costs and the negative impacts of soaring interest rates on corporate finance and demand for housing in particular posed difficulties for many companies, in some cases putting their survival at risk. In this highly challenging environment, the Instone Group performed extremely well, meeting its financial targets for 2023 in full. This clearly reflects the strength of our platform. Adjusted revenue for 2023 totalled €616 million. A high adjusted gross profit margin of 25.1 percent again underlines our best-in-class profitability. At €48.2 million, adjusted earnings after tax actually came in at the upper end of our forecast range of €40 million to €50 million.

A strong balance sheet is a key pillar of our corporate strategy. In this challenging market environment in particular, our sound financial position is beneficial in our dealings with finance providers, suppliers and customers. At the reporting date, leverage amounted to just 2.1 percent. The Instone Group holds substantial cash and cash equivalents of €383.6 million. These key figures were boosted further by the positive operating cash flow in 2023.

Instone Group continues to boast an extensive portfolio of projects that have already been sold. Accordingly, these projects can be expected to generate further substantial cash inflows with a high degree of certainty. A project volume of €2.9 billion is currently in the construction phase. €2.6 billion or 89 percent of this figure is already sold.

We expect this position of strength compared to many competitors will also give to particular growth opportunities which we intend to take advantage of. We aim to gain significant market share in a highly fragmented market. Our assumption is that the crisis is not yet over and will continue during 2024. However, we are noticing a general improvement in sentiment on the part of our private and institutional customers, especially since the final quarter of 2023. The current easing of the interest rate situation is a major factor in this, although we are not yet anticipating a swift return to normal levels of demand.

Demand for homes remains huge, and the prevailing shortage of housing in German metropolitan areas is set to intensify further over the coming years as a result of net migration and declining construction activity. With our business model, we stand to benefit from this structural demand overhang as an effective and reliable partner for our customers, suppliers and municipalities and we will position ourselves as a solution provider. This applies in particular to the affordable housing sector. With our subsidiary nyoo, we are able to build more cost-effectively than our competitors using standardised and digitalised planning in conjunction with a serial building method, meaning we can provide urgently needed affordable housing on the market. Our objective remains for the affordable housing segment to account for around half of all homes developed by the Instone Group by 2030.

As one of Germany's biggest residential developers, we are aware of our social and ecological responsibility. We reconcile economic growth with social requirements and aspects of environmental protection as a matter of principle. Our aspiration is to be pioneers of ESG within the industry. Around 30 of our employees are doing their utmost to move us even further forward on these issues in various working groups. This shows that we are actively committed to this goal rather than merely paying lip service to it. We have adopted a clear attitude and developed expertise in this area. Thanks to our more clearly defined, modern and authentic new brand positioning, our self-image is now also reflected in our revamped corporate identity.

We anticipate a moderate upturn in demand for new housing in 2024. We continue to benefit from an extensive portfolio of homes that have already been sold. On this basis, we are forecasting adjusted revenue of €500 million to €600 million and adjusted earnings after tax of €30 million to €40 million for 2024. We expect a sales volume of more than €300 million. Our platform has demonstrated its effectiveness even during the current crisis. This is down to the expertise and commitment of our entire team. I would like to take this opportunity to sincerely thank all of our employees.

Dear shareholders, I would also like to expressly thank you for the confidence and loyalty you have placed in us. We firmly believe in the prospects and soundness of our business model, and will do our utmost to leverage the great potential and restore the company to growth.

Kruno Crepulja

Kruno Crepulja
Chairman of the Management Board and CEO
Instone Real Estate Group SE

TCFD governance

The Management Board

Kruno Crepulja
CEO

Andreas Gräf
COO

David Dreyfus
CFO

Management Board

Management Board

Kruno Crepulja

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

Kruno Crepulja is Chairman of the Management Board/CEO of Instone Real Estate Group SE. He has comprehensive experience as an engineer, site manager and project developer as well as some 20 years on the management boards of large development companies, such as Wilma Wohnen Süd GmbH. Mr Crepulja became CEO of Instone Real Estate Development GmbH's predecessor, formart Management GmbH, in 2013. Furthermore, he was responsible for Hochtief AG's project development activities in Europe between 2011 and 2013.

Member of the Management Board since 13 February 2017; appointed until 31 December 2025.

David Dreyfus

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

David Dreyfus was appointed member of the Management Board/CFO of Instone Real Estate Group SE with effect from 1 September 2023. With past roles including partner at consultancy company Lilja & Co. and M&A Director at Lazard, he brings over 28 years of professional experience in corporate finance and capital market transactions to the table. He acted as an adviser to the Instone Group during the preparation and implementation of its IPO in 2017 and 2018.

Member of the Management Board since 1 September 2023; appointed until 31 December 2027.

Andreas Gräf

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

Andreas Gräf is a member of the Management Board/COO of Instone Real Estate Group SE. A trained construction administration manager, he has been working in the construction and real estate sector for more than 30 years. Andreas Gräf established residential development as a standalone business model at Hochtief AG, and was appointed Managing Director of Instone Real Estate Development GmbH's predecessor, formart Management GmbH, in 2013. As the former manager of various branches, he developed numerous projects in both the residential and commercial segments.

Member of the Management Board since 13 February 2017; appointed until 31 December 2025..

Supervisory Board report

Dear Shareholders,
Dear Readers,

Before I inform you about the work of the Supervisory Board and its committees in 2023, I would first like to share a few observations about the past financial year.

The past year was once again affected by the enormous structural challenges that are currently being faced by the real estate industry in general, and the residential real estate market in particular. Sharp increases in financing and construction costs have massively slowed down new building work in Germany, which is urgently needed, and continue to do so. Inflation for the year as a whole is still on average just under 6%, which has had a lasting negative impact on consumer confidence and investment decisions. In addition, ongoing or resurfaced geopolitical conflicts and economic uncertainties are further exacerbating this effect. This becomes clear, for example, when we consider the reliability of framework conditions for the funding environment of new construction projects, which is so very important for the residential real estate industry and therefore also for us.

I am therefore all the more pleased that our company performed so well in this extremely challenging environment and despite all the difficulties, only some of which I have mentioned. This is thanks to Instone Group taking the right course of action early on, with both determination and focus – which is now paying off once again. Restrained acquisition, measures to further increase efficiency, such as reviewing and adapting the existing project pipeline to changing demand and funding conditions, strengthening the balance sheet – to highlight just a few of the factors behind our success.

With this in mind, our committee work during the past financial year once again mainly involved extensive and regular supervision of the Company's current situation and the Management Board's strategy. Against this background, I am firmly convinced, and I am speaking here for the entire Supervisory Board, that thanks to our strategic focus and the commitment to sustainability and social responsibility, which is a key element of that focus, we are very well positioned to continue to successfully overcome the challenges we will face in the future – while at the same time taking advantage of the opportunities that arise to ensure our Company's success.

In this context, I would like to take this opportunity to briefly make specific mention of last year's Management Board and Supervisory Board members. Firstly, we succeeded in filling the position of the CFO, which became vacant in the second half of the financial year, with an excellent candidate in David Dreyfus, an internationally recognised and highly experienced corporate finance and capital market specialist. Secondly, our Supervisory Board has also seen personnel and structural changes during the past financial year. By expanding the committee by one person and appointing Sabine Georgi, with our shareholders' support, we have further strengthened the Supervisory Board's profile on sustainability issues, and have also consequently continued along the path we have set of increasing the number of female members on our committee. With the appointment of Stefan Mohr as representative of our largest individual shareholder, Activum SG Capital, the composition of our committee also takes into account the current shareholder structure of the Instone Group – in line with good corporate governance.

On behalf of the entire Supervisory Board, I would like to thank Dr Foruhar Madjlessi for the close and trusting cooperation and the excellent work he has done during his term of office. I would also like to thank Thomas Hegel very much for his work on our Supervisory Board. He has been an important driving force on our committee since 2019.

Finally, on behalf of the entire Supervisory Board, I would like to take this opportunity to thank you, our shareholders, for the confidence you once again showed in our Company over the past financial year.

In the following, we would like to inform you about the work of the Supervisory Board and its committees in 2023.

The Supervisory Board fulfilled all the duties assigned to it by the law and the Articles of Association in the 2023 financial year. It monitored the Management Board's management of the Company and was available to advise the Management Board. GRI 2-17

Members, meetings and resolutions of the Supervisory Board and its committees during the past financial year.

During the past financial year, the Supervisory Board held a total of 14 meetings, including regular meetings without the Management Board, for example in connection with the resignation of Dr Foruhar Madjlessi from the Management Board and the search for a candidate to fill this position, as well as the Supervisory Board's self-assessment of its own activities. In total, five resolutions were passed in writing. No member of the Supervisory Board failed to be present at more than two meetings.

The list of members of the Supervisory Board in the 2023 financial year and their individual attendance records at meetings of the Supervisory Board and Supervisory Board committees is shown below and is also available on the Company's website ↗ http://ir.de.instone-group.de/websites/instonereal/English/5650/vorstand-_-aufsichtsrat.html.

Material topics covered by the Supervisory Board and its committees

In the first quarter of 2023, the Supervisory Board held a total of six meetings. During these meetings, it dealt with various matters, including a detailed look at the corporate planning and the 2023 budget, and approved the documents submitted by the Management Board in this respect following in-depth discussions with the Management Board. The Supervisory Board also discussed the deliberations of the Management Board concerning the establishment of a sales channel using fund structures and the search for a potential female candidate for election to the Supervisory Board. At its balance sheet meeting in March, the Supervisory Board also held detailed discussions on the audited annual financial statements and the consolidated financial statements, including the combined management report for the 2022 financial year, and then approved and adopted these. Furthermore, the Supervisory Board approved the proposal for the appropriation of profits and the remuneration report for the 2022 financial year. In addition, it addressed the Supervisory Board report and the joint remuneration report for 2022 to be presented to the Annual General Meeting and the achievement of targets for the Management Board remuneration for the 2022 financial year, which it based on the recommendations made by the Remuneration Committee. The Supervisory Board also received reports on the status of the business and looked several times in detail at the termination of the Management Board mandate of Dr Foruhar Madjlessi and the search for a new candidate to fill the position of CFO.

In the second quarter of 2023, the Supervisory Board held a total of six meetings. At the first two meetings in April 2023, the topics up for discussion included the agenda for the 2023 Annual General Meeting and the resolutions recommended by the Supervisory Board as well as its proposals for the planned elections to the Supervisory Board. At the third Supervisory Board meeting in April 2023, the Board received reports on the status of the business in accordance with the usual schedule and once again looked into the personnel details relating to the elections planned at the 2023 Annual General Meeting for the Supervisory Board and the organisation of the Annual General Meeting as an in-person event, to which it agreed as proposed by the Management Board. At this meeting, the Supervisory Board also held a detailed discussion on matters relating to Management Board remuneration, including the targets set by the Supervisory Board for the short-term and long-term variable Management Board remuneration. Finally, the election of the replacement meeting chair for the Annual General Meeting was discussed at this meeting.

At the meeting on 14 June 2023, the Supervisory Board discussed the follow-up matters from the 2023 Annual General Meeting and decided on the members of the Supervisory Board committees.

In the fourth quarter of 2023, the Supervisory Board held a total of two meetings. The matters discussed at the meeting held on 17 October 2023 notably included the Management Board report on the status of the business. The final meeting of the financial year was held on 6 December 2023. At this meeting, the Management Board again provided its regular report on the status of the business and submitted to the Supervisory Board the initial draft of the corporate plan and the budget for the 2024 financial year. This matter was discussed in detail. The Management Board also used this point on the agenda to provide detailed information on the planning process. At the meeting, the Supervisory Board also looked closely at the efficiency of its own role and subjected it to a fresh review. Furthermore, the Supervisory Board approved the joint declaration of conformity to the German Corporate Governance Code (GCGC) 2023, discussed the target for female members of the Supervisory Board, which it increased to at least 33% of its members, and approved an updated skills profile and diversity concept as well as an updated qualification matrix for the members of the Supervisory Board. Finally, the members discussed various topics relating to Management Board remuneration at the meeting, including the personal targets of members of the Management Board for short-term variable remuneration in 2023, and discussed the status of the achievement of these targets.

Our company
To our shareholders
Letter to shareholders
The Management Board
Supervisory Board report
Equity story
Shares
Combined management report
Consolidated financial statements
Independent auditor's report
Remuneration report
Other information

Supervisory Board 2023/Overview of meeting participation

TABLE 002

	Stefan Brendgen	Dr Jochen Scharpe	Dietmar P. Binkowska	Thomas Hegel	Christiane Jansen	Stefan Mohr	Sabine Georgi	Written SB resolutions
Supervisory Board								
23/01[1]	Yes	Yes	Yes	Yes	Yes			
06/02	Yes	Yes	Yes	Yes	Yes			
27/02[1]	Yes	Yes	Yes	Yes	Yes			
13/03	Yes	Yes	Yes	Yes	Yes			
20/03[1]	Yes	Yes	Yes	Yes	Yes			
24/03[1]	Yes	Yes	Yes	Yes	Yes			
03/04[1]	Yes	Yes	Yes	Yes	Yes			
06/04[1]	Yes	Yes	Yes	Yes	Yes			
14/04[1]	Yes	Yes	Yes	Yes	Yes			
17/04[1]	Yes	Yes	Yes	Yes	Yes			
19/04	Yes	Yes	Yes	Yes	No			
14/06	Yes	Yes	Yes	Yes	No	Yes		
17/10	Yes	Yes	Yes		Yes	Yes	Yes	
06/12	Yes	Yes	Yes		Yes	Yes	Yes	
Total	**14/14**	**14/14**	**14/14**	**11/11**	**12/14**	**3/3**	**2/2**	**5**
Audit Committee								
06/02[2]	Yes	Yes		Yes				
13/03	Yes	Yes		Yes				
19/04[2]	Yes	Yes		Yes				
07/06	Yes	Yes		No				
12/09	Yes	Yes				Yes		
05/12	Yes	Yes				Yes		
Total	**8/8**	**8/8**		**5/6**		**2/2**		**–**
Remuneration								
13/03	Yes	Yes	Yes					
19/04	Yes	Yes	Yes					
06/12	Yes	Yes	Yes					
Total	**3/3**	**3/3**	**3/3**					**–**
Nomination Committee								
No meetings in 2023								
Total								**1**

[1] Virtual session (telephone or video conference).

[2] Joint Supervisory Board and Audit Committee meeting and additional Audit Committee meeting.

The five resolutions passed in writing in the past financial year by the Supervisory Board included the approval of the corporate governance statement, the proposed resolutions and nominations for the 2023 Annual General Meeting, the appointment of Mr David Dreyfus to the position of CFO of the Company, the interim assumption of the CFO responsibilities by the Chairman of the Management Board and the approval to increase the existing holding in the "beeboard GmbH" digital joint venture. GRI 2-18

Supervisory Board committees

To streamline the work of the Supervisory Board, the Supervisory Board had three standing committees with various responsibilities in the 2023 financial year, each of which has three members in accordance with the Rules of Procedure of the Supervisory Board: the Audit Committee, the Nomination Committee and the Remuneration Committee. Other committees may be set up by the Supervisory Board as required. The committees prepare the deliberations and resolutions of the plenum in their areas of responsibility. In addition, they make decisions in the context of various tasks defined in the Rules of Procedure of the Supervisory Board, insofar as the Supervisory Board has delegated these tasks to the relevant committee in the Rules of Procedure. Further information on the roles and responsibilities of the Supervisory Board committees is provided in the corporate governance statement page 182.

Audit Committee

The members of the Audit Committee in the year under review were Dr Jochen Scharpe (Chair), Stefan Brendgen, Thomas Hegel (up to the end of the Annual General Meeting on 14 June 2023) and Stefan Mohr (since 14 June 2023). The Audit Committee held eight meetings during the year under review. No written resolutions were passed.

The topics discussed by the Audit Committee in the period under review included the internal audit personnel, the recommendation to the full Supervisory Board to approve the plan and the budget for 2023 and to approve or accept the consolidated and annual financial statements 2022, the proposal for the appropriation of profits for the 2022 financial year, the recommendation for the proposed auditor of the annual financial statements and consolidated financial statements, the existing finance structure at Company and project level, the Company's obligations under existing financial contracts, the audit plan and the main focal points for the auditor and the awarding of the audit contract, the fast close process for the quarterly and six-monthly financial reports and the initial draft for the corporate plan and the budget for the 2024 financial year.

The Audit Committee also held an intensive discussion over several meetings on the current structure of the Instone Group internal control system and its future development. During the calendar year, the committee also looked at the work by the Company's internal audit team, including in particular the annual audit report 2022/2023 and the personnel resources of the internal audit team. Finally, the Audit Committee looked in detail at the risk management system and the risk reporting system.

In the past financial year, the Chair of the Audit Committee also made regular use of the opportunity to obtain information directly from the heads of the central divisions of the Company on selected topics.

Nomination Committee

The members of the Nomination Committee during the year under review were Thomas Hegel (Chair and committee member until the end of the Annual General Meeting on 14 June 2023), Stefan Brendgen (Chair since 14 June 2023), Dr Jochen Scharpe (until the end of the Annual General Meeting on 14 June 2023), Christiane Jansen and Stefan Mohr (since 14 June 2023). The Nomination Committee did not hold any meetings during the year under review. It passed one written resolution.

The subject of the resolution passed in writing by the Nomination Committee was the proposal to the full Supervisory Board for the election of the members of the Supervisory Board by the 2022 Annual General Meeting and the process for the search for another female member of the Supervisory Board.

Remuneration Committee

The members of the Remuneration Committee in the 2023 financial year were Dietmar P. Binkowska (Chair), Stefan Brendgen and Dr Jochen Scharpe. The Remuneration Committee held a total of three meetings in the year under review. The committee did not pass any written resolutions during the year under review.

At its meetings, the Remuneration Committee discussed in particular the recommendations to the full Supervisory Board for setting the

Management Board remuneration for 2022, the recommendations to the full Supervisory Board for setting the targets for the variable Management Board remuneration, the remuneration report for the 2022 financial year and the status of target achievement for the short-term variable remuneration for the 2023 financial year.

Trusting cooperation between the Management Board and the Supervisory Board

In the context of the topics outlined above and other matters, the Supervisory Board carefully and regularly monitored the management of the Company by the Management Board and supported it on the strategic development of the Company and key decisions. The same applies to the committees of the Supervisory Board within the scope of their respective areas of responsibility.

Once again in the 2023 financial year, the Supervisory Board discussed strategic matters with the Management Board in addition to and outside its meetings. In the past year, the focal points included the strategic development of the existing business and the macro-economic environment, the continued development of the Instone Group in terms of ESG and digitalisation, and the development of the share price.

The Management Board informed the Supervisory Board regularly, promptly and comprehensively about any and all aspects that were material to the Company, and fulfilled its reporting duties as specified by law, the Articles of Association and the Rules of Procedure. Above all, these included the business development of the Instone Group, sales activities, construction cost developments, the development of the share price and fundamental matters concerning corporate planning, strategy and organisation. The Management Board also reported extensively to the Supervisory Board on the business performance of the Instone Group in conference calls that took place in addition to Supervisory Board meetings in connection with the publication of the quarterly statements and the half-yearly financial report. Even outside meetings, the Chairman of the Management Board in particular had intensive and regular exchanges, especially with the Chairman of the Supervisory Board.

Business and transactions requiring the consent of the Supervisory Board under the Articles of Association or Rules of Procedure of the Management Board were submitted to the Supervisory Board by the Management Board for resolution by the Supervisory Board and were discussed in detail with the Supervisory Board in advance of said resolution. In the past financial year, this included in particular the matter of increasing the strategic holding in beeboard GmbH.

Corporate governance and declaration of conformity

Both the Management Board and the Supervisory Board are committed to the principles of good corporate governance in accordance with the recommendations of the German Government Commission on the German Corporate Governance Code. In the past financial year, the Supervisory Board therefore again extensively and repeatedly dealt with corporate governance matters.

This included, for example, filling the position of CFO following the resignation of Dr Foruhar Madjlessi from the Management Board, the search for candidates and proposals for filling two seats on the Supervisory Board, the target for the number of female members of the Supervisory Board, Management Board remuneration and the skills profile and qualification matrix for members of the Supervisory Board.

In December 2023, the Management Board and Supervisory Board of Instone Real Estate Group SE issued a joint declaration of conformity with the recommendations of the German Corporate Governance Code in accordance with the provisions of Section 161 of the German Stock Corporation Act after in-depth deliberations. It is included in the annual report 2023 on page 182 and can also be found on the Company's website in the Investor Relations section under Instone Group Compliance Statement.

The Management Board and Supervisory Board also report in detail on the corporate governance of Instone Real Estate Group SE in the corporate governance statement pursuant to Sections 289f, 315d of the German Commercial Code, which can be found on page 182 of this annual report. The corporate governance statement can also be found on the Company's website in the Investor Relations section.

In accordance with the recommendations of the GCGC, the Supervisory Board also informs the Annual General Meeting of conflicts of interest among members of the Supervisory Board. No such conflicts of interest were disclosed to or identified by the Supervisory Board during the entire period under review.

The Company supports the members of the Supervisory Board in taking advantage of training and further education options on Supervisory Board-specific topics, for instance by bearing the required costs of such training.

Personnel changes in the Management Board and Supervisory Board

There were changes in personnel in both the Management Board and the Supervisory Board in the 2023 financial year.

Dr Foruhar Madjlessi left the Management Board with effect from 31 August 2023 after his Management Board mandate was ended by mutual agreement. The Supervisory Board filled the resulting vacant position of CFO with the appointment of David Dreyfus. He was appointed a member of the Management Board with effect from 1 September 2023 to 31 December 2027.

At the end of the 2023 Annual General Meeting on 14 June 2023, Thomas Hegel left the Company's Supervisory Board after resigning his mandate prematurely with effect from that date. Stefan Mohr was elected as the new member of the Supervisory Board by the 2023 Annual General Meeting until the Annual General Meeting which will be convened to approve the Company's activities for the 2025 financial year. Sabine Georgi is also a new member of the Supervisory Board. She was elected to the Supervisory Board by the 2023 Annual General Meeting for the same period and will therefore fill the sixth seat on the Supervisory Board which was also newly created by the 2023 Annual General Meeting.

Audit of annual and consolidated financial statements

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Dusseldorf, was elected as auditor of the annual financial statements and consolidated financial statements for the 2023 financial year by the Annual General Meeting of the Company and commissioned by the Supervisory Board. The focal points of the audit were discussed in detail with the auditor at the Audit Committee meeting on 12 September 2023 and established accordingly.

The consolidated financial statements for the 2023 financial year were prepared on the basis of the International Financial Reporting Standards (IFRSs) as adopted in the European Union and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code.

The auditor provided its report and the documentation relating to the financial statements for the 2023 financial year to the members of the Audit Committee and Supervisory Board on 11 March 2024.

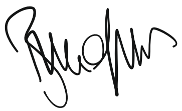
The report was discussed in detail at the Audit Committee meeting and the financial statements review meeting held by the plenary Supervisory Board on 11 March 2024. The auditor was present at both meetings. The auditor provided detailed reports on the main findings of the audit at the meetings and answered all the questions posed by members of the Audit Committee and the plenum. In addition, the auditor provided information about services provided by it in addition to the auditing services. There was no evidence of bias on the part of the auditor.

The auditor issued an unqualified opinion on the annual and consolidated financial statements for 2023 and the combined management report on 11 March 2024. Following a detailed review of the annual financial statements, the consolidated financial statements and the combined management report as at 31 December 2023 by the Audit Committee, the latter recommended its approval to the plenum. Per the final result of its own review, no objections were raised by the Supervisory Board. In accordance with the recommendation of the Audit Committee, the Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Management Board. The annual financial statements have therefore been adopted. The Supervisory Board has reviewed and carefully considered the proposal put forward by the Management Board to the 2024 Annual General Meeting for the appropriation of the net profit for the 2023 financial year and agrees with this proposal.

The Supervisory Board would like to thank the members of the Management Board and all employees of the Instone Group for their outstanding commitment and excellent performance in the past financial year.

Essen, 11 March 2024

For the Supervisory Board



Stefan Brendgen

Chairman of the Supervisory Board

EQUITY STORY

Benefiting greatly from the high demand for housing in German cities:

As one of Germany's leading residential real estate developers, the Instone Group is benefiting in the medium-term from stable growing demand for housing coupled with low availability of housing, particularly in metropolitan areas.

The Instone Group is one of the few developers established Germany-wide that focuses on attractive locations in the country's key metropolitan areas and their catchment areas. One key competitive factor is the Group's extensive expertise along the entire value chain, which spans site acquisition and development, planning and construction management, and the sale of the residential units. This comprehensive expertise is also reflected in a sector-leading gross margin of around 25%, which is sustainable even in the face of a slump in current markets and cost inflation. Among other things, this also gives the Instone Group flexibility in terms of pricing.

Innovative nyoo promises extra growth potential:

The innovative product nyoo for affordable housing gives the Instone Group a clear edge over the competition and considerable potential for growth. After several years of development, the company has managed to significantly reduce planning and construction costs by intelligently standardising the planning process and streamlining the production process. The digitalisation of the planning process and creation of a highly scalable product are key factors to this success. This product is also predestined for the growth field of subsidised housing construction. The expansion of the nyoo business is a key pillar of the medium-term growth strategy, with the annual revenue share of the affordable housing product segment expected to increase to at least 50% by 2030.

High cash flow security as a result of projects under construction that already have a buyer:

The project portfolio secured as at 31 December 2023 with an expected volume of sales contracts of €7.0 billion provides a high level of visibility for the future.

Of this €7.0 billion, projects accounting for around €2.9 billion of revenue are already in the construction phase. Of these, housing accounting for around €2.6 billion of revenue, or around 89%, had already been sold as of 31 December 2023. This makes expected future revenues and cash flows highly secure and therefore strongly protects against risk, especially as the market currently experiences a period of slowdown.

The Instone Group expects the projects already under construction to generate high, largely hedged operating cash flow over the next three years, which can be used to consolidate the balance sheet, invest in future growth and pay attractive dividends.

Strong balance sheet secures defensive risk profile and underpins medium-term growth:

The Instone Group has a healthy balance sheet, which was further strengthened in 2023. This gives it a clear competitive advantage, especially given the current climate in the sector. The low debt ratio as at the reporting date is reflected in the leverage ratio of 2.1 (net financial liabilities/EBITDA) and a loan-to-cost-ratio of 15.1%. In addition, the company has €383.6 million of liquidity as at 31 December 2023. This gives the Instone Group sufficient financial leeway to pursue project acquisition opportunities in the coming year.

Clear commitment to social responsibility:

Sustainability is a mainstay of our corporate strategy. The Instone Group supports EU and German federal government climate targets and aims to achieve CO_2 neutrality by 2045. Overall, our aim is to be a sustainability pioneer in the sector. In 2023, the ESG rating agency Sustainalytics again ranked the Instone Group among the top 3% of global real estate developers.

TCFD strategy

Shares

Instone Group share performance

Despite significant fluctuations during the year, the German stock market and its main DAX index ended the 2023 financial year with major gains. Following a strong performance in the final quarter, the DAX recorded a total increase of 20.3%. It also achieved a new record high in December.

The markets were heavily influenced by the development of inflation and interest rates. The restrictive monetary policy adopted by international central banks as a result of the sudden increase in inflation led to ten consecutive increases in interest rates by the European Central Bank up to September 2023. Falling inflation then gave hope to market participants in the fourth quarter that interest rates had peaked and a relaxation of interest rate levels would follow. This was also the material driver behind the strong share price performance in the final quarter.

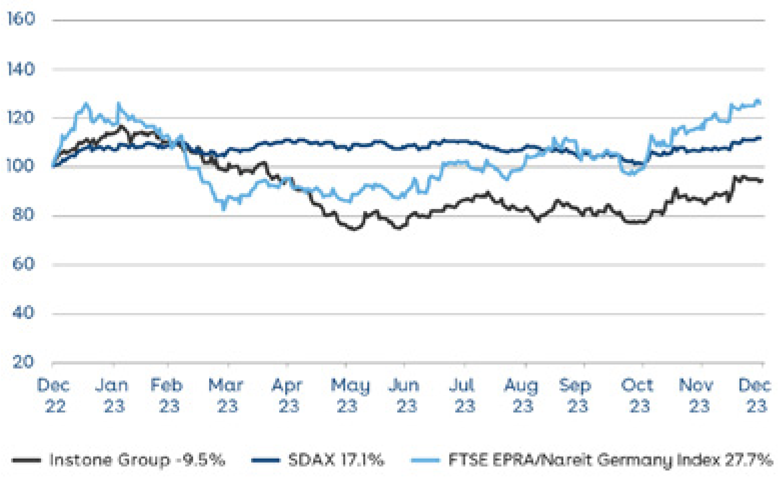
Other material factors that affected the share price included the negative news in March from the financial sector in the USA and in Europe, though ultimately this news was managed. Geopolitical tension together with the resulting negative economic implications continued to weigh heavily on the markets in 2023. One of the major factors in this respect was the fear of a potential escalation of the Middle East conflict in Israel, which temporarily placed the markets under pressure in October but was followed by a strong recovery by the end of the year.

As the sector is sensitive to interest rates, there was a particular focus on real estate shares in discussions about interest rate developments. Faced with a high degree of fluctuation in share prices during the year, the benchmark index of German real estate shares EPRA/NAREIT Germany ultimately recorded a positive performance in 2023 of 27.7%, which means that it actually outshone the performance of the main DAX index.

In addition to the macro factors described above, the Instone Group share performance was also influenced by a number of negative news stories from the German residential developers sector, including major company insolvencies. Higher interest rates, which mainly subdues demand, but also has a negative effect on costs, combined with higher construction costs placed many of our competitors under severe pressure in 2023. Against this backdrop, Instone Group shares recorded a negative share price performance of 9.5% with a final Xetra price of €7.30. Shareholders received a dividend of €0.35 per share, which at the time of the ex-dividend date following the 2023 Annual General Meeting represented a dividend yield of 6.4%. This meant that overall Instone Group shares delivered only a slightly negative return over the full year of 2023. The share price reached a high of €9.62 on 2 February 2023 (source: Xetra closing price) and a low of €4.99 on 2 June 2023. The Instone Group market capitalisation at the end of the year was €343 million (previous year: €379 million).

Share price performance from 01/01/2023 to 31/12/2023

Indexed, 31/12/2022 = 100%
Historical prices (Xetra closing prices)

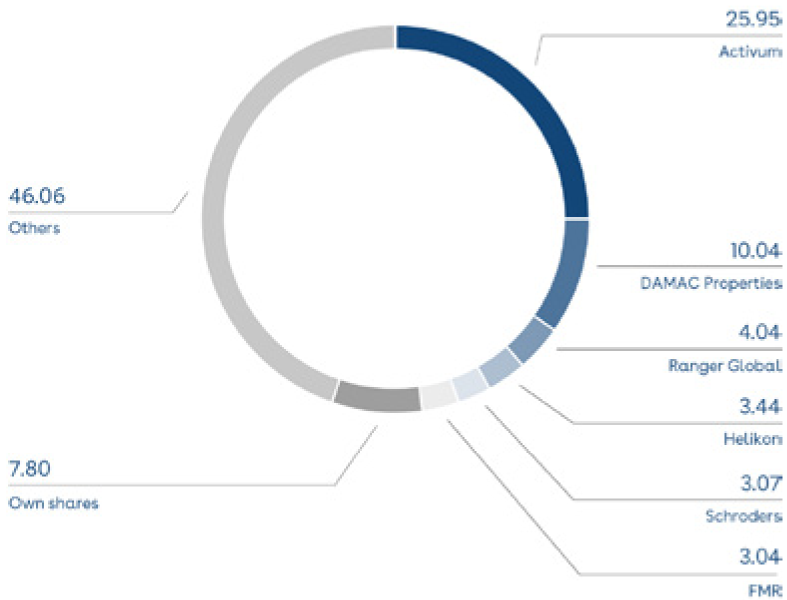


Source: Bloomberg, 12 January 2024

Major shareholders

As at: 31/12/2023

Percentage in %



Source: Voting rights notices according to the German Securities Trading Act

Shareholder structure and share buyback programme

Holdings among the two major shareholders remained virtually unchanged in 2023. The other shareholders can be described as a free float.

The Instone Group instigated a share buyback programme for the first time in March 2022, making use of the authorisation granted at the Annual General Meeting held on 13 June 2019. In the period from 18 March to 24 October 2022, a total of 2,349,416 shares (accounting for 5% of the registered capital) were purchased at a cost of €25.4 million. The second share buyback programme ran from 26 October 2022 to 6 February 2023, during which time a further 1,349,417 shares were bought back. The proportion of own shares since that time has amounted to 7.8% of the registered capital. The purchased shares can be used for any purposes permitted by law, and the possibility of their cancellation has not been ruled out. We provide a weekly report on the status of the programme on our ↗ Investor Relations website.

Taking into account the two largest shareholders, which cannot be described as free float, and the Company's own shares, the free float on the date of the balance sheet was 56.22% using the definition of Deutsche Börse.

Investor relations activities

Over the past financial year, we once again held close discussions with existing and potential shareholders as well as other stakeholders. The Management Board organised six road shows and attended ten investor conferences in Europe in the past year. We also organised more site visits to give some of our investors an insight into our construction projects. The Annual General Meeting on 14 June 2023 was held at the Atlantic Hotel in Essen. Following the coronavirus pandemic, we returned to an in-person format, which meant that we were once again able to speak to our shareholders face to face.

Currently, a total of five analysts prepare regular research reports. Of these, three analysts are recommending purchases and two analysts have advised that the shares are a "hold". The average share price target is €10.00 (as at November 2023). The current ratings and share price targets as well as the consensus of analyst estimates can be found on our ↗ Investor Relations website.

In the financial year under review, the Management Board once again reported in regular conference calls on the current financials and operational developments at the end of each quarter. Recordings of the conference calls are available to all interested parties on our ↗ Investor Relations website.

The latest corporate information, such as presentations, financial reports, and press and ad-hoc announcements, is also available on our ↗ website in the Investor Relations section.

Appropriation of profits

The Management Board and Supervisory Board will propose to the Annual General Meeting on 5 June 2024 that a dividend of €0.33 per no-par value share carrying dividend rights be paid (previous year: €0.35) and the amount from the net profit for no-par value shares not carrying dividend rights be carried forward to the new account and/or placed in other profit reserves. In addition, the Management Board is maintaining its goal of distributing approximately 30% of the adjusted net profit after tax (EAT) to shareholders in the long-term.

Basic information about the shares as at 31 December 2023

Initial listing	15/02/2018
Total number of shares	46,988,336
Registered capital	€46,988,336
Free float	56.22%
ISIN	DE000A2NBX80
WKN	A2NBX8
Ticker symbol	INS
Share type	No-par value bearer shares
Stock market	Frankfurt Stock Exchange
Market segment	Regulated market (Prime Standard)
Xetra closing price (31 December 2023)	€7.30
Dividend proposal for 2023:	€0.33 per share
Market capitalisation (31 December 2023)	€343 million
Xetra peak price (2 February 2023)	€9.62
Xetra lowest price (2 June 2023)	€4.99
Average daily trading volume	Approx. 57 thousand units

We would also be happy to speak with you personally. Contact us at:

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COMBINED MANAGEMENT REPORT

Foundations of the Group

Business model and organisational structure

GRI 1

Instone Real Estate Group SE ("Instone Group") is one of the leading developers of residential real estate in Germany. Its shares are listed on Deutsche Börse's Prime Standard index. The Instone Group develops residential buildings and apartment complexes and additionally operates in the publicly subsidised residential construction sector. It also works on contemporary urban planning and the refurbishment of listed buildings. These are marketed to owner-occupiers, retail buy-to-let investors and institutional investors. The Company has 441 employees across nine locations in Germany. As at 31 December 2023, the project portfolio of the Instone Group included 45 development projects with an anticipated gross development value of approximately €7.0 billion and 14,252 units. GRI 2-7

Around 87.6% of the development portfolio (based on the expected sales volume after completion of the development) is traditionally focused on the most important metropolitan regions of Germany (Berlin, Cologne/Bonn, Dusseldorf, Frankfurt/Main, Hamburg, Leipzig, Munich, Nuremberg and Stuttgart. Around 12.4% of the projects are located in other prospering medium-sized cities. Well-connected suburbs and medium-sized cities in the metropolitan regions are becoming increasingly attractive and can thus help to meet the generally high demand for residential space.

In addition to its traditional core product – i.e. the individually planned and tailored development of homes for rental and homes for sale – the Instone Group also develops affordable newly built housing in the outskirts of metropolitan areas and in well-connected B- and C-tier cities under the brand name nyoo. In line with the Instone Group's strategy, the nyoo brand shall be developed into a key driver of medium-term growth for the company. With the help of Nyoo Real Estate GmbH, about half of all properties developed by the Instone Group will come from the "affordable housing" segment (see also the "Strategy" section on page 42) as early as 2030.

Coverage of the entire value chain

The Instone Group is the only listed developer in Germany that exclusively focuses on residential real estate and also covers the entire value chain, figure 001. We offer a fully integrated platform across Germany that covers land acquisition, land development, concept planning and construction management through to marketing and sales.
GRI 2-6

The Instone Group value chain

FIGURE 001

Each of the eight operative Instone Group locations has its own teams that are responsible for the areas of acquisition, planning and building management, as well as marketing and sales management. Strategic decisions are coordinated with the head office and implemented on a collective basis. In addition, the headquarters of the subsidiary Nyoo Real Estate GmbH, with currently 47 employees, is located in Cologne.

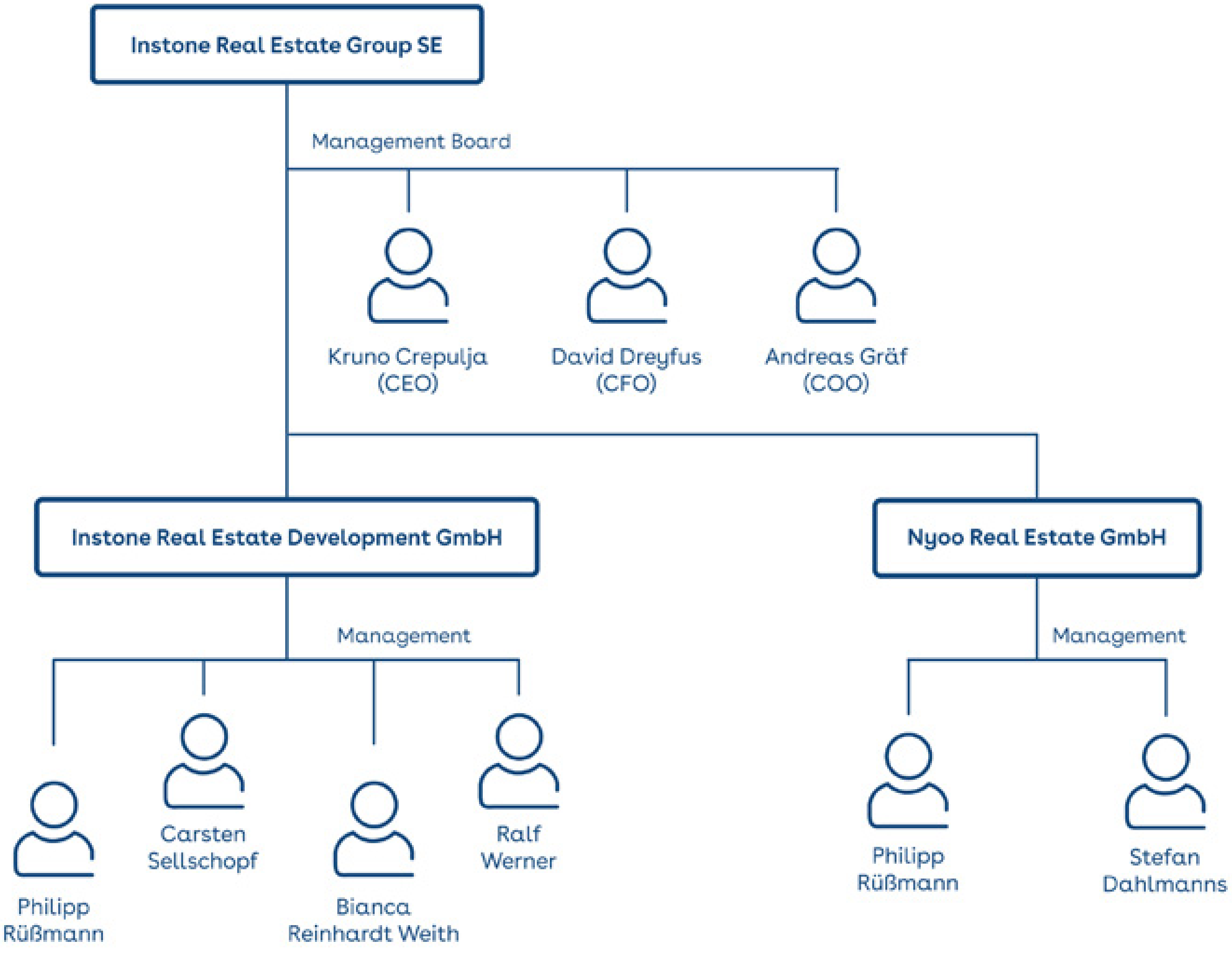
With regard to corporate management, the Instone Group implements an integrated risk management system and uses reporting and planning tools to minimise risk in the development process. As per German Broker and Developer Regulations (Makler- und Bauträgerverordnung, MaBV), the company has the option of contractually agreeing to instalment payments based on the progress of construction for residential units sold to owner-occupiers or private investors, for example. Comparable financing arrangements are also frequently negotiated with institutional investors in this regard. This significantly reduces both the financing risk and the capital commitment for the Instone Group. Instone Real Estate Group SE acts as a strategic management holding company; the subsidiary Instone Real Estate Development GmbH is responsible for the operational project business with the traditional core product. The company Nyoo Real Estate GmbH, founded in 2019, is responsible for business concerning the new product of affordable housing. figure 002

Slight decrease in number of employees

As part of the current crisis in the sector, we have increasingly focused on our costs and reduced our platform costs. This coincided with a decrease in the number of employees. On 31 December, 2023, the Instone Group employed a total of 441 people. This marks a decrease of 9.6% compared to the headcount on the 2022 balance sheet date (previous year: 488 people). GRI 2-7

Instone Group organisational structure (as at: 31 December 2023)

FIGURE 002



Market environment and regulatory conditions

Market environment affected by significant rise in interest rates

The Instone Group is one of Germany's leading residential real estate developers and has a nationwide presence, including all major metropolitan areas. The market environment in the real estate sector has changed considerably. This is due to heavily rising inflation, which has also led to a substantial increase in building costs and, in particular, a markedly more restrictive monetary policy as a result of inflationary trends. Ultimately, the interest hikes implemented by the European Central Bank (ECB) have also led to a historic rise in the ten-year mortgage rates in Germany. These rose from a very low level of less than 1.0% in 2021 to around 4.2% in autumn 2023. This had a significantly negative impact on demand from both private and institutional investors.

Declining demand for new housing has also already had a negative impact on supply. An expected decline in building completion rates will therefore further exacerbate the excess structural demand on the German residential property market, especially in light of the refugee crisis which has led to an additional increase in demand. On the other hand, the decline in construction activity has led to a certain easing of building costs, which have stabilised in the second half of 2023.

Competitive environment

In a fragmented competitive environment, the Instone Group considers itself to be in a leading market position. There are few other project developers that operate across all of Germany and are therefore able to compete nationwide in the purchase of development projects. The competitive situation is instead characterised by smaller, more regional or local project developers.

Especially in the current industry crisis, which has led to more real estate developers facing insolvency, the Instone Group benefits from its financial strength, which is evident in its very low leverage ratio and high liquidity. This is a key distinguishing factor, especially in a competitive environment characterised by numerous regional providers with limited financial resources. In a difficult financing environment, the Instone Group continues to enjoy unrestricted access to new sources of financing, as confirmed by the issue of a new promissory note loan in the final quarter, for example. We believe that our financial strength is one of the important selling points for our customers and subcontractors, and enables us to capitalise on project acquisition opportunities as soon as the market stabilises.

Further information on the development of the German residential real estate market over the past financial year can be found in the "Economic framework" section starting on page 129.

Political and regulatory framework

Real estate development is affected by a number of factors, including the political environment, the regulatory framework and general public acceptance. The housing market has increasingly been the focus of political debate and public discussion in recent years. This is due primarily to the persistently high level of demand for housing driven by demographic change and migration both into Germany and in particular within Germany. Given the relatively low level of new construction activity, these factors are leading to a sustained shortage of housing in the metropolitan areas.

We believe that the Instone Group has a joint responsibility alongside policy-makers and local authorities to focus on finding solutions to this excess demand, and the main way we can play our part is by creating housing that is both liveable and affordable. The Instone Group is closely and continuously monitoring the shifting regulatory framework and aligning its business activities with the new legislation. We are engaging in a close dialogue with state and local authorities to actively help improve the framework for the creation of housing. To achieve this objective, Management Board Chair Kruno Crepulja is, for instance, Vice Chair of the Residential Real Estate Committee for ZIA Zentraler Immobilien Ausschuss e. V. (German Property Federation), the umbrella organisation of the real estate industry in Germany.

When considering the regulatory environment, it is also important to note that it is the balancing of residents' individual interests and the common good within re-densification projects for markets with housing shortages that is increasingly leading to project delays or cancellations. The growing importance of environmental concerns also further complicates the procurement of planning permission. Nevertheless, it is worth noting at present that most Instone Group projects are supported by the public. In our view, this is underpinned by active and transparent communication and high levels of credibility. In development planning processes, the Instone Group maintains open communications and involves all affected stakeholders, such as neighbours and interested citizens, in the planning of the neighbourhoods at an early stage, which results in comparatively few conflicts and minimal associated public law proceedings.

The Instone Group itself meets its obligations under urban development contracts with local authorities as an integral part of the value chain. Our current projects include the creation of crèche places for 1,759 children and affordable housing in locations with major shortages, amounting to 2,610 subsidised homes or 84 reduced-price homes.

Significant changes currently affecting the regulatory environment or uncertainty factors that could affect the Instone Group's business model are described below.

Federal government subsidy policy

Germany's current coalition government has described the creation of new housing to be a key political goal and has established a separate Federal Ministry of Construction for this purpose. The main objective is the construction of 400,000 new units per year, 100,000 of which will be publicly subsidised. However, the number of newly constructed units continued to fall well short of this target in 2023 and even building completion rates are in decline. This is due to poorer overall conditions coupled with rapidly rising loan interest rates and building costs and general macroeconomic risks, in addition to ongoing uncertainty regarding the regulatory framework.

New subsidies for climate-friendly new builds and the creation of residential property worth €1.1 billion have been launched for 2023. This is a comparatively low volume. Around €350 million of this has been made available to help families own a home ("Residential Property for Families", or "Wohneigentum für Familien" programme), which was intended to replace the government's Baukindergeld grant programme, which expired in late 2022. The new programme will only provide funding for new buildings in Germany intended for owner occupancy that meet the Efficiency House 40 Plus (EH 40) standard. Families with at least one under-age child and a maximum annual taxable household income of €60,000 were eligible to apply. This income limit was raised to €90,000 on 16 October 2023. This limit increases by €10,000 for each additional under-age child. However, families that have already received federal funding for residential property in the past, such as through the former grant scheme, are ineligible. The subsidy system is based on the granting of low-interest KfW loans, which, however, can be used as a replacement for equity. Depending on the number of children and proof of a Sustainable Building Quality (QNG) seal, the maximum subsidy was between €170,000 and €270,000.

Around €750 million was also earmarked to subsidise the construction of new climate-friendly rentals under the "Climate-friendly new housing" programme. This programme was aimed at housing groups and cooperatives as well as private developers. To receive funding, the building had to meet the Efficiency House 40 (EH 40) standard and may not use fossil fuels to generate heat. Additional funding was possible by obtaining a QNG certificate for sustainable buildings. This subsidy was also based on the granting of low-interest loans. The programme was terminated early in December 2023 as the funding was used up. The maximum subsidy per unit was €100,000–€150,000.

The federal government also enacted tax relief for property owners on 1 January 2023. The linear depreciation rate for leased residential building construction is slated to be increased from 2% to 3%, thus shortening the depreciation period from 50 to 33 years. This should help support a campaign of climate-friendly new construction. For a limited time, a special depreciation allowance shall also be put in place under which 5% of manufacturing costs can be deducted as depreciation within four years. These costs are limited to €4,800 per square metre, of which no more than €2,500 per square metre can be claimed for tax purposes. This tax benefit requires the building to meet the Efficiency House 40 standard and have a QNG seal.

As part of its planned introduction of the new Growth Opportunities Act, the federal government's plans included subsidising new construction by introducing a declining annual depreciation rate of 6% and thus increasing the linear depreciation rate of 3% introduced on 1 January 2023, on 1 October 2023. Federal Council approval, which is required to introduce the act, had not been given by the balance sheet date.

German Building Land Mobilisation Act implemented at federal state level

The Building Land Mobilisation Act, which came into force in mid-2021, has since been implemented to varying degrees in the individual federal states. While Baden-Württemberg, for example, primarily introduced a municipal pre-emptive right to undeveloped land in certain municipalities, Hamburg and Berlin also decided to reserve the right to approve conversion of rental apartments into private property (Section 250 of the German Building Code (BauGB)).

In the real estate sector, the Building Land Mobilisation Act is seen as a drastic market intervention and encroachment on property rights, which is expected to result in a long-term reduction in supply for purchasers of owner-occupied housing. Thanks to the municipal pre-emptive right, local authorities have more opportunities to gain preferential access to land and housing and to build houses there themselves. The growing use of municipal pre-emptive rights can therefore also influence the acquisition activities of private developers. The generally limited financial flexibility for many local authorities significantly limits their acquisition potential.

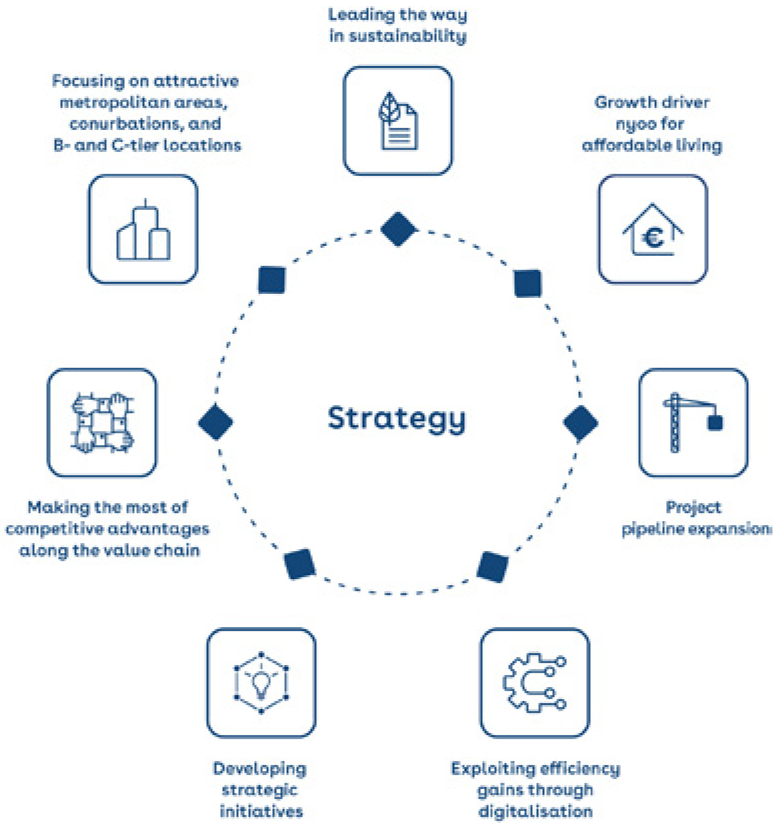
However, the Instone Group also believes that additional opportunities may emerge through public sector collaborations if pre-emptive purchase rights are exercised more frequently.

Municipal land regulations

In recent years, political efforts have been made in a number of the Instone Group's core markets to further extend regulations as part of the creation of new planning permissions. As well as increases in mandatory quotas for the creation of subsidised housing, there are also initiatives to regulate privately financed residential construction more heavily at local authority level, for example by using fixed quotas for homes for sale, homes for rent, reduced-rent housing or cooperative housing.

While additional regulations of this type are likely to have negative effects on both the demand for and supply of building land in general, the Instone Group believes it is well positioned to compete in this environment thanks to the development of a product for affordable housing. With our expertise in products and implementation in the area of low-cost construction, our assessment is that we are further strengthening our relative competitive position compared to other developers. Furthermore, current projects with planning permission and projects for which the process of procuring planning permission has already started are not affected by these requirements.

Strategy



The Instone Group is one of Germany's leading residential real estate developers. Our strategic goal is to return to medium-term growth and continuously strengthen our long-term competitive position despite current fluctuations in the market. We want to capitalise on project acquisition opportunities – emerging especially now the market is undergoing a period of adjustment – when the market shows signs of becoming stable once more. The Instone Group strategy aims to create added value for all stakeholders, particularly our customers, employees, shareholders, local authorities and the social environment in which we operate.

This strategy comprises the following key elements:
GRI 2-22

Focus on metropolitan areas and conurbations in Germany as well as B- and C-tier locations

In our traditional core product, the individually planned and tailored development of homes for rental and for sale, we are concentrating on inner-city locations in metropolitan areas and medium-sized cities with structural excess demand and demographic growth. With nyoo, we are also addressing B- and C-tier locations in the vicinity of economic hubs, which are becoming increasingly attractive. With our projects, we also constantly focus on sustainable, climate-friendly neighbourhood development and the incorporation of social aspects, including the provision of subsidised housing and housing with improved accessibility. Neighbourhood developments consist of a mix of residential units supplemented by other usage categories, such as offices, commercial spaces and community facilities, for example child day-care centres. For a larger proportion of non-residential developments, we take on land development and typically include project partners for the commercial part. With regard to the project sizes, we concentrate on large projects with an average value of around €100 million with our traditional product. In contrast, the average project size for nyoo is around €30–50 million.

Growth driver nyoo for affordable housing

With our product to create affordable housing, nyoo, we are supplementing our current product range with high-quality, low-cost housing based on modular planning. By combining modular planning, serial construction and streamlined products, we are planning to significantly reduce production costs and project durations. The cost advantages achieved with this product allow the Instone Group to develop a market in the mid-price segment with high growth potential, allowing us to meet the high demand for housing from middle income groups while also making a valuable contribution to providing affordable housing near metropolitan areas as well as in B-tier and C-tier cities, which we consider to be attractive. By 2030, around half of our developed homes will be in the affordable housing category.

Project pipeline expansion

The acquisition of suitable land is essential if the Instone Group is to grow as planned. As early as the 2022 financial year, we significantly scaled back our acquisitions as the market began to experience a downturn, and ultimately abstained from any new project acquisitions in 2023, thus shifting our short-term focus to strengthening the balance sheet. However, we assume that we will be able to benefit from opportunities for land acquisition or projects already at an advanced stage in the current environment in 2024. We plan to resume acquisitions as soon as demand stabilises further. In the medium-term, we plan to again expand our project portfolio in terms of both traditional business and our product for affordable housing, nyoo. The strong key balance sheet figures in the view of the Management Board also lead us to believe that the Instone Group is well positioned to achieve further growth.

Making the most of competitive advantages along the value chain

As one of the few developers in Germany focusing on residential real estate, the Instone Group has many years of extensive expertise along the entire value chain:

- When acquiring land, we prioritise "off-market transactions", i.e. acquisitions outside the multi-stage public bidding process. Establishing networks over the long-term represents an important success factor in opening up attractive buying opportunities.
- When making acquisitions, we prioritise land that has no planning permission in order to harness the increased potential for added value. The Instone Group brings its experience to acquiring economically attractive planning permission.
- The Group helps local authorities to acquire planning permission, in particular by developing urban planning strategies and proposals for action, and to draft land use and development plans.
- In the vast majority of cases, we act as our own general contractor. Contracts are individually awarded to regional and national construction companies from our existing network based on relevant selection criteria. These criteria include the company's experience with comparable projects, the technical requirements and the level of quality required.
- Direct access to subcontractors gives us a competitive advantage, especially when contractors are working at near-full capacity. This makes it possible to ensure building capacity early on and to provide a high level of cost transparency. The value created internally has a positive overall effect on our operating margin.
- In marketing and sales, we maximise our access to all relevant target groups, such as owner-occupiers, capital investors and institutional investors.

Exploiting efficiency gains through digitalisation

For the Instone Group, greater digitalisation of business processes is a critical factor in further increasing efficiency and a key competitive advantage in a highly fragmented industry with relatively little digitalisation. By continuously digitalising and analysing all of our processes, we can routinely identify potential areas for improvement and thus make our planning and construction processes more efficient in the long-term. As a result, we are working on the uniform digitalisation of our entire process landscape with proprietary software, allowing us to create an integrated planning and construction process that can make the best use of the opportunities presented by serial construction.

Leading the way in sustainability

Fair and responsible action with regard to economic, environmental and social sustainability is a core component of the Instone Group strategy. We firmly believe that our company's sustainability performance is crucial to our long-term economic success and competitiveness. The fact that we are taking a pioneering role in this is confirmed by specialised sustainability rating agency, Sustainalytics. In its 2023 analysis, it ranked the Instone Group among the top 3% of real estate developers of a total of 288 companies studied worldwide. One way in which we managed to further implement our strategy in the past financial year was by establishing in-house impact groups of around 30 employees each. These groups work intensively on the operational implementation and integration of sustainable materials, neighbourhood infrastructure and important social aspects in our neighbourhoods, for example. GRI 2-22 TCFD strategy

New strategic initiatives

In order to enhance and expand our business model, we are currently scrutinising new strategic initiatives, including the development of new sales channels.

Corporate management

Instone Group's corporate management system

The goals of achieving sustainable growth while maintaining attractive project margins and ensuring successful corporate management are supported by the Instone Group's internal corporate management system.

System-based planning, reporting and controlling processes consistently form the foundations for the transparent derivation of growth opportunities and the necessary need for action. This is an important success component for further strengthening the Instone Group's competitive position.

Its internal corporate management is, in particular, based on the following elements:

- Integrated management information system
- Database-supported project management
- Structured meeting system
- Financial and real estate business key performance indicators
- Group-wide risk management

Integrated management information system

The integrated management information system (MIS) supports all management levels during planning and decision-making processes. One material element is our "bottom-up" business planning which views the specific factors influencing property from a financial perspective.

The reporting system for the presentation of key developments relating to the real estate and financial key performance indicators is compiled on a monthly basis, supplemented by a consideration of the key project milestones and the development of liquidity.

Database-supported project management

Within the scope of its project management, the Instone Group relies on a database-supported planning and reporting system that is integrated into the wider system landscape. This supports the individual process steps for the monthly preparation of project forecasts and updates. It also serves as a central database for both operational level and higher-level corporate controlling. This makes it possible to identify potential and the need for action resulting from the updated project forecasts at an early stage with the support of tools.

Structured meeting system

The targeted exchange of information from the project teams up to Management Board level is an integral part of the Instone Group's corporate management system. These include, among other things, the monthly project team and results meetings in the branches as well as the discussions with the Management Board regarding the status of the projects.

Corporate governance key performance indicators

Financial and real estate business key performance indicators

Important corporate governance key performance indicators

For governance of our sustainable economic success, we use the profit-based key performance indicators (KPIs) of adjusted revenue, adjusted gross profit margin and adjusted earnings after tax (EAT) as financial performance indicators and the real estate business key performance indicator of volume of sales contracts as a non-financial performance indicator.

Adjusted revenue

The key indicator for the performance of the Instone Group is adjusted revenue. Thanks to the application of period-based revenue recognition in almost all project developments in the Instone Group, adjusted revenues represent a key indicator for assessing the performance of the Company which is sufficient in our view. The adjusted revenue recognition similarly includes share deals and asset deals in analogous application of IFRS 15 in the determination, regardless of the decision of IFRS IC to exclude share deals from the revenue recognition over time under IFRS 15. In addition, adjusted revenue recognition is calculated without the effects from purchase price allocations.

Adjusted gross profit margin

Adjusted gross profit is determined from the adjusted revenue less cost of materials, changes in inventories, material-costs related other operating income, indirect sales costs and capitalised interest, but without considering the effects from purchase price allocations and share deals. The adjusted gross profit margin as a ratio of adjusted gross profit to adjusted revenues reflects the operating result after deducting all external costs that can be directly attributed to the project and places the focus on the projects’ profitability.

Adjusted earnings after tax

Adjusted earnings after tax is calculated on the basis of adjusted gross profit less platform costs, consisting of staff costs, other operating income and expenses, depreciation and amortisation, investment and other income, financial result and income taxes, but is also adjusted for the effects from purchase price allocations and share deals, as well as any non-recurring effects, where applicable.

In particular, the following significant expenses are adjusted for disposal losses from sales of tangible or financial assets or securities, unscheduled depreciation and amortisation of tangible and financial assets, one-off expenses relating to the valuation of inventories, costs for acquisitions, merger losses, contractual penalties, demands for additional taxes from previous years based on audits, severance payments to the Management Board, and personnel reductions and restructuring to a greater extent, if these do not meet the strict criteria set out in IAS 37. The adjustment of material income includes, in particular, income from capital gains arising from sales of non-current assets, compensation for damages, writeups on non-current assets, refunds of taxes from previous years based on audits, reversals of provisions for extraordinary events and merger gains.

Volume of sales contracts

Volume of sales contracts reflects the revenue-relevant (adjusted) volume of contracts of our projects. It mainly comprises all sales-related transactions, such as notarised real estate purchase agreements, individual orders from clients and rental income.

Volume of sales contracts is also referred to as sales volume.

Other important key performance indicators

The management of the Instone Group also uses the following KPIs for analysis and reporting:

Current offer for sale

The current offer for sale is calculated on the basis of the unsold residential units in projects where sales have already started.

Project portfolio

The project portfolio value as at the reporting date is the anticipated overall volume of revenue from all projects listed in the portfolio. The Instone Group divides its project portfolio into three different groups depending on the stage of development: For projects with the status "pre-sale", the land has already been purchased, secured or claimed by us in a binding offer, but marketing has not yet begun. Following sales release and the initiation of marketing, projects are transferred to a "pre-construction" status. Projects with a completed start of construction have an "under construction" status until complete handover. Once structural obligations have been met and the entire sale[1] and full handover are complete, projects are removed from the project portfolio in the next reporting month.

Volume of new approvals

The volume of new approvals reflects the Instone Group's success in acquiring new land and development projects. To secure the prospective cash outflows resulting from the approved investment, the project is included in our project portfolio from the date of approval. The internal approvals linked to the volume of new approvals are based on secured land access rights or such rights that have been verified by us with an offer involving a firm commitment. The volume of new approvals is measured by the volume of sales contracts expected at the time the new approval is granted.

Project gross profit and project gross profit margin

The project gross profit consists of the project proceeds included in the adjusted revenue in the income statement over the project term, reduced by the relevant external project costs.

The relationship between the project gross profit and the total revenue proceeds of the project is used to calculate the project gross profit margin.

[1] Unit sale projects in which the share of units still to be sold is less than 2% are an exception.

Sustainability report (unaudited)

General principles and requirements

GRI 2-5

Applied reporting standards

In this year's Sustainability Report, Instone Real Estate Group SE is voluntarily complying with the provisions of commercial law concerning non-financial reporting in accordance with Section 315c in conjunction with Sections 289c to 289e of the German Commercial Code (HGB), although the Instone Group is not obliged to do so under the terms of the HGB because of the size of the Company. Additionally, this report discloses more than the minimum information required by law and is guided by the EU Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) as well as their modified understanding of double materiality. This directive and these standards will become mandatory for the Instone Group for reporting starting in the financial year 2025. Since the Instone Group considers these developments to be important and instructive, it has aligned itself with these now-final European requirements, as it did in the previous year's report.

All sections of the text, tables and figures in the sustainability report which form part of the non-financial statement under the terms of the HGB and therefore are subject to a voluntary audit with limited assurance are indicated with the symbol .

In the context of the identification of key topics that are reported, the HGB and CSRD or ESRS (as of: 31 July 2023) differ with respect to their definition of double materiality.

Double materiality primarily consists of:

1. Sustainability topics that are material to the performance, results and position of the business,

and

2. Effects of the business activities that have a material impact on the Company's environment.

In accordance with Section 289c (3) HGB, topics that are simultaneously material from both perspectives must be taken into consideration, while the CSRD/ESRS also take into consideration all those topics that are material only in one way.

The Instone Group has assessed all the relevant topics for double materiality. As defined in Section 289c (2) and (3) and Section 315c HGB, and taking into consideration the existing measures and requirements within the Group, no "material risks" have been identified in our own business activities or in connection with our business relationships, products and services, which "very likely [have or will have] serious negative effects" on the topics described in the materiality matrix page 54. Further information can be found in the risk and opportunity report starting on page 156.

In addition, the Instone Group is likewise reporting in full in accordance with the final version of Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (referred to below as the "EU Taxonomy Regulation") and the delegated acts adopted in this respect. The non-financial disclosures and key figures relating to our sustainability activities and the taxonomy reporting provided in this report and indicated with the symbol were subjected to an independent audit with limited assurance by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Dusseldorf, in accordance with the audit standards relevant to sustainability reporting (ISAE 3000 Revised).

Disclosures made by the Instone Group follow recognised standards and report initiatives, including the requirements of the Global Reporting Initiative (GRI; GRI table) in effect since 2023, the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD) released in September 2023 and the Task Force on Climate-Related Financial Disclosures (TCFD) from 2017. The climate target was reviewed by the Science Based Targets initiative (SBTi) at the start of the financial year 2022. In addition, every identified action area has been assessed with regard to its contribution to achieving the Sustainable Development Goals (SDGs) of the United Nations page 292.

Recording limits, principles and aims

All the information reported and the accompanying data points have been prepared with care and to the best of our knowledge.

The structure of the published information follows the specifications of the ESRS. All the information relates to the financial year 2023 up to the reporting date of 31 December 2023. In cases where the primary data was not available or was only partially available on the reporting date (for example, energy bills), extrapolations were made for the entire year on the basis of known data points. This has been documented accordingly.

The information covers all the companies included in the consolidated financial statements of Instone Real Estate Group SE as fully consolidated (see list of shareholdings annexed to the notes to the consolidated financial statements, page 255). All the information in this Sustainability Report is generally presented at Group level in accordance with the scope of consolidation which forms the basis of the consolidated financial statements and the combined management report. Sustainability information is managed and recorded at Group level. It also includes central functions such as procurement, which is responsible for this area within the subsidiaries Instone Real Estate Development GmbH and Nyoo Real Estate GmbH. Any deviations are clearly indicated.

Business model and strategy

TCFD risk management

Business model

Detailed information on the business model is presented in the section "Foundations of the Group" page 36. The incorporation of sustainability aspects is reflected in the business model going forward.

Corporate governance

The corporate governance statement page 182 includes the declaration of conformity, comments about the implementation of the German Corporate Governance Code (GCGC) and information on corporate governance and explains the composition and working methods of the Management Board and Supervisory Board and also the role of the Management Board with regard to sustainability aspects. TCFD governance

Equity story

The equity story of the Instone Group is based on the realisation of future-oriented residential property projects. With this approach, the Instone Group continues – even in a difficult environment – to make an important contribution to easing the shortage of affordable housing in Germany. Further information on the equity story can be found on page 30.

Strategy in the context of sustainability

The Company's primary goal is to position itself as a leading neighbourhood developer in sustainability and social impact. The Instone Group pursues its sustainability goals at both the corporate and project level.

An important step in the strategic orientation of the Instone Group towards sustainability is also manifested in the further increased prioritisation of this topic by the Management Board of the Instone Group. This can be seen, for example, in the structural adjustments and further developments of our corporate organisation, which are closely supported by the Chairman of the Management Board, as a result of which the topic of sustainability is even more closely interlinked with the overall business strategy.

For the Instone Group, transparency and communication regarding key strategic goals for sustainability are not only an obligation to stakeholders but also an essential tool for building trust and maintaining an open dialogue with partners. This is why the Instone Group is proactively taking steps to bring its reporting in line with the CSRD/ESRS. In order to meet the ambitious requirements of the CSRD/ESRS, it is necessary to embed sustainability aspects in all relevant processes and practical operations. The inclusion of every single employee is essential to accomplish this.

A crucial step in this transformation was to establish five Group-wide working groups, consisting of 30 employees from the various operations areas of the Company (e.g., project management, project development) and with diverse skills (see graphic page 4). Since the end of 2022, these working groups have been working hard to operationalise our sustainability goals and establish them in practice. The working groups' specific goals are derived from the topics the Instone Group identified in its materiality analysis. They develop proposals for practical solutions and create guidelines for the Instone Group's future operations. After spending the last few years focussing on data availability and analysis, the previous year was spent optimising systematic and electronic data collection processes as well as comprehensive data analysis to build the foundation for further optimisation and critical decision-making for construction projects.

The working groups focus on the following:

- **Sustainable building** – Focus: Sustainable building materials and resource-optimised planning
- **Hybrid timber** – focus: timber as construction material
- **Neighbourhood infrastructure** – focus: energy, mobility and water management
- **Neighbourhood impact** – Focus: social impact
- **ESG inside** – focus: Instone Group Work Environment – Office and Construction Site

The results of each of the working groups are integrated into the Instone Group's material sustainability topics. One example of this is the "Neighbourhood infrastructure" working group's close examination of heating systems. An efficiently planned heating system can help reduce operating emissions.

The project members are seen as the experts at the Instone Group and act as Group-wide sustainability ambassadors. All employees are invited to get involved in the process and offer suggestions.

Further details on work results can be found in the sections on the respective sustainability topics.

Sustainability is increasingly becoming an integral part of every link in our value chain, with the most emphasis placed on taking a holistic approach to the life cycle of a property. From the choice of construction materials and the construction process to the eventual operation – every phase is scrutinised in terms of sustainability. This comprehensive approach provides a holistic view of the environmental footprint of our real estate projects.

Aside from environmental aspects, the Instone Group takes into account both social and economic factors. An example of this is the subsidiary Nyoo Real Estate GmbH. Our subsidiary nyoo has set itself the goal of building with mass-produced and inexpensive components, making its product accessible to as many people as possible. The inclusion of all three sustainability dimensions can be seen in other areas as well, such as in the design of our projects (see also the section "Cities/communities" page 112). The cost-effectiveness of sustainable building methods and practices is seen not just as a goal in itself but as an integral part of our responsibility towards our investors and the economy.

Value chain

Detailed information on the Instone Group's value chain is provided in the section "Foundations of the Group" page 36.

Table of targets

table 004 provides an overview of our sustainability goals – all annotations are addressed and explained further in the subsections covering the environment, social matters and governance.

Materiality analysis

TCFD risk management/metrics and targets

Procedure

In order to identify sustainability topics relevant to the Instone Group's business activities and stakeholders, the materiality analysis was redesigned and conducted in the financial year 2022. Since, after conferring with the Management Board, there have been no material changes either in the state of affairs or to the business activities of the Instone Group in 2023, this materiality analysis forms the basis for the sustainability topics reported. In preparation for the CSRD, the following financial year will see the re-identification and examination of material sustainability topics as part of a comprehensive materiality analysis based on the now-final ESRS requirements and the implementation guidance of the European Financial Reporting Advisory Group (EFRAG).[1]

[1] The European Financial Reporting Advisory Group (EFRAG) is a non-profit organisation that assists the European Commission with the application of the International Financial Reporting Standards (IFRS) to EU accounting. In 2023, the EFRAG published the first three drafts of its implementation guidance for the ESRS.

The Instone Group's underlying materiality analysis meets the requirements of Germany's CSRD Implementation Act (CSR-RUG) and HGB. The Instone Group is also guided by the GRI's requirements and the CSRD's/ESRS's definition/understanding of double materiality.

The following are therefore considered to be material:

- Topics that have a material influence on or involve a material risk for the Company, its value or its activities (financial materiality) and[1]/or[2]
- Activities that cause the Company to have a material influence on its environment **(impact materiality).**

The assessment of which topics are material to the Instone Group from these two perspectives takes the form of a survey of representative internal key account managers concerning the positions of the following stakeholder groups: banks, investors, municipalities, associations and NGOs, employees and clients. Alongside the evaluations of the stakeholders' representatives, the findings of the Sustainability Department were taken into consideration as an additional group in the evaluation process.

The impact is assessed by evaluating three parameters:

1. Scale: How important is the impact?
2. Scope: Does the impact relate to the entire company or only to specific areas?
3. Remediability: How easily can a negative impact be mitigated?

The financial materiality is assessed by means of the following three parameters:

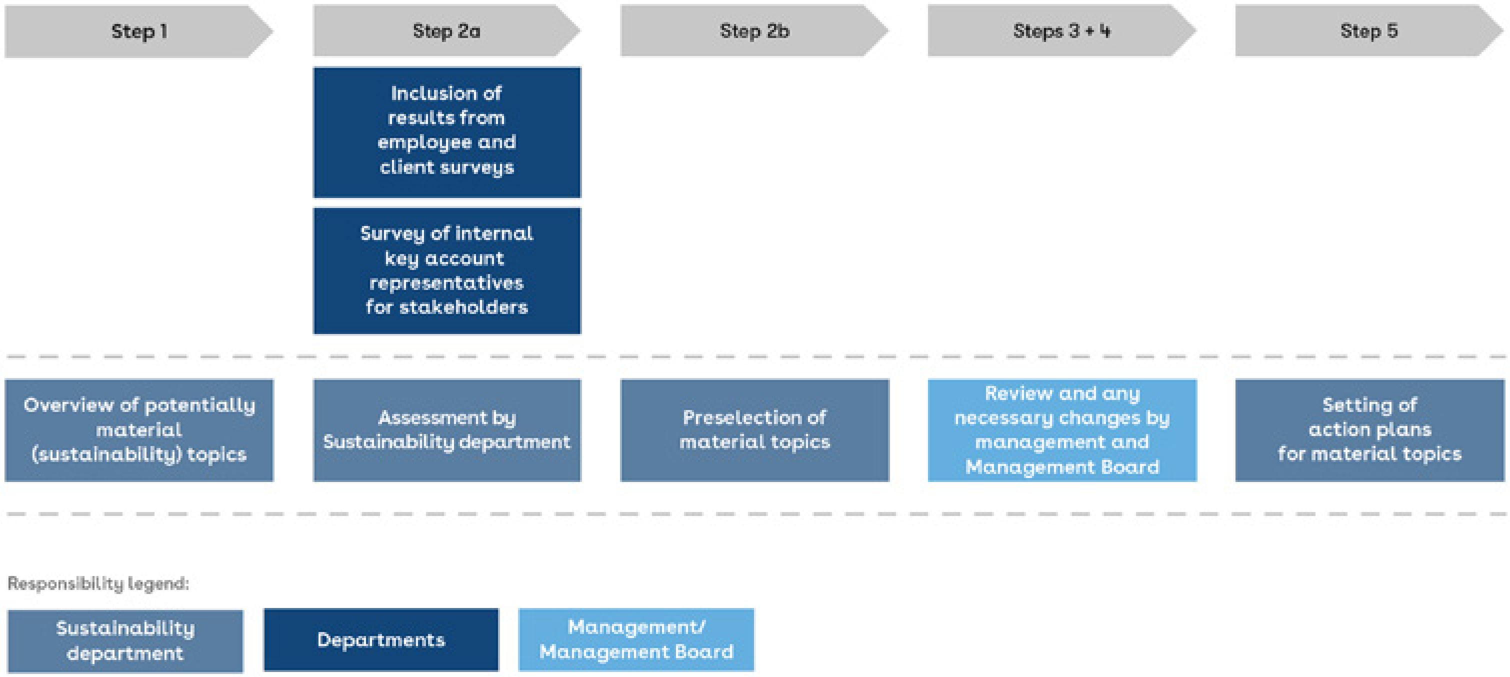
1. Scale: How significant is the financial risk?
2. Scope: Does the financial risk relate to the entire company or only to specific areas?
3. Remediability: How easily can a financial risk be mitigated?

All three parameters are given a score between zero and five using a manual assessment process. The final result of the evaluation of impact materiality and the financial materiality of a theme is the total of the parameters. The general procedure for the materiality analysis at the Instone Group can be found in the following graph (last performed in 2022). All key issues are monitored by the Sustainability Department on an ongoing basis (see also Risk Management, Due Diligence and Internal Control System page 124). GRI 3, 3-1, 3-3

[1] Topics identified as material as defined in Section 289c (3) HGB.
[2] Material topics under the CSRD and the ESRS that will be mandatory for the Instone Group starting with the annual report 2025. The procedure fulfils the requirements of the materiality analysis in accordance with the universal standard GRI 3: Material Topics (2021).

Steps in the materiality analysis of 2022

FIGURE 003

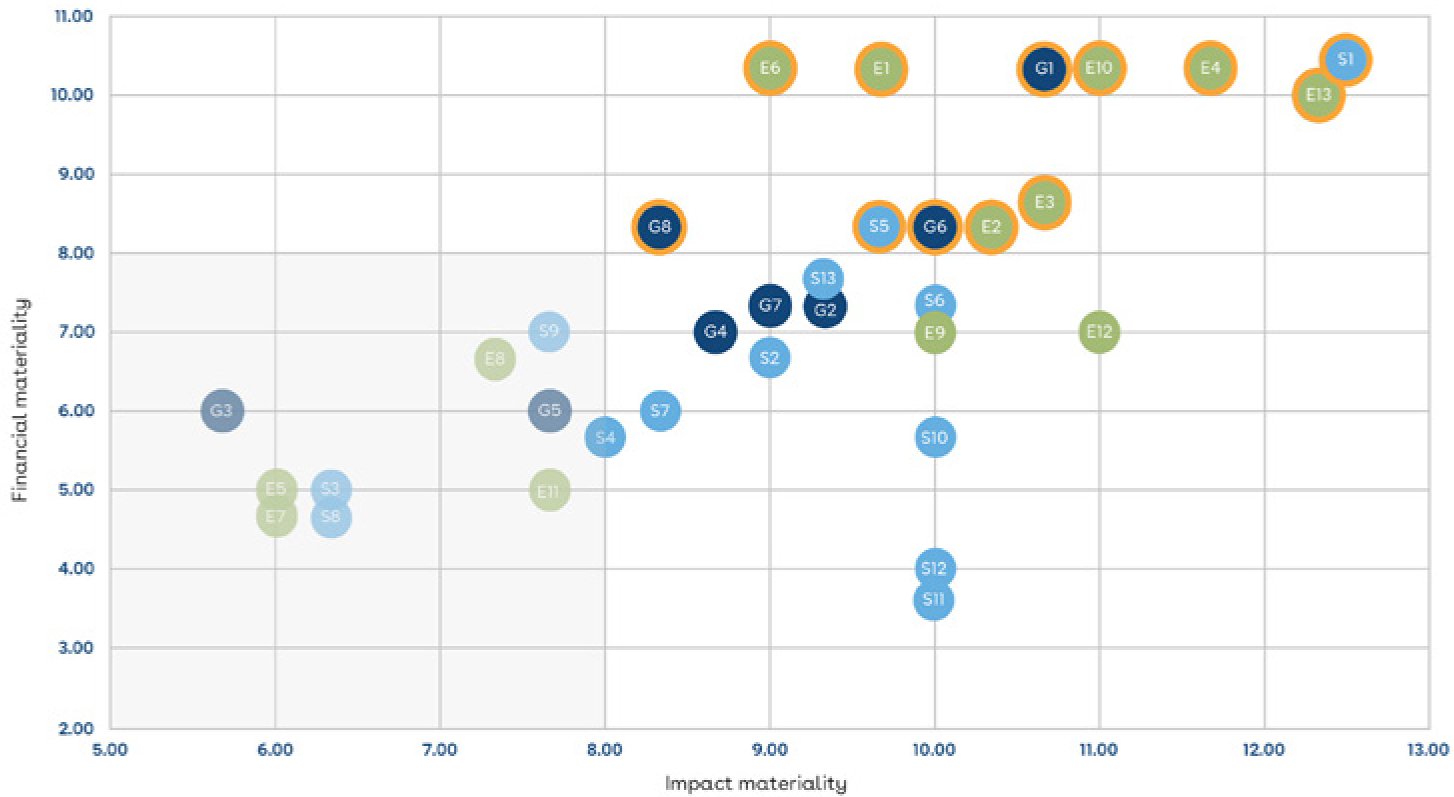


GRI 2-29

Results and materiality matrix GRI 3-2

Materiality matrix for the financial year 2023

FIGURE 004



Index (the topics in the index marked blue have double materiality)

Environmental
- E1 – Consumption of natural resources/recycling
- E2 – Biodiversity
- E3 – CO_2 emissions from building operations
- E4 – CO_2 emissions from building manufacture
- E5 – Environmental certificates for buildings
- E6 – Choice of building materials
- E7 – Proximity to public transport
- E8 – Reduction in travel
- E9 – Brownfield developments
- E10 – Water consumption and management
- E11 – Support for car sharing/electric vehicles
- E12 – Environmental pollution (air, water, soil)
- E13 – Energy consumption and intensity

Social
- S1 – Employee diversity
- S2 – Work-life balance
- S3 – Education and training
- S4 – Occupational health and safety
- S5 – Proportion of affordable housing
- S6 – Development of neighbourhoods
- S7 – Social commitment
- S8 – Mobile working
- S9 – Living standard in buildings
- S10 – Fair pay for employees and contractual partners
- S11 – Respect for human rights
- S12 – Social dialogue/good working conditions
- S13 – Employee satisfaction

Governance
- G1 – Economic development of the company
- G2 – Business ethics – compliance with social and ethical criteria (Instone Code of Conduct)
- G3 – Political influence (e.g. from within associations)
- G4 – Compliance/anti-corruption measures
- G5 – Incorporating ESG targets into management remuneration system
- G6 – Client satisfaction
- G7 – Fair competition
- G8 – Payment behaviour (towards contractors)

Impact materiality/ financial risk	
≥12	Critical
(10–12)	Significant
(8–10)	Important
(5–8)	Informative
<5	Minimal

E1 Environmental
S5 Social
G8 Governance
Double materiality
These points are not material

Our company

To our shareholders

Combined management report

Foundations of the Group

Sustainability report

Economic report

Risk and opportunities report

Outlook

Other disclosures

Consolidated financial statements

Independent auditor's report

Remuneration report

Other information

The topics listed in the matrix at the top right (outlined in orange) are those that are particularly relevant from the perspective of both financial and impact materiality (doubly material), see figure 004. The topics in the bottom left-hand corner of the matrix are considered to be less material.

Breakdown of the topics in the materiality matrix

FIGURE 005

Financial materiality

Topics are material under: CSRD

Low impact and high financial materiality

No results

Topics are material under: HGB & CSRD

High impact and high financial materiality

- E1 – Consumption of natural resources/recycling
- E2 – Biodiversity
- E3 – CO_2 emissions from building operations
- E4 – CO_2 emissions from building manufacture
- E6 – Choice of building materials (use of environmentally friendly materials)
- E10 – Water consumption and management
- E13 – Energy consumption and intensity
- S1 – Employee diversity
- S5 – Proportion of affordable housing
- G1 – Economic development of the company
- G6 – Client satisfaction
- G8 – Payment behaviour (towards contractors)

Low impact and low financial materiality

- E5 – Environmental certificates for buildings
- E7 – Proximity to public transport
- E8 – Reduction in travel
- E11 – Support for car sharing/electric vehicles
- S3 – Education and training
- S8 – Mobile working
- S9 – Living standard in buildings
- G3 – Political influence (e.g. from within associations)
- G5 – Incorporating ESG targets into management remuneration system

Topics are not material

High impact and low financial materiality

- E9 – Brownfield developments
- E12 – Environmental pollution
- S2 – Work-life balance
- S4 – Occupational health and safety
- S6 – Development of neighbourhoods
- S7 – Social commitment
- S10 – Fair pay
- S11 – Respect for human rights
- S12 – Social dialogue/good working conditions
- S13 – Employee satisfaction
- G2 – Business ethics
- G4 – Compliance/anti-corruption measures
- G7 – Fair competition

Topics are material under: CSRD

Impact materiality

Depending on the framework used, the topics considered relevant under one (CSRD) or both materiality analyses (HGB and CSRD) are defined as material.

In the materiality analysis, topics relating to respect for human rights as well as combating corruption and bribery are only categorised as material in terms of the impact, but, according to Section 289c (2) HGB, they constitute a material component of the report. The Instone Group regards these topics as important but also believes that the evaluation by the stakeholders confirms their trust that the Company is managing them in a businesslike way, meaning there is no financial materiality and no risk resulting from it.

The Instone Group reports on all listed topics in the materiality analysis with at least an impact dimension.

Overview of the material topics

TABLE 003

	Topic	Materiality (impact/financial/double)	Reference in the report
Environmental issues			
E1	Consumption of natural resources/recycling	Double	P. 93 et seqq.
E2	Biodiversity	Double	P. 87 et seqq.
E3	CO_2 emissions from building operations	Double	P. 70 et seqq.
E4	CO_2 emissions from building manufacture	Double	P. 70 et seqq.
E6	Choice of building materials (use of environmentally friendly materials)	Double	P. 93 et seqq.
E9	Brownfield developments	Impact	P. 87 et seqq.
E10	Water consumption and management	Double	P. 84 et seqq.
E12	Environmental pollution (air, water, soil)	Impact	P. 82 et seqq.
E13	Energy consumption and intensity	Double	P. 70 et seqq.
Employee issues			
S1	Employee diversity*	Double*	P. 105 et seqq.
S2	Work-life balance	Impact	P. 105 et seqq.
S4	Occupational health and safety	Impact	P. 105 et seqq.

* Double materiality as decided by the Management Board.

Overview of the material topics TABLE 003

	Topic	Materiality (impact/financial/double)	Reference in the report
S10	Fair pay	Impact	P. 105 et seqq.
S13	Employee satisfaction	Impact	P. 105 et seqq.
Social issues			
S5	Proportion of affordable housing	Double	P. 112 et seqq.
S6	Development of neighbourhoods	Impact	P. 112 et seqq.
S7	Social commitment	Impact	P. 112 et seqq.
S12	Social dialogue/good working conditions	Impact	P. 105 et seqq.
G1	Economic development of the company	Double	P. 126 et seqq.
G6	Client satisfaction	Double	P. 117 et seqq.
G7	Fair competition	Impact	P. 110 et seqq.
G8	Payment behaviour (towards contractors)	Double	P. 126 et seqq.
Respect for human rights			
S11	Respect for human rights	Impact	P. 126 et seqq.
G2	Business ethics – compliance with social and ethical criteria (Instone Code of Conduct)	Impact	P. 126 et seqq.
Combating corruption and bribery			
G4	Compliance/anti-corruption measures	Impact	P. 126 et seqq.

The Instone Group gives precedence to the topics categorised as material in its sustainability and corporate strategy and takes them into consideration in relation to its activities, products and services.

Measures and targets to address material sustainability topics

table 003 shows an overview of the sustainability topics identified as having double and single materiality which are assigned to the relevant aspects in accordance with Section 289c (3) HGB. The table also refers to the page in this report where the relevant topic is described in detail. For all the topics with double materiality, the management approach, the due diligence and the measures taken will be explained in detail in the parts relating to these topics in the sections on environment, social issues and governance. All the key figures and targets for each topic are shown in the following table 004. In addition, all the topics with single materiality are reported voluntarily in preparation for the CSRD, which will soon enter into force.

Table of targets

TABLE 004

Environment

Index	Environmental issues	Unit	2023	2022	Target (if applicable)	Materiality (impact/ financial/ double)
E3, E4	**GHG emissions**					Double
	Scope 1 GHG emissions	tCO_2e	855	943		
	Scope 2 GHG emissions for electricity[1]	tCO_2e	364	1,164[2]		
	Scope 2 GHG emissions for heating[1]	tCO_2e	219	283		
	Total for Scope 1 and 2 GHG emissions	tCO_2e	1,437	2,390	At least -42% by 2030 (1,546 tCO_2e; base year 2020) in line with the 1.5°C global warming pathway of the International Energy Agency (IEA).	
	Business travel	tCO_2e	48	46		
	– Plane	tCO_2e	26	28[2]		
	– Rail	tCO_2e	11	9[2]		
	– Rental car	tCO_2e	0	0		
	– Hotels	tCO_2e	11	9		
	Commuting	tCO_2e	135	161		
	Real estate leased before project start	tCO_2e	1,138	2,695		
	Projects (life cycle view)					
	Completed buildings – Manufacturing phase[3]	tCO_2e	81,575	124,134		
	Total for scope 3 GHG emissions – upstream value chain	tCO_2e	82,897	127,037	Net zero climate neutrality by 2045	
	Completed buildings – Use phase (BAU)[4]	tCO_2e	196,370	299,288		
	Completed buildings - Disposal phase	tCO_2e	10,507	13,172		

[1] Some calculations based on data from previous year.

[2] Correction compared to the previous year due to a change in data collection.

[3] Also in the reporting year, the areas and emissions of the buildings completed in the reporting year will be reported over the life cycle according to the consolidated balance sheet group. The life cycle perspective does not allocate things to Scope 1, 2 or 3 and reports all emissions throughout the life cycle phases over a lifetime of 53 years. A distinction is made between operational carbon from the use phase and embedded carbon from the other phases (manufacture and dismantling).

[4] Business-as-usual scenario – the emissions for electricity and district heating during the use phase were calculated here using a conservative approach, which envisages that the German energy sector will only pursue moderate decarbonisation (based on the study "Energy projections and impact assessments 2030/2050" by the German Federal Ministry for Economic Affairs and Climate Action, 2021).

TCFD metrics and targets GRI 302, 302-1, 302-2, 302-3, 302-4, 302-5

Table of targets

TABLE 004

Environment

Index	Environmental issues	Unit	2023	2022	Target (if applicable)	Materiality (impact/ financial/ double)
	Total for scope 3 GHG emissions – downstream value chain	tCO_2e	206,876	312,460	Net zero climate neutrality by 2045	
	Total for scope 3 GHG emissions – upstream and downstream value chain	tCO_2e	289,773	439,496	Net zero climate neutrality by 2045	
	Total for Scope 1 to 3 GHG emissions	tCO_2e	291,210	441,886	Net zero climate neutrality by 2045	
	GHG intensity/revenue	$kgCO_2e$/€	0.4728	0.7116		
	GHG intensity/project areas[1]	$kgCO_2e/m^2$	1,447	1,537[2]		

[1] m^2 net floor area of the completed building. Project portfolio in accordance with consolidated balance sheet group

[2] Minor adjustment of the NRF: Reduction by 5 m^2

TCFD metrics and targets GRI 302, 302-1, 302-2, 302-3, 302-4, 302-5

Table of targets

TABLE 004

Environment

Index	Environmental issues	Unit	2023	2022	Target (if applicable)	Materiality (impact/ financial/ double)
E13	**Energy consumption and intensity**					Double
	In-house consumption (offices and construction sites)					
	Energy consumption	kWh	5,841,812	5,266,297[1]	Implementation of package of measures developed in 2023 to reduce energy consumption.	
	Energy intensity of offices and construction sites/revenue	kWh/€	0.0095	–		
	Project portfolio[2]					
	Average primary energy requirement of buildings[3]	kWh/m²	35.11	36.44		
	Proportion of properties[2] that reach NZEB[4] -10%	Percentage	100	97	In 2030, the percentage for the project portfolio is 100%.	
E4	**Climate risks**					
	Number of project sites assessed for physical climate risks	Number	23	25	All project sites are reviewed annually.	
	Number of project sites assessed to have a high risk	Number	3	5	All project sites identified as high risk have defined climate change adaptation measures.	
E12	**Environmental pollution**					Impact
	Number of incidents of environmental pollution	Number	0	0	Target in 2024: 0	
	Fines or financial penalties imposed	Number	0	0	Target in 2024: 0	
E12	**Soil**					
	Number of project sites with a soil contamination assessment carried out before the project start	Number	23	25	All project sites are reviewed.	
	Number of project sites where soil contamination had to be removed	Number	18	19	For all project sites where soil contamination had to be removed, evidence of removal is available.	

[1] Correction compared to the previous year due to a change in data collection.

[2] The included portfolio comprises the taxonomy-enabled properties in accordance with the consolidated accounting group.

[3] Unit for previous year changed.

[4] NZEB = nearly zero-energy building, in accordance with the German Building Energy Act (GEG) as amended on 31 December 2021; NZEB -10% refers to the maximum energy consumption of a taxonomy-aligned building in accordance with the technical screening criteria of the EU Taxonomy Regulation as amended on 31 December 2021.

TCFD metrics and targets GRI 302, 302-1, 302-2, 302-3, 302-4, 302-5

Table of targets

TABLE 004

Environment

Index	Environmental issues	Unit	2023	2022	Target (if applicable)	Materiality (impact/ financial/ double)
E10	**Water consumption and management**					Double
	Water/waste water consumption (construction sites)[1]	m³	34,261	34,492	Target in 2024: complete recording of all construction sites, definition of measures and targets.	
	Water intensity (consumption/revenue)	m³/€	0.000056	0.000056		
	Proportion of buildings[2] which have sanitary fittings with a consumption efficiency that corresponds to the flow rates of the EU Taxonomy Regulation	Percentage	91	74	Target: > 90% fulfilment for all future buildings with commercial use	
E2	**Biodiversity**					Double
	Proportion of the projects[3] that are not on arable land with medium to high fertility and subsurface fertility in accordance with EU LUCAS, no grassland with high biodiversity, woods	Percentage	98	98	All projects are reviewed for these aspects prior to acquisition.	
E9	**Brownfield site areas**[4]	m²	~423,793	~532,000		Impact
	Greenfield site areas[4]	m²	~123,000	~123,000		
E1	**Consumption of natural resources/recycling**				Fulfilment of Taxonomy Regulation requirements for each topic in all Instone Group projects by complying with legal obligations.	Double
E6	**Choice of building materials (use of environmentally friendly materials)**				Balanced consideration of environmental and economic factors in choice of building materials.	Double

[1] 21 sites were included; in the case of incomplete evidence, projections were made for the financial year.

[2] The included portfolio comprises the taxonomy-enabled properties in accordance with the consolidated accounting group.

[3] Percentage based on number of projects according to the consolidated balance sheet group.

[4] Percentage of site area of development projects fully consolidated in the reporting year.

TCFD metrics and targets

Our company

To our shareholders

Combined management report

Foundations of the Group

Sustainability report

Economic report

Risk and opportunities report

Outlook

Other disclosures

Consolidated financial statements

Independent auditor's report

Remuneration report

Other information

Table of targets

TABLE 004

Social issues

Index	Employee issues	Unit	2023	2022	Target (if applicable)	Materiality (impact/ financial/ double)
S1	**Employee diversity in management positions**					Double
	Diversity ratio (management level)					
	First management level[1]					
	Number of members	Number	5	5		
	Number of male/female/non-binary	Number	4/1/0 80/20/0	4/1/0 80/20/0	Target as defined in 2020: 25% female; to be re-assessed in 2025.	
	Age					
	< 30 years	Number	0	0		
	30–50 years	Number	5	5		
	> 50 years	Number	0	0		
	Second management level[2]					
	Number of members	Number	25	25		
	Number of male/female/non-binary	Number	18/7/0 72/28/0	18/7/0 72/28/0	Target as defined in 2020: 30% female; to be re-assessed in 2025.	
	Age					
	< 30 years	Number	0	0		
	30–50 years	Number	19	18		
	> 50 years	Number	6	7		
	Third management level[3]					
	Number of members	Number	27	32		
	Number of male/female/non-binary	Number	22/5/0 81/19/0	26/6/0 81/19/0	Target in 2024: 25% female; to be re-assessed in 2025.	
	Age					
	< 30 years	Number	0	1		
	30–50 years	Number	17	23		
	> 50 years	Number	10	8		

[1] Management level: Managing directors of Instone Real Estate Development GmbH and Nyoo Real Estate GmbH.

[2] Management level: Division, branch, commercial and departmental management.

[3] Management level: Group management.

GRI 405, 405-1

Table of targets

TABLE 004

Social issues

Index	Employee issues	Unit	2023	2022	Target (if applicable)	Materiality (impact/financial/double)
S1	Diversity of company employees					Double
	Total number[1]	Number	441 (351.1 FTE)	488 (409.4 FTE)	The goal for 2024 is to keep the number of employees at the current level.	
	of whom employed at:					
	Instone Real Estate Group SE	Number	97 (74.2 FTE)	104 (76.2 FTE)		
	Instone Real Estate Development GmbH	Number	297 (238.6 FTE)	335 (291.2 FTE)		
	Nyoo Real Estate GmbH	Number	47 (38.3 FTE)	49 (42 FTE)		
	Proportion of temporary/permanent	Percentage	12/88	11/89		
	Proportion of full-time/part-time	Percentage	76/24 (31% of part-time work students)	80/20 (29% of part-time work students)		
	Number of male/female/non-binary	Number	260/181/0	280/208/0		
	Proportion of male/female/non-binary	Percentage	59/41/0	57/43/0		
	Proportion of people with disabilities (male/female/non-binary)	Percentage/ number	2/1/0 8/3/0	2/1/0 8/3/0		
	Proportion belonging to a minority group (male/female/non-binary)				The Instone Group has a diverse workforce and, in order to avoid discrimination, does not collect data about minority groups.	
	Proportion without social security entitlement (male/female/non-binary)	Percentage	0/0/0	0/0/0		
	Age of the workforce					
	< 30 years	Number	80	95		
	30–50 years	Number	253	291		
	> 50 years	Number	108	102		
	Length of service (average)	Years	7.3	6.5		

[1] Employees including trainees, interns and student trainees.

GRI 2-7, 405, 405-1

Table of targets

TABLE 004

Social issues

Index	Employee issues	Unit	2023	2022	Target (if applicable)	Materiality (impact/ financial/ double)
S4	**Occupational health and safety**					Impact
	Number of deaths due to work-related injuries	Number	0	0	Target in 2024: 0	
	Proportion of deaths in relation to all work-related injuries	Percentage	0	0	Target in 2024: 0	
	Number of work-related injuries	Number	0	1	Target in 2024: 0	
	Number of work-related illnesses[1]	Number	Not specified	Not specified		
	Number of working days lost as a result of work-related illnesses and deaths	Number	Not specified	Not specified		
	Absence rate as a result of illnesses	Percentage	5	4	Target: Less than the German average for the financial year under consideration (6.76% for 2023)[2]	
	Proportion of employees not covered by statutory or company health insurance	Number	0	0	Target in 2024: 0	
	Proportion of employees covered by the company's health and safety management system based on legal requirements and/or recognised standards or audited internal guidelines	Percentage	99	100	Target in 2024: 100%	
	Rate per thousand people[3]	Percentage	0	2.45	Target in 2024: 0	
	First aiders (total/newly or retrained)	Number	65/22	61/32	Target rate 2024: At least one first aider per 25 employees.	
	Average number of training hours for employees	Hours	9.0	9.4	Target in 2024: Employees are encouraged to take part in technical and personal training.	

[1] Data on work-related illnesses is not collected by employers in Germany for data protection reasons.

[2] Reference: https://de.statista.com/statistik/daten/studie/5520/umfrage/durchschnittlicher-krankenstand-in-der-gkv-seit-1991/

[3] See glossary for definition.

GRI 403, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, 404, 404-1, 404-2

Table of targets

TABLE 004

Social issues

Index	Employee issues	Unit	2023	2022	Target (if applicable)	Materiality (impact/ financial/ double)
S2	**Work-life balance**					Impact
	Proportion of employees entitled to take leave to care for family members	Percentage	100	100	Target in 2024: 100%	
	Number of employees who took leave to care for family members	Number[1]	31	37		
	Proportion of employees entitled to adjust their working hours for private care work	Percentage	100	100	Target in 2024: 100%	
	Number of employees who adjusted their working hours for private care work	Number[2]	38	71		
	Fluctuation rate	Percentage	16	9	Target in 2024: < 10%	
	Employees joining/leaving the company[3]	Number	40/87	103/67		
	Days off in lieu in accordance with Section 616 of the German Civil Code (BGB)	Number	2,168	199		
S10	**Employee fair pay**					Impact
	Proportion of employees who earn less than the benchmark figure for fair pay[4]	Percentage	0	0	Target in 2024: 0%	
S10	**Pay differences between men and women**					Impact
	Unadjusted ratio of basic salaries and emoluments of men and women as a percentage	Percentage[5]	112/84	111/84		
S10	**Pay distribution**					Impact
	Ratio of the total annual remuneration of the highest-paid person to the median of the total annual remuneration of all employees (excluding the highest-paid person)[6]	Factor	13.5	7.5		

[1] Unit for previous year changed.

[2] Correction to previous year due to recording error. Unit for previous year changed.

[3] "Joined/left" refers to all employees without exception who joined or left the Company in 2022, incl. temporary employees and trainees/student trainees.

[4] The fair wage in Germany corresponds to the minimum wage.

[5] 100% is the total of all salaries divided by the number of employees.

[6] Total workforce median/highest-paid person.

GRI 401-3, 405, 405-2

Table of targets

TABLE 004

Social issues

Index	Employee issues	Unit	2023	2022	Target (if applicable)	Materiality (impact/ financial/ double)
	Ratio of the percentage increase in the total annual remuneration of the highest-paid person in the company to the median percentage increase in the total annual remuneration of all employees (excluding the highest-paid person)[1]	Percentage	56	126		
S11, S12	**Discrimination and the right to equal opportunities**					Impact
	Number of cases of discrimination	Number	0	0	Target in 2024: 0	
	Total amount of fines, penalties and compensation for damages paid as a result of violations of the rights of the Company's own employees in the field of equal opportunities	euros	0	0	Target in 2024: €0	
	Total amount of fines, penalties and compensation for damages paid as a result of violations of human rights and social rights	euros	0	0	Target in 2024: €0	
S10	**Collective bargaining agreements**					
	Proportion of employees covered by collective bargaining agreements	Number/ percentage	285/65	326/67		
S12	**Social dialogue/good working conditions**					Impact
	Employees from the company's own workforce represented at the company level by employee representatives	Number	425	469	Target in 2024: All employees covered by collective bargaining agreements and non-managerial employees are represented by employee representatives.	
S12	**Privacy in the workplace**					Impact
	Number of data protection violations concerning employees' data	Number	1[2]	1[3]	Target in 2024: 0; the aim is to continue responding quickly and appropriately if an incident is suspected.	

[1] Median increase divided by highest-paid person increase.

[2] Based on the information available at the time the breach occurred, there was no or only a minor potential risk to the data subjects' rights and freedoms as a result of the personal data breach, so it was decided not to report the incident to the competent state data protection officer or initiate proceedings.

[3] The supervisory authority abandoned the investigation due to lack of relevance.

GRI 406,406-1

Table of targets

TABLE 004

Social issues

Index	Employee issues	Unit	2023	2022	Target (if applicable)	Materiality (impact/financial/double)
	Violations of other employment-related rights of employees	Number	0	0	Target in 2024: 0	
	Total amount of financial penalties, fines and compensation for damages paid as a result of violations of other employment-related rights of employees	euros	0	0	Target in 2024: €0	
	Mandatory data protection training	Percentage	100	100	Target in 2024: 100%	
	Mandatory information security training (new since 2022)	Percentage	100	100	Target in 2024: 100%	
	Social issues					
S10	**Contractual partners in the supply chain and their employees/contractual partner fair pay**					Impact
	Number of non-employed workers working in the Company's core business[1]	Number	16,601	13,670		
	Proportion paid at least the statutory minimum wage	Percentage	100	100	Target in 2024: 100%	
	Proportion with an entitlement to social security	Percentage	100	100	Target in 2024: 100%	
S11	**Human rights**					Impact
	Incidents and complaints as well as serious effects and incidents relating to human rights	Number	0	0	Target in 2024: 0	
S7	**Social commitment**					Impact
	Number of daycare centre places	Number	1,759	1,713	The Instone Group supports the development of social infrastructure.	
	Number of playgrounds	Number	118	109		
E11	**Number of electric vehicle charging stations**	Number	1,885	1,433	All Instone Group projects under construction from 2025 will have facilities for e-charging stations.	
	Number of electric bike charging stations	Number	573	570	All Instone Group projects under construction from 2030 will have e-bike charging station options.	

[1] 21 construction sites for 2023 and 24 for 2022 were taken into account; in the case of incomplete evidence, projections were made for the year under review.

Table of targets

TABLE 004

Social issues

Index	Employee issues	Unit	2023	2022	Target (if applicable)	Materiality (impact/ financial/ double)
	Number of cycle parking spaces	Number	26,941	25,608	All Instone Group projects under construction have sufficient bicycle parking spaces in accordance with regional requirements.	
	Number of cargo bike parking spaces	Number	356	213	All Instone Group projects under construction from 2030 will have sufficient bicycle parking spaces for cargo bikes in accordance with regional requirements.	
E11	**Number of car sharing parking spaces**	Number	56	36		
	Public and green spaces	m²	278,541	185,000		
	Green roofs	Projects[1]	80	55		
	Roof terraces	Projects[1]	56	41		
	Solar power systems/photovoltaics	kWh/a	215,000	215,000	All future projects from 2030 will feature solar power systems/photovoltaics.	
S5	**Affordable housing**					
	Portfolio residential units – affordable[2]	Percentage	22	22	At least 50% of residential units that constitute affordable housing (socially subsidised, price-controlled and nyoo) by 2030.	Double
	Portfolio sales area – affordable[3]	Percentage	20	20		Double
G6	**Clients and end users**					Double
	Client satisfaction (score, end client)	Score	1.3	1.7	Awarded at least a score of 2.4 (on a scale of 1 – very satisfied to 5 – very dissatisfied).	
G8	**Payment behaviour (towards contractors)**					Double
	Average number of days needed by the Instone Group to pay invoices of business partners	Days	< 30 days	< 30 days	Target in 2024: ≤ 30 days is met	

[1] Unit for previous year changed. All projects in the project portfolio are taken into account. See glossary for definition

[2] Formulation/unit for previous year changed. The share of affordable housing comprises socially funded and price-damped units of Instone Real Estate Development GmbH as well as all units of Nyoo Real Estate GmbH in relation to the total number of residential units.

[3] Formulation/unit for previous year changed. The share of affordable housing comprises socially funded and price-damped units of Instone Real Estate Development GmbH as well as all units of Nyoo Real Estate GmbH in relation to the sales area of all residential units.

Table of targets

TABLE 004

Governance

Index	Governance bodies	Unit	2023	2022	Target (if applicable)	Materiality (impact/ financial/ double)
S1	**Diversity**					Double
	Supervisory Board					
	Number of members	Number	6	5	Target in 2024: 61	
	Number of male/female/non-binary	Number	4/2/0	4/1/0	Target in 2024: 4/2/0	
	Management Board					
	Number of members	Number	3	3		
	Number of male/female/non-binary	Number	3/0/0	3/0/0	Target in 2024: 0% female	
	Management					
	Number of members	Number	5	5		
	Number of male/female/non-binary	Number	4/1/0	4/1/0	Target as defined in 2020: 25% female; to be re-assessed in 2025.	
	Sustainability Committee					
	Number of members	Number	4	4		
	Number of male/female/non-binary	Number	3/1/0	3/1/0		
G4	**Compliance/anti-corruption measures**					Impact
	Mandatory anti-corruption and anti-bribery training (listed in 2021 under Compliance e-training)	Percentage	100	100	Target in 2024: 100% attendance rate	
	Incidents of corruption or bribery	Number	0	0	The goal for 2024 is to continue responding quickly and appropriately if an incident is suspected.	
	Number of pending legal proceedings	Number	0	0		

Environment

During the previous financial year, the Instone Group once again collected, consolidated and analysed data on environmental topics such as climate change, pollution, water and marine resources, biodiversity and resource management. In the following sections, all topics identified as having at least single materiality are categorised into the appropriate areas.

Climate change

MATERIAL TOPICS* IN THIS SECTION

E3 CO_2 emissions from building operations

E4 CO_2 emissions from building manufacture

E13 Energy consumption and intensity

* Doubly material topics are outlined in orange.

Strategy and materiality

Climate change has been evaluated as material from the financial and impact perspectives. This is reflected in the assessment of the topics "CO_2 emissions from building operations" (E3), "CO_2 emissions from building manufacture" (E4) and "Energy consumption and intensity" (E13) as having double materiality. Climate change affects all strategic business decisions, such as the selection of the location of new projects, the choice of materials and design in the planning phase and the selection of heating systems for the buildings.

In the financial year 2021, the Instone Group announced its new climate strategy, which forms part of its sustainability strategy. This included the publication of the Company's long-term climate target: achieving net zero emissions along its entire value chain by 2045. The Instone Group also set a medium-term target of reducing Scope 1 and Scope 2 emissions by 42% by 2030 and has had this validated by the Science Based Targets initiative (SBTi). In addition, the medium-term target for scope 3 is currently being expanded. Work to develop appropriate action plans is continuing and validation by the SBTi will be accelerated in the coming years.

To identify the transition and physical risks and opportunities involved in the recommendations of the Climate-Related Financial Disclosures (TCFD), the climate scenario analysis that was redesigned in 2022 was updated in the financial year 2023. In addition, the work on incorporating and implementing the climate strategy as part of the general business strategy continued.

At the Instone Group, scope 1 comprises the company car fleet emissions, while scope 2 is based on electricity and heat consumption by offices and branches as well as electricity consumed at construction sites. Our Scope 3 emissions comprise those generated during the various life cycle phases of a building, such as the manufacture of building materials, as well as use and disposal. Our Scope 3 emissions also include those caused directly by the Instone Group, including business travel, employee commutes and emissions from buildings leased before project start.

TCFD risk management/metrics and targets

Climate change measures

TABLE 005

Material topic	Measure	Degree of implementation[1]
CO_2 emissions from building manufacture	Gradually increasing the proportion of reusable and recyclable materials in tenders and adapting the documentation requirements of contractual partners	In progress
	Plans involving the use of alternative building materials including timber	In progress
	Construction site infrastructure (e.g. greater use of recycled rubble for paths and backfilling)	In progress
CO_2 emissions from building operations	Planning and use of solutions with optimised energy technology	In progress
	Dialogue with business partners on the further development of smart home solutions that promote energy-efficient behaviour	In progress
	Increasing the use of rooftop photovoltaics in planning	In progress
	Engaging in dialogue with local authorities and energy suppliers to expand the low-emission heating infrastructure and carrying out more testing for the installation of heat pumps	In progress
	Performance of an analysis of the Scope-3 use phase to develop targets for sustainable heating systems in portfolio	Implemented
Energy consumption and intensity	Changeover of all electricity use on all construction sites to green electricity by 2030	In progress
	Minimum standards for electricity and heating supply and for building efficiency when leasing new offices or moving to another building	In progress
	Review of the implementation of the package of measures developed to reduce energy consumption	In progress

[1] The degree of implementation is broken down into three stages as follows: 1) In planning: Decision has been made to implement the measure; 2) In progress: Work is already proceeding to implement the measure; 3) Implemented: The measure has already been included in standard processes, e.g. in guidelines and work equipment.

GRI 305, 305-1, 305-2, 305-3, 305-4, 305-5

Measures and implementation

Impact perspective

Greenhouse gas (GHG) emissions are recorded based on a standard internal process. For Scope 3, this includes both the overall perspective and the life cycle perspective; for Scopes 1 to 3, this comprises all energy consumed as part of our business activities, which ensures all the impacts of our activities are covered.[1]

Over the past year, the ESG Inside working group has developed a package of measures to reduce energy consumption in offices and at construction sites. Among other things, the group conducted a company-wide survey and interviews in order to gather as many opinions as possible and to generate ideas. The results form the basis for the further implementation of tangible measures.

GHG emissions reporting for projects is shared within the organisation, so not just employees from the Sustainability Department but also employees from Project Service collect data and contribute to the consolidation work. Employees have been trained in the life cycle analysis software used for this reporting. Thanks to an increase in personnel capacity, data collection for initial projects is now carried out at an early planning phase. This means that potential optimisation options, such as alternative designs, can be assessed and compared at an early stage of the planning process. The Controlling Department's project management software is already able to retrieve the data on the average annual output of solar power systems/photovoltaics in projects, for example, internally. Retrieval is currently being expanded (SDM project) to include emissions and energy consumption, for instance for other climate-related key figures, and will soon be an integral part of the Instone Group's key figures system. Property-related aspects such as energy consumption and energy management systems have a significant impact on the recording of GHG emissions (especially Scopes 2 and 3) and thus are collected together.

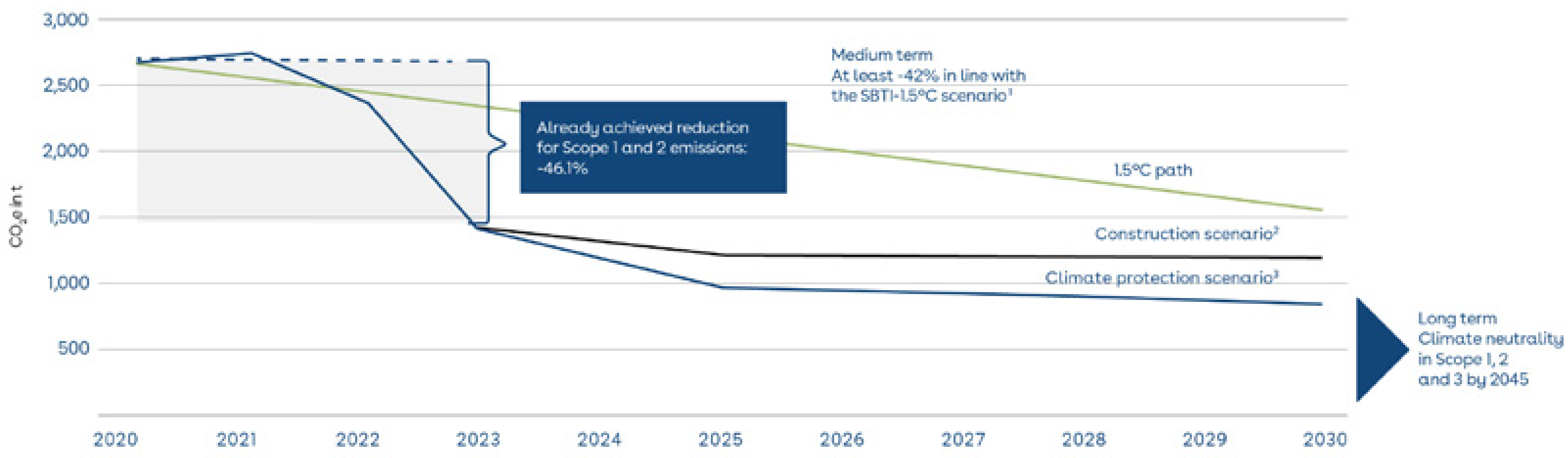
[1] The GHG emissions that we produce are divided up using two different approaches. On the one hand, we use the standard classification according to Scope 1, 2 and 3 as described in the GHG Protocol. From this perspective, the overall perspective, the emissions are recorded in the year they are produced. The downstream scope 3 emissions of products that have been sold are an exception. They are fully reported once they are sold in the year when they are handed over. In our case, this means that the emissions from the entire use phase (around 50 years) and the dismantling of the buildings which we completed in the financial year 2023 will be recorded in the same year. The life cycle perspective, the second method of presenting the data used in this report, assigns all the emissions from all the completed buildings in the reporting period to the relevant life cycle phases (manufacture, use, disposal). This allows us to distinguish between the operational emissions that result from energy consumption in the use of buildings (operational carbon) and the grey emissions that make up all the other emissions in the life cycle of a building (embodied carbon).

In terms of target attainment, the sum of GHG emissions from Scopes 1 and 2, which make up 0.5% of total emissions, fell by 46.1% absolute compared to the base year 2020 and by 61.5% in terms of GHG intensity/m^2 compared to the base year 2020. This means that, last year, the Instone Group (more than) met its SBTi-validated target for annual reductions, which involves decarbonising in accordance with the 1.5°C pathway; figure 006. The Scope 2 improvements were mainly achieved by gradually switching offices and construction sites to green energy. The ongoing replacement of fleet vehicles with more fuel-efficient as well as electric models had further positive effects on scope 1 emissions. The measures listed below have the potential to reduce energy consumption and Scope 1 and 2 emissions next year as well.

In addition to the Scope 3 emissions from the project development process, there are emissions from travel and employee commuting, which make up around 0.1% of Scope 3 emissions. These emissions fell by 11.5% compared to the previous year, which is mainly due to the increased use of rail as the mode of transportation. The lower number of employees also resulted in lower emissions from commuting.

Projected versus actual climate targets

FIGURE 006



[1] The course of Scopes 1 and 2 is based on projects involving planned measures, taking planned growth into account.

[2] BAU scenario: This calculation for Scope 2 is based on the assumption that decarbonising the energy sector is only progressing moderately (in accordance with the German Federal Ministry for Economic Affairs and Climate Action, 2021).

[3] Climate change mitigation scenario: This calculation for scope 2 is based on the assumption that decarbonising the energy sector achieves climate neutrality in 2045 (based on Agora et al., 2021).

In terms of our Scope 3 emissions, which account for 99.5% of total emissions, the calculation method of last year was adopted. This is based on a calculatory approach, which assumes that the construction phase lasts two years until the completion of the individual building. In the second year, emissions from the construction phase and all emissions from the use and disposal phases are recorded in the Scope 3 calculation. The comparison of Scope 3 emissions revealed a reduction in GHG intensity of 5.9% compared to the previous year (2022). This reduction can be attributed, among other things, to a reduction in the completed project area and thus to a reduction in emissions. The measures intended to help reduce scope 3 emissions in the medium and long term will only produce measurable effects in the coming years.

EXCURSUS: In focus – Scope 3 emissions: Analyses and concrete examples from the Instone Group

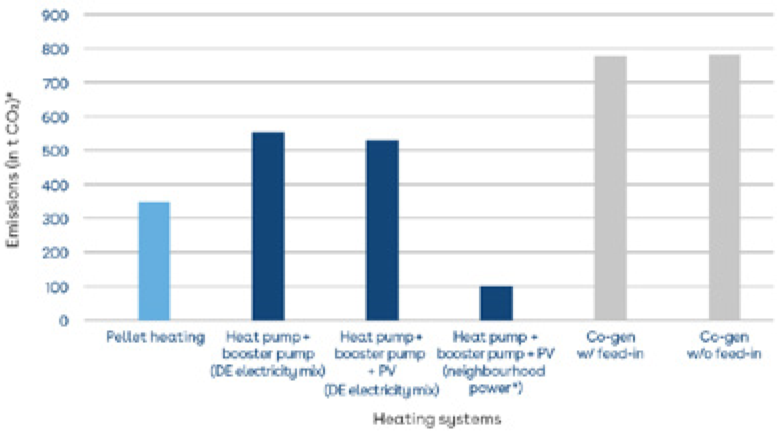
In addition to creating cross-departmental working groups, another part of the refinement of our approach to reducing Scope 3 emissions and achieving our target of net zero emissions entails the analysis and comparison of the potential pathways for Scope 3 emissions. Here, we focused in particular on completed buildings. figure 007 shows an example of the emissions reduction requirements for achieving our net zero target in accordance with the specifications of the SBTi. The information from the emission sources in the building's upstream and downstream value chain, from the perspective of the Instone Group as the project developer, and the technological options in the life cycle phases of the building were included in the process of identifying the requirements. This means that the selection of energy sources for the buildings developed by the Instone Group in the planning phase is directly connected to the reduction of GHG emissions. The process of recording the building information in the life cycle analysis software includes identifying energy sources, energy consumption and energy intensity.[1] This allows different energy concepts for individual projects to be compared and assessed. The results are reviewed and discussed by the operational working group focussed on "Energy". However, it must be assumed that the emissions in the use phase, for example, can be reduced more quickly than those in the manufacturing phase in the period up to 2030 because technologies and other measures that will deliver significant decarbonisation in the production of materials are only expected to become available after 2030. By contrast, the use phase is dependent on the energy sources used to provide heating and electricity. To achieve a substantial reduction in the emissions in the use phase by 2030, project developers are partly dependent on the pace of the expansion of renewable energies in the power grid and of centralised heating sources such as renewable district heating. In winter 2022, a project was begun to deduce what are known as marginal abatement cost curves (MACCs). This work was continued in 2023 and applied to a specific project.

A specific project was chosen as a usage example because the planning phase examined a total of three energy sources (pellet heating, co-generation, heating pump with photovoltaic system) for the heat source and calculated project-specific investment costs. This information, combined with scientific information on the average emissions of the energy sources as well as operating, maintenance and consumption costs, allowed these energy sources to be compared in terms of emissions and potential costs over an assumed life cycle of 20 years. The results show that although the heating pump with photovoltaic system that was ultimately chosen had higher costs than the other energy sources, its use resulted in considerably lower emissions. However, this is only the case if it can be assumed that the heating pump is supplied exclusively with electricity from the photovoltaic system as well as electricity from renewable sources supplied by local utilities and not from Germany's general electricity mix (see comparison of two heating pump options).

[1] For a detailed description of how the life cycle analysis software is used, see page 80 of the annual report 2021.

Comparison of the CO_2 emissions of the heating systems in the application project

FIGURE 007

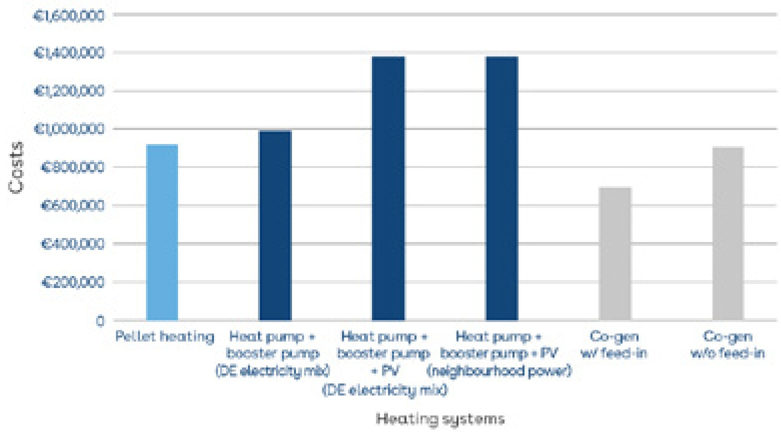


WP = heat pump, PV = photovoltaic system, CHP = combined heat and power plant, CHP = combined heat and power generation.

* The emissions of the neighbourhood electricity from the heating pump (HP) + heating booster pump + photovoltaic system (PS) are calculated on the assumption that the heating pump is powered with green electricity from the local utility in addition to the electricity from the PV system. This is assumed to be equally weighted with electricity from wind offshore, wind onshore and hydropower and calculated accordingly.

Comparison of the costs of thermal energy sources in the application project

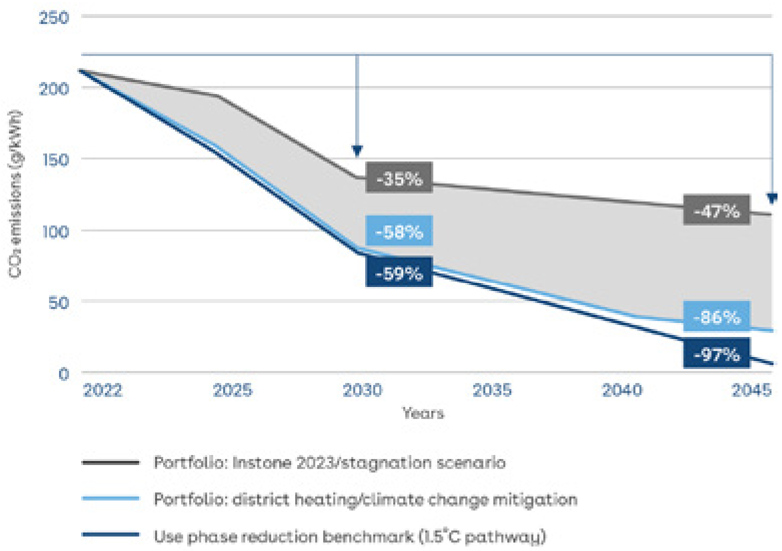
FIGURE 008



In addition, another analysis of scope 3 emissions in the use phase was conducted in the previous year to assess how various energy sources could potentially contribute to a scope 3 target. This analysis was performed by calculating how much the most relevant energy sources could reduce emissions and simulating the percentages of the portfolio that would have to be reached to achieve this internal target. The findings from the MACCs and projected trends, such as the change in emissions intensity in the electrical and district heating grids, were also factored in. This trend is based on information from the Fraunhofer Institute, which was compiled as part of a study commissioned by the Federal Ministry for Economic Affairs and Climate Action on reaching climate neutrality by 2045.

The analysis based on this data showed that reaching climate neutrality by 2045 remains challenging even under very favourable assumptions and with an optimised portfolio of heating sources. The possible emissions reduction for the use phase could range between 35% and 58% by 2030, whilst a reduction of 59% compared to 2022 would be needed to reach the reduction benchmark of the 1.5°C pathway. We could expect a reduction of 47% to 86% by 2045, though this would not reach the necessary 97% of the benchmark. These reduction ranges include the reduction potential of possible changes to the heating and electrical grids as well as possible changes in the Instone Group's portfolio with regard to the use of heating sources.

Possible CO_2 reductions due to changes in energy networks and adjustments in portfolio shares FIGURE 009

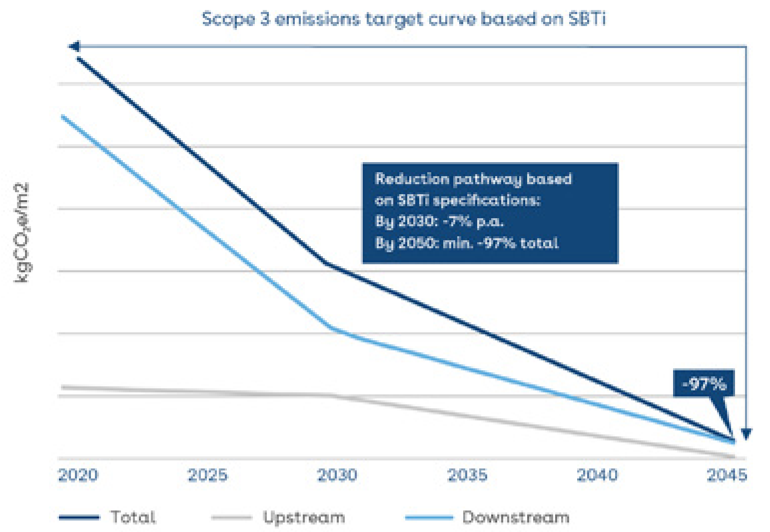


Both the use of various energy sources in a specific project and the analysis of various future developments in the energy grids combined with various portfolio strategies paint a similar picture. When it comes to reducing Scope 3 emissions, the Instone Group is heavily dependent upon other industries, such as the energy industry and its emissions reduction efforts.

Other analyses will be conducted in the coming year to investigate the effects of the analysis results on a possible Scope 3 emissions target. This will include monitoring of both the tense situation in the construction industry as well as the political situation in which renewable energies are not being developed at a sufficient rate and climate change mitigation subsidies are being questioned, with a view to defining appropriate measures. These analyses will also support our efforts to define measures that facilitate the setting and attainment of a scope 3 target.

The examination of the manufacturing phase is currently on hold as there is little concrete information available to quantify material emissions reductions.[1] The Instone Group expects that information will soon be available; however, scalable technologies for reducing GHG emissions (specifically in trades such as concrete, cement and steel) in the use phase will only be available starting in the 2030s (German Environment Agency, 2020).

Scenario for a potential Scope 3 net zero pathway for the completed buildings of the Instone Group (base year 2020)[1] FIGURE 010



[1] The upstream emissions cover the erection of the building (including manufacturing of materials), while the downstream emissions largely consist of the use phase (95%) and, to a very small extent (5%), of the demolition/disposal.

[1] See studies such as German Environment Agency (2020), Decarbonisation of the cement industry. German Environment Agency (2024), Decarbonisation of industrial production.

Risk and opportunity perspective

TCFD governance/strategy/risk management/metrics and targets
GRI 201-2

The analysis of transition risks and opportunities based on two 1.5°C scenarios and one 2.6°C scenario[1] has been updated for the reporting year. Since 2022, the physical climate scenario analysis has been conducted using Munich Re's Climate Risk Assessment Suite, with three scenarios depicted covering a range of < 2°C, 3°C and > 4°C.[2]

Since the middle of 2022, each project site in the portfolio has been evaluated for potential physical risks. Our land acquisition agents were made responsible for the physical climate scenario analysis process at the start of the year. This allows the results of the analysis to be factored into the purchase decision and included in planning and construction changes (see measures in figure 012).

Risk and opportunity assessment in the 1.5°C scenario as at 31 December 2023 TABLE 006

Drivers	Magnitude	Financial KPIs	Risk
Energy costs during operation	Increase in the price of electricity: approx. +49% by 2025, followed by a slight fall to what will still be a high level by 2030. Increase in natural gas prices: approx. +84% by 2025, then average five-year growth of approx. 23% by 2040.	Costs	Medium risk
Energy costs during construction	Increase of approx. +49% by 2025, followed by a slight fall to what will still be a high level by 2030.	Costs	Medium risk
Growth in demand	Increase in new builds: +781 million m2 (+73%). Increase in apartment buildings: +182 million m^2 (+11%)	Revenue	No risk/opportunity
Cost of materials for the cement industry (reinforced concrete, cement clinker)	Doubling of prices by 2030 (approx. +109%), then stabilising and then doubling again from 2040 to 2050.	Costs	High risk
Cost of steel	Increase of approx. +14% by 2025, doubling by 2045, but very small proportion.	Costs	No risk/opportunity
Cost of brick (not cement clinker)	Increase in brick costs: up to 34% by 2030, prices double by 2050.	Costs	Medium risk
Cost of sand-lime bricks	Increase in sand-lime brick costs: up to 7% by 2030, up to 19% by 2050.	Costs	No risk/opportunity
Cost of timber	Possible price increases for timber (extent unknown).	Costs	No information

High risk · Medium risk · No risk/opportunity · No information

[1] Network for Greening the Financial System – NGFS (2022). The 1.5°C scenario is based on the "Net Zero 2050" scenario and the 2.6°C scenario on the "Nationally Determined Contributions" scenario. Scenario portal.
[2] RCP scenarios 2.6, 4.5 and 8.5 of the Intergovernmental Panel on Climate Change.

The analysis of climate transition risks was revised this year to take into account current material prices and emissions factors. The results again include specific quantitative calculations relating to cost, revenue and profitability. These were calculated factoring in market changes, regulations and changes in energy prices. The source of the scenarios – the Network for Greening the Financial System (NGFS) – was augmented where necessary with current material prices, macroeconomic data and internal information (detailed description of the scenarios and procedure in the annual report 2022).

The following results showed no significant changes from the previous year. All the scenarios include much higher increases in the costs of energy and emissions from 2023 to 2030 compared with the period between 2030 and 2050. In the 1.5°C scenario, this is due primarily to the energy sector's transition to a larger proportion of renewable energies and a faster phase-out of fossil fuels, including gas, which is reflected in a rapid rise in energy prices. From 2030 onwards, energy prices in particular will stabilise, while the CO_2 price will continue to increase slightly.

The 2.6°C scenario is based on a lower level of transformation activity, with a less dramatic rise in energy prices primarily as a result of the expansion of gas and, to some extent, renewable energies in response to the current energy crisis. Fossil fuels will remain in the energy mix in the long term. The CO_2 price will remain at a level that has no impact on our activities.

Using the scenario assumptions, we were able to develop chains consisting of drivers of climate risks and climate opportunities for business activities and for the upstream and downstream value chain in terms of both costs and revenue.

Risk and opportunity assessment for manufacturing costs in the 1.5°C and 2.6°C scenarios as at 31 December 2023

TABLE 007

		Net-Zero 2050 (1,5°C) – Instone Group		Net-Zero 2050 (1,5°C) – all industrial sectors		NDC (2,6°C)	
Drivers	**Affected KPIs**	**2030**	**2050**	**2030**	**2050**	**2030**	**2050**
Costs				**Cost increase**			
Construction site equipment	Transport price	Medium	Medium	Medium	Medium	Low	Low
Excavation and foundations	Concrete price	High	Medium	High	Not available	High	Low
Shell construction	Concrete price Steel price Sand-lime brick price Timber price Brickwork price Brick price	High	High	High	Not available	High	Low
Insulation	Insulation material price	Medium	Low	Medium	Not available	Medium	Low
Windows	Glass price	Low	Low	Low	Low	Low	Low
Sanitary fittings and accessories	Ceramic price	Medium	Medium	Medium	Not available	Medium	Low
Heating systems	Steel price Plastic price	Medium	Low	Medium	Not available	Medium	Low

As far as the **costs** are concerned, the scenario assumptions were used to calculate the changes in material prices that are relevant for the Instone Group's business model. The most important materials were identified and allocated on the basis of an overview of the construction costs for each trade. The materials that were analysed made up a total of 70% of the construction costs, while the remainder was below the materiality threshold of 5%. Each trade's share of the total amount of costs was examined in the reporting year. Despite some changes in material prices, there were no significant changes in this respect. Risk ratings changed in a few cases due only to shifts in the trades' shares of the costs.

The results show that, in the 1.5°C scenario, the highest cost rises can be expected up to 2030 and up to 2050. In the 1.5°C scenario, this is due to the falling emission and energy intensity of the material manufacturing processes. This reduction in intensity from 2030 onwards can be achieved in the main by increases in efficiency, the use of carbon capture and storage (CCS) and the introduction of green hydrogen into the manufacturing processes for steel, concrete and bricks.

Rising prices in the context of persistently high energy prices and the accompanying faster transition to renewable energies are the decisive reasons behind the very similar cost increase in the period up to 2030 in the 2.6°C scenario. By contrast, the lower cost increases up to 2050 are due to the fact that in the 2.6°C scenario after 2030, fewer restrictive regulations concerning emissions and energy will be adopted and so the rise in the price of CO_2 and energy will be small.

Risk development and opportunity assessment the revenue driver in the 1.5°C and 2.6°C scenario as at 31 December 2023

TABLE 008

Revenue drivers	Affected KPIs	Risk and opportunity assessment
Growth in space	Growth in living space (apartments)	Opportunity
Subsidies	Subsidies	Low
Passing on costs	Margins	Medium
Sales prices	Margins	Opportunity

The trade most affected by transition risks is shell construction. This is due partly to the predominant use of materials with a high emission and energy intensity, such as steel and concrete, and partly to the large proportion of the construction costs that they represent, which is around 31%.

Although chains of climate risks and opportunities were identified on the **revenue side**, they could not be quantified in a comparable way because of the lack of assumptions in the scenarios. With regard to the possibility of passing on cost increases, rises in the sales prices of energy-efficient buildings or subsidies for sustainable building, studies and articles from publicly available sources were analysed and compared with internal information to produce a qualitative assessment of the results. On the revenue side, no differences were identified between the two climate scenarios.

The qualitative assessment of the revenue highlights two opportunities in particular. There are no obstacles to the corporate growth strategy even from the perspective of the 1.5°C scenario, as there will continue to be a need for more new apartment buildings. Another opportunity lies in the fact that the Instone Group already builds highly carbon- and energy-efficient buildings which initial studies, for example by Jones Lang LaSalle (JLL), show could potentially reach higher prices than conventional buildings.

The changing subsidy situation represents a minor risk. Grants are drying up, though these amount to only a small, single-digit percentage of revenue. Funding in the form of "Climate-friendly new construction" (KFN) funds benefit the Instone Group's clients, meaning it has no impact on our own subsidy situation. However, these grants have come to an end as applications for the KfW Federal Funding for Efficient Buildings scheme stopped being accepted on 14 December 2023.

The possible reduction in the option of passing on costs was categorised as a moderate risk. A comparison of historic data relating to construction prices and sale prices of new apartment blocks shows a slight fall in the trend for passing on price increases since 2021. Therefore, it is not possible to predict how this situation will develop. However, it is an important factor in assessing whether the forecast increases in the construction costs of buildings could become a risk for the Instone Group. The Instone Group will monitor this development at regular intervals in order to identify measures at an early stage.

In summary, the Instone Group uses the climate scenario analysis methodology for proactive transition management and for taking targeted measures at the right moment in the event of increased risks. However, the current analysis indicates that the Instone Group's business model is resilient to climate risks.

Physical climate risks were also analysed in the financial year 2023 using Munich Re's Climate Risk Assessment Suite. All portfolio projects under construction and completed in the calendar year were analysed and all projects with high climate risks were required to make adjustments.

figure 011 shows the geographical distribution of different risks of the taxonomy-enabled properties in accordance with the consolidated accounting group with regard to the Munich Re climate risk assessment. High risks are expected for three projects in three different locations. Baden-Württemberg, Hamburg and North Rhine-Westphalia each have a project with an increased risk. Hamburg in particular is at risk from flooding and tornadoes. The locations in Baden-Württemberg and North Rhine-Westphalia have an increased risk from hail and tornadoes. Of the 23 projects surveyed, three projects (13%) have a high risk of at least two hazards. Countermeasures were included in the planning stage.

These measures were implemented in 2023. Other measures for managing high risks associated with certain physical hazards will be continually reviewed and implemented over the coming years.

Excerpt from the physical climate scenario analysis 2023

FIGURE 011

Overview of the measures where there is a high risk of specific physical hazards

FIGURE 012

Hazard		Measures	Degree of implementation[1]
	Hail (for 67% of projects with increased risk)	Do not install glass roofs/glass skylights; check the use of photovoltaic systems on roofs, their direction and the safety measures; second level under the roof covering to direct water away	Implemented
	Flood (for 33% of projects with increased risk)	Backfilling the site; building plateaus; planning and implementing drainage measures; permanent protection systems for underground garage; sealing floor panels and walls; backflow system/backflow traps	Implemented
	Tornadoes (for 100% of projects with increased risk)	Robust construction that meets structural requirements	Implemented

[1] The degree of implementation is broken down into three stages as follows: 1) In planning: Decision has been made to implement the measure; 2) In progress: Work is already proceeding to implement the measure; 3) Implemented: The measure has already been included in standard processes, e.g. in guidelines and work equipment.

Environmental pollution

MATERIAL TOPICS IN THIS SECTION:

E12 Environmental pollution (air, water, soil)

Strategy and materiality

For the topic of "Environmental pollution (air, water, soil)" (E12), the results of the materiality analysis confirm impact materiality with regard to the business activities of the Instone Group. Until now, there has been no materiality from a financial risk perspective. However, in the future, the pollution of the environment in the form of noise, dust or toxic substances could have various financial implications.

As part of the due diligence on the subject of environmental pollution, the following potential sources of pollution[1] were identified:

- Toxic and hazardous substances in the construction materials and other materials used
- (Existing) pollution and contamination from hazardous materials in the soil of sites acquired for brownfield developments[2]
- Hazardous and non-hazardous waste and hazardous substances on the project construction sites, partly caused by previous use
- Noise and dust emissions on building sites

The Instone Group continues to endeavour to take all steps to prevent instances of environmental pollution. Our target is no environmental pollution caused by our building activities. Additionally, any existing soil pollution will be cleaned up and documented.

TCFD metrics and targets

Environmental pollution measures TABLE 009

Material topic	Measure	Degree of implementation[1]
Environmental pollution	Introduction of a structured and regular survey of air, water and soil quality at all project locations and potential acquisition projects using the WWF Risk Filter tool	In planning
	Examination of requirements on construction projects to avoid negative environmental effects across the entire life cycle as the basis of an environmentally balanced view in a local and global context	In planning

[1] The degree of implementation is broken down into three stages as follows: 1) In planning: Decision has been made to implement the measure; 2) In progress: Work is already proceeding to implement the measure; 3) Implemented: The measure has already been included in standard processes, e.g. in guidelines and work equipment.

[1] Potential contamination of water/waste water is covered on page 84 et seqq.
[2] Definition of brownfield projects in accordance with the EU taxonomy criteria for new builds.

Measures and implementation

Impact perspective

The topic of "Environmental pollution" was also discussed with project managers in detail in the financial year 2023, especially as part of building certification and taxonomy alignment audits. The achievement of sustainability in accordance with the EU Taxonomy Regulation for buildings underpins the Instone Group's aim to demonstrate effective measures against environmental pollution and meet high standards.

The increased attractiveness of the projects is expected to have a positive impact on various interest groups, particularly clients, investors, financial institutions and employees. Measures against sources of pollution have been re-examined and modified as needed in order to minimise or completely eliminate the environmental pollution caused by each project. We will make sure that these efforts are successful by conducting structured and regular surveys of air, water and soil quality at all project locations in the future.

Risk and opportunity perspective
TCFD strategy

If there should be an environmental pollution incident that involves the law being broken, there is a risk of financial penalties, costs for rectifying the environmental damage and financial losses resulting from possible damage to the Company's image. The likelihood of such an incident is considered low because contractual regulations and the selection process for contractual partners are designed to ensure that we only do business with partners who at least always meet legal requirements. There is also the possibility that measures to prevent environmental pollution may need to be strengthened in order to meet both today's and tomorrow's regulations and to ensure projects are taxonomy-aligned.

These considerations also include potentially positive financial impacts and opportunities.

Water consumption and management

MATERIAL TOPICS* IN THIS SECTION:

E10 Water consumption and management

* Doubly material topics are outlined in orange.

Strategy and materiality

"Water consumption and management" (E10), including the protection of water resources, are part of the Instone Group's sustainability strategy and have double materiality as shown by the results of the materiality analysis.

A physical climate risk analysis is used to monitor the extent to which increasing climate change is affecting water resources (see also the section "Climate change").

In addition, the Instone Group analysed water consumption and management, which include the protection of water resources, as part of a due diligence process in the financial year 2022. The causes of high water consumption and the risk of contaminating water in the context of our business activities are the result of:

- existing pollution/contamination of the groundwater before the purchase of land,
- water consumption on the construction site,
- water consumption in the use phase of the building
- discharge of waste water on the construction site,
- Protection of bodies of water surrounding construction sites and new buildings.[1]

The financial year 2023 also saw a subgroup on "Neighbourhood water management" created as part of the "Neighbourhood infrastructure" working group. This subgroup focuses mainly on solutions that can help promote the natural water cycle and reduce water consumption within neighbourhoods. In this context, the national water strategy was examined along with duties and requirements under legislation (the Water Framework Directive, the Federal Water Act etc.) and municipal codes. In addition, water management requirements based on various certification systems (such as from the German Sustainable Building Council (DGNB)) were examined in detail. This information is used to derive potential measures and implement them for future project developments. For new projects, a checklist is available as a guide for the implementation of water management measures. A collection of best practices provides ideas and suggestions for practical implementation.

The target for "Water consumption and management" was to meet the requirements of the Taxonomy Regulation for each topic[2] in at least 90% of all Instone Group projects concerned (buildings with commercial use).
TCFD metrics and targets GRI 303, 303-1, 303-2, 303-3

[1] As the Instone Group only develops properties in urban areas and therefore only comes into contact with marine resources indirectly via rivers flowing into the sea, these have been omitted from the package of measures.
[2] The Taxonomy Regulation specifies for the economic activity "Construction of buildings" (NACE: 41) in the action area "Water" the following "do no significant harm" (DNSH) criteria:
• Specific water efficiency levels for sanitary facilities on commercial sites
• Water on the construction site: Identifying and, if necessary, remedying the risks of environmental damage relating to the maintenance of water quality and the avoidance of water shortages
• If not already covered by an environmental impact assessment: Preparation of a management plan for water use and the protection of bodies of water that may be affected.

Water consumption and management measures TABLE 010

Material topic	Measure	Degree of implementation[1]
Water consumption and management	Modification of bills of quantities for contractual partners to include the installation of sanitary facilities that meet the maximum flow rates of sanitary equipment such as sinks, showers, toilets and urinals[2] (especially commercial) as well as water-saving sanitary facilities	In progress
	Establishment of a standardised process to record water consumption on construction sites in order to develop meaningful and measurable reduction measures	In progress
	Inclusion of water-saving potential in accordance with the package of measures for sustainable and responsible water use in project and product development	In progress

[1] The degree of implementation is broken down into three stages as follows: 1) In planning: Decision has been made to implement the measure; 2) In progress: Work is already proceeding to implement the measure; 3) Implemented: The measure has already been included in standard processes, e.g. in guidelines and work equipment.

[2] The maximum flow rates are specified in accordance with the DNSH criterion of the EU Taxonomy Regulation for new builds.

Measures and implementation

Impact perspective

Due diligence showed that only a few measures relating to the protection of water resources as part of water management have been integrated into business processes to date. In this context and as part of the documentation requirements for the taxonomy audit, we have begun actively addressing the topic of water in our standard project development process. This ensures that measures for resource-conscious and sustainable water use are included early in the planning process.

For buildings with commercial units containing efficient sanitary equipment that complies with the EU taxonomy flow rates, the target of 90% was met in the financial year. This is the result of anticipatory planning and implementation as well as the replacement of equipment in some commercial units, among other measures.

The working group focussing on water use within neighbourhoods has already developed a package of measures designed to reduce water consumption during the use phase and have a positive impact in terms of groundwater levels and flood prevention in the case of torrential rain. The increased use of green spaces, for example, is not only conducive to the neighbourhood's micro-climate: The increased infiltration of storm water also supports the groundwater level and helps prevent flooding from torrential rain. More specific instruments, such as infiltration basins and tree trenches, can amplify these effects.

In terms of the building itself, green spaces or green façades can help regulate groundwater levels and prevent flooding from torrential rain whilst also offering additional benefits such as better insulation against heat and cold.

The "Schönhof-Viertel" in Frankfurt am Main is a good example of the water management measures that have already been planned and implemented. In this project, rainwater collected on the paved public areas is partly channelled through intermediate rigoles into rainwater wells in the public park. The rainwater collects there, seeps down through cleaning layers, is collected in the rainwater channel and ultimately conducted into an adjacent watercourse. On other plots, accumulated storm water is collected on green roofs or in trenches, then slowly conveyed into the storm water drainage channel.

Risk and opportunity perspective

TCFD strategy

Although the financial risk, for example, from the cost of water, may only be material in nature in the short to medium term (in the form of manufacturing costs), climate scenarios show the effects of increasing climate change, which include droughts and a fall in the groundwater table. In the medium to long term, the Instone Group estimates that local costs will rise if water temporarily becomes a rare commodity in some areas of Germany because of climate change. The drivers of cost increases could include rising water prices, higher costs of procurement and transport and possibly also additional costs caused by slower construction work in the event of bottlenecks.

The “Neighbourhood infrastructure” working group continuously monitors and evaluates water-related developments. Specific financial costs or risks resulting from selected measures (see “Impact perspective”) for projects are assessed as soon as the appropriate information is available.

Biodiversity

GRI 304, 304-2, 304-3, 304-4

MATERIAL TOPICS* IN THIS SECTION:

E2 Biodiversity

E9 Brownfield developments

* Doubly material topics are outlined in orange.

Strategy and materiality

Alongside climate change mitigation, biodiversity is gaining more and more attention in political, scientific and economic circles at both a national and international level. Biodiversity makes a central contribution to climate protection and adaptation to the consequences of climate change. Consequences of climate change are among the main drivers of biodiversity loss, while this plays a central role as natural GHG storage. One example of increasing regulations in this area is the CSRD's disclosure requirements along with the associated ESRS, which address the topic "Biodiversity and ecosystems" in ESRS E4. Additionally, these requirements are mandatory for all sectors defined by the Task Force on Nature-related Financial Disclosures (TNFD) as "priority sectors". These include construction and building materials. This therefore includes the Instone Group.

TNFD Taskforce on Nature-related Financial Disclosures

The TNFD is a market-oriented, government-supported initiative that gives companies science-based recommendations for responding to current and future nature-related problems. Various committees of policy-makers, business-people and scientists develop recommendations and guidelines to address and report on biodiversity risks. The TNFD's recommendations primarily relate to reportable structures, processes, measures, targets and key figures concerning nature-related dependencies, impacts, risks and opportunities.

For the overarching topic of biodiversity protection, a topic-specific due diligence review was carried out in the financial year 2022 to analyse where the highest risks of endangering biodiversity lie as posed by business activities. These risks still apply and have been augmented in the financial year 2023 by a pilot analysis based on TNFD recommendations:

- Projects on land where endangered species live (can also concern brownfield projects),
- Projects on land where non-endangered species live (can also concern brownfield projects),
- Greenfield projects, especially on land with particularly high biodiversity,
- Surface sealing,
- All projects in the immediate or close vicinity of areas with high biodiversity and conservation areas.

Likewise, we reviewed which precautions, regulations and measures have already been implemented to preserve biodiversity and whether there is a need for additional action. As formulated in last year's report, our target for biodiversity is to review the requirements of the Taxonomy Regulation for each topic[1] before the acquisition of any potential Instone Group project.

TNFD pilot at the Instone Group (unaudited)

A pilot was conducted over the past year based on the requirements of the Taskforce for Nature-related Financial Disclosures (TNFD). To determine which of these required elements can already be provided by the Instone Group (baseline), a structured analysis was carried out.

The biodiversity and natural risks at select current project sites were also analysed as part of this process, as well as how these risks can be mitigated. The analysis was used to define relevant site-, sector- and Instone Group-specific aspects for each impact and each risk, and to determine for these aspects potential targets, the measures to achieve these targets and metrics to monitor them. It also showed where appropriate procedures could be integrated into existing processes and where new processes need to be defined. The results of the TNFD pilot are being used to specify biodiversity-related measures and their implementation and to refine measures from the annual report 2022. These relate in particular to:

1. the assessment of the baseline with regard to TNFD disclosure requirements and
2. the development of possible measures, targets and key figures as well as their integration into company processes.

1 Status quo: general information (TNFD requirements)
2 Status quo: current strategies, processes, completed measures, targets, metrics
3 Identification of current risks using the WWF Biodiversity Risk Filter
4 Translation of dependencies and risks into strategies and targets
5 Development of potential measures and metrics
6 Integration of the results into existing structures

[1] The Taxonomy Regulation specifies for the economic activity "Construction of buildings" (NACE: 41) in the action area of biodiversity:
• If an environmental impact assessment (EIA) is necessary for legal reasons: List of measures to preserve the affected protected areas
• No new construction in forests, on greenfields with recognised high biodiversity, on arable land with moderate to high below-ground fertility according to EU LUCAS

With its current focus on sustainability, the formulation of a sustainability strategy and other endeavours already underway, such as the creation of an internal sustainability department, the introduction of data collection processes and voluntary reporting under the EU Taxonomy Regulation, the Instone Group has already established a solid basis for meeting TNFD reporting requirements. For this reason, the Instone Group decided at the end of 2023 to register as a TNFD "early adopter" and to publish a TNFD-compliant report starting in the financial year 2025. In addition to the measures derived from the TNFD analysis and the resulting potential for improvement, other measures are being executed and refined at the company level:

Biodiversity measures — TABLE 011

Material topic	Measure	Degree of implementation[1]
Biodiversity	Review of incidence of endangered species (flora and fauna as defined by the European Red List) in accordance with the taxonomy audit	In progress
	Proactive collaboration with nature conservation agencies, landscape planners and nature conservation associations to protect habitats during construction and after completion of projects (examples include the installation of nesting boxes, promotion of bee colonies, and installation of green roofs for insects and storm water retention)	Implemented
	Conducting of a TNFD pilot analysis to determine a baseline for possible TNFD-compliant reporting and to develop risk-specific measures and targets	In progress
	Increase in compliance with relevant biodiversity-related disclosure requirements under ESRS and TNFD	In progress
	Review of the implementation of measures developed from the TNFD pilot analysis	In planning
Brownfield developments	Review of potential new plots for high biodiversity, such as arable land with moderate to high fertility and below-ground fertility according to EU LUCAS, greenfield land with recognised high biodiversity or forests in accordance with the taxonomy audit	In progress

[1] The degree of implementation is broken down into three stages as follows: 1) In planning: Decision has been made to implement the measure; 2) In progress: Work is already proceeding to implement the measure; 3) Implemented: The measure has already been included in standard processes, e.g. in guidelines and work equipment.

Our company
To our shareholders
Combined management report
Foundations of the Group
Sustainability report
Economic report
Risk and opportunities report
Outlook
Other disclosures
Consolidated financial statements
Independent auditor's report
Remuneration report
Other information

Measures and implementation

Impact perspective

In addition to the defined overarching measures (see table 011), it is necessary to record the site-specific impact for every biodiversity aspect in order to develop specific targets, measures and key figures. To identify the relevant impact and risks of a site that need to be addressed, select project sites were included in the TNFD pilot analysis (see "step 3" in figure above). This was done using the WWF Biodiversity Risk Filter tool. The analysis produced an overview and assessment of potential risks to nature and biodiversity:

Effects associated with a high risk are "Change in land, water and marine use", "Loss of tree population", "Pollution" and "Protected areas", meaning that these effects could pose both risks in relation to the environment and financial risks. Site-specific dependencies with high risk include forest productivity, water condition and media criticism. In particular, the subject areas in which mismanagement would have financial consequences for the Instone Group exhibit dependencies.

Potential project-specific risks to nature and biodiversity (excerpt from overall analysis)

FIGURE 013

Our company
To our shareholders
Combined management report
Foundations of the Group
Sustainability report
Economic report
Risk and opportunities report
Outlook
Other disclosures
Consolidated financial statements
Independent auditor's report
Remuneration report
Other information

The table shows an example overview of the different criteria that can be implemented during project development based on data from the WWF Risk Filter.

Potential measures to address select biodiversity risks (in project development)

TABLE 012

Effect	Relevant aspects	Targets	Measures	Process integration	Metrics
Change in land, water and marine use	– Type of land (brownfield/ greenfield) – Area conversion (sealing, interventions in ecosystems such as streams and other landscape structures)	– Implementation of a green space concept for all greenfield projects	– Creation of a green space concept with semi-natural measures	– Early in the planning process: creation of green space concept to influence neighbourhood design	– Total used area – Percentage of converted area – Percentage of restored area – Type of affected ecosystem
Loss of tree population	– Condition of land (trees/ no trees)	– Maintenance of tree population	– Measures to ensure tree preservation (e.g. inclusion in open space planning)/ equivalent reforestation if existing trees are impacted	– Inclusion of tree population in planning/ development process	– Number of trees cleared – Number of trees cleared in proportion to number of trees replanted
Pollution	– Clean heating technology in buildings (local burning of fossil fuels) – Pollution from construction activities	– Compliance with all taxonomy requirements for the "Pollution" DNSH criterion for all projects (incl. dust prevention at construction sites) – Where possible, no heating technology with local burning of fossil fuels (only connection to district heating or use of renewable energy, e.g. heating pump with PV, geothermal)	– Integration of relevant taxonomy requirements and use of sustainable heating technology in planning process	– Taxonomy requirements already being recorded – Early review of the best heating supply options by including an internally developed overview tool	– Amount of recycled waste (recycling rate) – Disclosure of CO_2 emissions from operations – Pollutant emissions into air, water and soil – Weight of discarded hazardous and non-hazardous waste [t]
Protected areas	– Condition of land (for nature conservation area etc.) – Change in natural structures on the property and effects on adjacent areas	– Inclusion of corresponding risk analysis in site selection process – Inclusion of relevant expertise in identified risk (prevention of negative effects on surrounding sensitive areas)	– Integration of relevant indicators from the WWF Risk Filter in land purchase selection process – In case of identified risk: review by local experts and possible preventive measures, such as inclusion of local flora, consideration of endangered species and their habitat	– Risk analysis using the WWF Risk Filter and integration of the indicator "Protected conserved areas" into the risk assessment performed during the purchase process	– Assessment of project sites with the WWF Biodiversity Risk Filter indicator "Protected conserved areas"

Risk and opportunity perspective

TCFD strategy

Financially, there are generally two drivers of potential consequences:

- Firstly, actively shaping biodiversity at project level brings with it both financial risks and opportunities. For example, raising biodiversity standards as part of construction projects affects their implementation costs. In particular, the biodiversity-friendly design of green roofs and other areas on the plots to be used for construction land lead to an increase in costs. In addition, competing for space, i.e. the trade-off between leaving more space available than required by law and designing accordingly or the trade-off of including as much residential space as possible in the project or on the construction land, has an impact on the revenue achievable for the Instone Group.

- Secondly, dependencies on natural resources have a financial impact. For this purpose, the analysis with the WWF Biodiversity Risk Filter provides location-specific information. This enables the Instone Group to more detail the effects of potential risks on the company, development projects in particular and thus qualitatively also on financial performance.

The results of the TNFD pilot analysis are used to perform a detailed review of the identified risks so that the responsible operational working group can develop appropriate measures and processes.

Consumption of natural resources and recycling

GRI 301, 301-1, 301-2, 301-3, 306, 306-1, 306-2, 306-3, 306-4

MATERIAL TOPICS* IN THIS SECTION:

E1 Consumption of natural resources/recycling

E6 Choice of building materials

* Doubly material topics are outlined in orange.

Strategy and materiality

The effective use of resources and the transition to a circular economy are part of the Instone Group's sustainability strategy. The materiality analysis showed that "Consumption of natural resources/recycling" (E1) and "Choice of building materials" (E6), i.e. the use of environmentally friendly materials, have double materiality for the Instone Group. A key indicator of this is not least the fact that around 28% of the Instone Group's total carbon footprint[1] comes from the manufacturing phase of our buildings. The gradual switch to recycled, reusable and reused building materials, such as recycled concrete or lumber, is therefore an important lever in achieving our climate targets.

As for the other environmental aspects, the Instone Group also analysed this topic in a due diligence review in the financial year 2022 to identify where the biggest potential for the optimal use of resources and circular economy lies within the scope of our business activities. In the financial year 2023, the following topics in particular were examined more closely:

- Reduction in the use of carbon-intensive building materials (e.g. concrete, steel) through resource-optimised design
- Increase in the proportion of building materials made of renewable raw materials (e.g. wood)
- Increase in the proportion of recycled, reusable and reused building materials

In Germany, as much non-hazardous waste and rubble as possible is already sent for recycling or reuse under the Circular Economy Act (KrWG). Nevertheless, this topic and the provision of corresponding evidence have been included in the supplemental agreement on disposal (through purchase).

The target for "Consumption of natural resources and recycling" is firstly to meet the requirements of the Taxonomy Regulation for each topic[2] for all Instone Group projects by complying with legal obligations. Our target is also to make a significant contribution to carbon reduction by using sustainable building materials and reducing the use of materials in general as well as implementing this target in economically viable solutions.
TCFD metrics and targets

Measures and implementation

Impact perspective

The particular importance of this topic to the Instone Group is reflected in the creation of two working groups ("Sustainable building" and "Hybrid timber"), which work closely on measures relating to this area. These working groups identify potential for optimisation and develop concrete approaches for practical implementation.

[1] Includes Instone Real Estate Group SE Scopes 1, 2 and 3
[2] The Taxonomy Regulation specifies for the economic activity "Construction of buildings" (NACE: 41) the following DNSH criteria in the action area of circular economy:
· At least 70% of non-hazardous rubble/waste and demolition is sent for reuse or recycling.
· Observance of best practices for the handling of hazardous substances and sorting of materials.
· The design of the buildings and the construction techniques support the circular economy.

The “Sustainable building” working group focuses on assessing and classifying building materials and products with regard to material sustainability aspects such as carbon reduction, ingredients, supply chains and demolition. With the help of a building product matrix, the key building materials have been identified and specific alternative products named. Examples include eco-friendly limestone and low-carbon concrete. Solutions to reduce material use, for example through structural optimisation measures, as well as recommendations for sustainable building are also being developed.

The “Hybrid timber” working group specifically investigates the extent to which embodied carbon can be reduced by substituting structural components with timber solutions. As part of this research, the group conducted an LCA variant comparison[1] using a specific example in order to calculate various designs (solid construction (standard), frame construction and 100% timber construction) and compare them with one another. This analysis not only included global warming potential and non-renewable primary energy but also specific considerations in relation to building costs and potential for the living space and construction time.

We are currently reviewing the gradual implementation into practice and further development of the interim results to determine their applicability to Instone Group projects. In addition, we constantly monitor technological progress with a view to modifying building materials and continuously review implementation options to ensure that we achieve our climate neutrality target.

[1] “LCA” stands for life cycle assessment. It is sometimes also called “life cycle analysis”.

Consumption of natural resources and recycling measures TABLE 013

Material topic	Measure	Degree of implementation[1]
Consumption of natural resources/recycling	Inclusion in all contracts with our partners of – and follow-up on – the requirement that the design of the buildings and the building technology comply, at a minimum, with ISO 20887 or comparable standards for the assessment of the demolition or adaptability of buildings to increase resource efficiency, adaptability, flexibility and ease of demolition	In planning
	Review of options for using recycled materials to develop and/or construct projects and for recording and increasing the proportion of recycled and reusable materials used	In progress
	Review of changes in the design of buildings to simplify the demolition process and allow for the reuse of materials	In progress
	For demolition activities performed by the Instone Group for its projects: revision of the requirements for service providers who carry out this work	In progress
Choice of building materials (use of environmentally friendly materials)	Analysis of the building materials used to date for alternatives, especially in terms of sustainable material choice, climate change mitigation, resource conservation, protection of human health and the environment, as well as sustainable supply chains with consideration to cost-effectiveness	In progress
	Analysis of implementation options for hybrid timber construction methods	In progress

[1] The degree of implementation is broken down into three stages as follows: 1) In planning: Decision has been made to implement the measure; 2) In progress: Work is already proceeding to implement the measure; 3) Implemented: The measure has already been included in standard processes, e.g. in guidelines and work equipment.

Risk and opportunity perspective
TCFD strategy

The most important aspect for assessing the financial materiality of resource use and the circular economy is building materials.

The costs/savings for the Instone Group associated with any switch to recycled, reused and/or alternative natural building materials cannot be quantified at this time. This is due on the one hand to the volatility of prices for conventional as well as natural building materials, and on the other hand to the fact that products made from recycled, reusable or natural raw materials are not available on the market in sufficient quantities, if at all. Resource-optimised designs can help further reduce the use of carbon-intensive building materials in the future and save on costs.

In some cases, the right technology does not yet exist, such as for cement, to fully realise effective resource use and the transition to a circular economy. Based on the findings of the Climate-Neutral Germany 2045 study[1], the Instone Group does not expect to have access to a low-emission product until the early 2030s at the earliest. The "Sustainable building" working group continually monitors developments and examines them for feasibility. Currently, there is no data available to collect.
GRI 306, 306-01, 306-2, 306-3, 306-4

[1] Prognos; Öko-Institut; Wuppertal Institute: Climate-Neutral Germany 2045. How Germany can reach its climate targets before 2050. Full paper commissioned by the Climate Neutrality Foundation, Agora Energiewende and Agora Verkehrswende: AGORA, 2021. – 231/05-S-2021/DE | Version 1.0, June 2021.

EU taxonomy

EU taxonomy – the facts

The reporting requirements under Article 8 of the Taxonomy Regulation are linked to the existence of a non-financial reporting requirement under the Non-Financial Reporting Directive, which is implemented in the German Commercial Code (HGB). Accordingly, the Instone Group is not required to submit any report on EU taxonomy this reporting year, although it has voluntarily disclosed its activities under the applicable Taxonomy Regulation.

Under Article 8 (1) and (2) of the Taxonomy Regulation, companies are required to disclose their taxonomy-eligible and taxonomy-aligned revenue, CapEx and OpEx. This requirement is substantiated by delegated acts both in content (Delegated Act on climate change mitigation and adaptation; Complementary Delegated Act on climate change mitigation and adaptation; Complementary Delegated Act to determine sustainable activities for the environmental objectives of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems) and formally (Delegated Act on Article 8 of the Taxonomy Regulation, including corresponding annexes; Delegated Act on disclosure requirements and amendments thereto in complementary delegated acts).

Potential taxonomy-eligible revenue, as well as CapEx and OpEx, fall below the defined materiality threshold of 3%. The Instone Group's interpretation is that information is only to be included if it is necessary for an understanding of business operations, situation and anticipated development. This is in line with the interpretation of the Accounting Standards Committee of Germany (ASCG) in its submission to the European Commission on various issues related to the application of Article 8 of the EU Taxonomy Regulation of 7 December 2021.

In order to determine the relevance of the activities and related revenue, as well as CapEx and OpEx, to the Instone Group, it was necessary when preparing this report to evaluate the taxonomy disclosure of the Instone Group with regard to these three items, revenue, CapEx and OpEx, as follows:

a. Revenue from project development is recognised in the IFRS consolidated financial statements of the Instone Group mainly using the "revenue recognition over time" method in accordance with IFRS 15. However, some of the technical screening criteria (e.g. "blower door test") and the DNSH criteria can only be finally tested/documented after a new building is completed.

In order to present taxonomy-aligned revenue for the appropriate period and also to position it in relation to the total annual revenue and thus develop a meaningful statement on the matter, it is essential to define criteria that indicate taxonomy alignment even before the completion of construction and when the revenue is recognised according to the "revenue recognition over time" method. In this respect, too, the recognition of revenue over time is congruent with the taxonomy assessment and already assumes the contractual fulfilment of the specification before final inspection once construction is complete.

b. In the IFRS consolidated financial statements of the Instone Group, capital expenditure therefore comprises, according to Annex I to the Delegated Act on Article 8 of the Taxonomy Regulation, the costs accounted for based on the following standards:

a) IAS 16 Property, Plant and Equipment, paragraph 73 (e) (i) and (iii)

b) IAS 38 Intangible Assets, paragraph 118 (e) (i)

c) IAS 40 Investment Property, paragraph 76 (a) and (b) (for the fair value model)

d) IAS 40 Investment Property, paragraph 79 (d) (i) and (ii) (for the cost model)

e) IAS 41 Agriculture, paragraph 50 (b) and (e)

f) IFRS 16 Leases, paragraph 53 (h)

Only non-significant balance sheet items fall under this definition at the Instone Group. This is due to the nature of the business model. Intangible assets and right of use assets that are accounted for in accordance with IAS 38 and IFRS 16 and thus fall under the taxonomy-aligned categories mentioned account for less than 1% of the Instone Group's total assets and are therefore immaterial in terms of their informative value for the taxonomy-enabled or taxonomy-aligned reporting on the business model of the Instone Group under the activity "Construction of new buildings".

c. In the taxonomy, OpEx refers to direct, non-capitalised costs related to research and development, building refurbishment, short-term leasing, maintenance and repair, and all other direct expenses related to the day-to-day maintenance of property, plant and equipment by the Company or third parties to whom activities are outsourced which are necessary to ensure the continuous and effective functioning of these assets. This OpEx must be related to activities that are taxonomy-aligned.

The EU taxonomy requires the introduction of an operational process for reviewing and checking the taxonomy criteria. Under the Taxonomy Regulation, an activity is considered to taxonomy-aligned if it makes a significant contribution to at least one of a total of six environmental objectives without running counter to the others (DNSH). Minimum requirements must also be met. The taxonomy's environmental objectives are: (1) Climate change mitigation, (2) Climate change adaptation, (3) Sustainable use and protection of water and marine resources, (4) Transition to a circular economy, (5) Pollution prevention and control, and (6) Protection and restoration of biodiversity and ecosystems.

The business model of the Instone Group is to develop residential properties. This is a taxonomy-eligible activity, "Construction of new buildings", for which there are technical screening criteria on the environmental objectives of climate change mitigation and adaptation as well as DNSH criteria in order to assess a potential alignment. With the publication of the final version of the Environmental Delegated Act on environmental objectives 3–6 (22 November 2023), the activity "Construction of new buildings" also falls under the environmental objective "Transition to a circular economy". With the activity "Construction of new buildings", Instone Real Estate Group SE is currently making a significant contribution to 1) Climate change mitigation, since 100% of projects are already examined for their contribution to this environmental objective and climate change mitigation is the Company's strategic priority. The Instone Group identified this relationship in its operational review of projects, since the environmental objective of climate change mitigation is directly applicable through the technical screening criteria and can be influenced in all Instone Group projects. Another possible criterion aside from (1) Climate change mitigation is environmental objective (2) Climate change adaptation, which also includes the construction of new buildings as a taxonomy-eligible activity. Following the publication of the Delegated Act on environmental objectives 3–6 in 2023, the Instone Group's activity "Construction of new buildings" also falls under environmental objective (4) Transition to a circular economy. On the basis of a renewed review of all environmental targets and their fulfilment criteria for the new construction business activity, it was also determined in the year under review that the economic activity of the Instone Group can still be assigned to the environmental objective of climate protection. This means that the activities of the Instone Group are not examined in relation to any other environmental objectives.

Under the environmental objective (1) Climate change mitigation, the derived technical screening criteria are the energy efficiency (primary energy demand) of the new building (exceeding the national NZEB requirements established in the German Building Energy Act of 2021 by at least 10%), air-tightness and thermal integrity. Where the total area exceeds 5,000 m2, life-cycle greenhouse gas emissions are also recorded. In addition, the specific DNSH criteria for the environmental objectives of (2) Climate change adaptation, (3) Sustainable use and protection of water and marine resources, (4) Transition to a circular economy, (5) Pollution prevention and control, and (6) Protection and restoration of biodiversity and ecosystems are also checked.

The DNSH criteria are checked as follows:

- (2) Climate change adaptation: Physical climate risk analysis based on a building life of about 55 years and summary of the analysis (list of hazards with high risk, time and climate scenario). For buildings with high risk: Summary of planned measures.

- (3) Sustainable use and protection of water and marine resources: proof of water efficiency for commercial spaces in the tender and product description of sanitary facilities. Further proof is supplied from notifications of water rights and statements from the competent water authorities.

- (4) Transition to a new circular economy: binding agreement with contractual partners to comply with Section 14 (2) KrWG as well as with the annotations in the EU's Draft Commission Notice of 19 December 2022 and to consider standard building elements in accordance with DGNB TEC 1.6. The corresponding supplemental agreement was revised and amended in November 2023.

- (5) Avoidance and reduction of environmental pollution: binding agreement with contractual partners to avoid the use of toxic building materials and proof using material data sheets. Investigation of the land, compilation of soil surveys and documentation of any necessary measures.

- (6) Protection and restoration of biodiversity and ecosystems: proof using, for example, wildlife surveys for flora and fauna as well as key fertility figures for arable land.

The Instone Group has made the necessary adjustments to existing processes and added responsibilities, for example, data collection and analysis, determination of taxonomy eligibility and alignment, and accounting classification, to existing internal or process descriptions, such as the accounting guidelines and project documentation guidelines, in accordance with the technical screening criteria, DNSH criteria and process descriptions.

To assess taxonomy alignment, the Instone Group uses a standardised taxonomy form containing the relevant technical screening criteria along with information on where to find proof and the result of the assessment. The implementation of the assessment process at the building level is led by the Sustainability department in coordination with project managers in the individual branches. The Finance department is responsible for implementation at the accounting level.

The EU taxonomy requirements for minimum safeguards and the associated review of the

- OECD Guidelines for Multinational Enterprises,
- UN Guiding Principles on Business and Human Rights, including the Core Labour Standards of the International Labour Organisation (ILO), and
- International Convention on Human Rights with related due diligence

are covered by the Instone Group through its generally implemented process for reviewing directives, work materials/resources and policies at Group level. This also includes compliance with legal regulations, statements on addressing human rights, for example via the Code of Conduct for employees and contractual partners, occupational health and safety, the environment, combating bribery and corruption, and taxes, for example via corporate policies. The review is conducted on a regular basis and is coordinated between the responsible Legal Department and the responsible departments at Group level, and is broken down into the subsidiaries if necessary.

EU taxonomy and strategic relevance

The Instone Group is pursuing the strategic goal of reviewing all new projects for alignment with the EU Taxonomy Regulation environmental objective of climate change mitigation. In the 2023 financial year, a rate of 90.0% (previous year: 86.7%) of the project revenues can be achieved as being in line with the taxonomy. In 2023, all projects and subprojects relevant to revenue were analysed. Likewise, 152 of the 167 (previous year: 167 of 191) buildings relevant to revenue achieved taxonomy alignment. There was an improvement in this rate because planning for some projects was adjusted in favour of a taxonomy-aligned construction method. The organisation's increased awareness of the strategic relevance of this topic showed immediate positive effects in this regard. Additionally, some projects had the final energy performance certificates issued in the planning stage, meaning these projects now also meet the taxonomy requirements and increase the rate further.

Taxonomy buildings

TABLE 014

Sales-relevant properties in 2022 and 2023	2022	2023
Taxonomy-eligible	191 buildings	167 buildings
Taxonomy-aligned	167 buildings (87.4%)[1]	152 buildings (91.0%)

[1] Correction to previous year due to recording error.

Reporting forms in accordance with the EU Taxonomy Regulation (EU Tax Regulation)

Reporting of the EU taxonomy figures is done in tabular form using specified reporting forms. A distinction is made here between sales, CapEx and OpEx.

For better readability, you will find a short legend below:

Legend for the reporting forms according to the EU Taxonomy Regulation (EU Tax Regulation)

Abbreviation	Meaning
Y	Yes, taxonomy-compatible activity that complies with the relevant environmental objective
N	No, taxonomy-compatible activity, but not taxonomy-compliant with the relevant environmental objective
N/EL	"Not eligible", activity that cannot be taxonomy-enabled for the respective environmental objective
EL	Activity eligible for taxonomy for the respective objective
	The **code in** (2) is the abbreviation of the relevant objective to which economic activity can make a significant contribution and the number of the activity section in the relevant Annex. That covers the target.
CCM	Climate Change Mitigation
CCA	Climate Change Adaptation – Adaptation to climate change
CE	Circular economy – transition to a circular economy

Revenue

TABLE 015

Financial year 2023		Year		Significant contribution criteria						DNSH criteria ("Do no significant harm")									
Activities (1)	Code(s) (2)	Revenue (3)	Share of revenue, year 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) Revenue, Year 2022 (18)	Category: enabling activities (19)	Category: transitional activities (20)
		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Activity 1: 7.1. Construction of new buildings	**CCM 7.1,** CCA 7.1, CE 3.1	554,455,136	90.0	Y	N	N/EL	N/EL	N	N/EL	Y	Y	Y	Y	Y	Y	Y	86.7		
Revenue from environmentally sustainable activities (taxonomy-aligned) (A.1)		554,455,136	90.0	90.0 %	0 %	0 %	0 %	0 %	0 %	Y	Y	Y	Y	Y	Y	Y	86.7		
Of which enabling activities		0	0	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	0	E	
Of which transitional activities		0	0	-						Y	Y	Y	Y	Y	Y	Y	0		T
A.2 Taxonomy-relevant but not environmentally sustainable activities (non-taxonomy-compliant activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Activity 1: 7.1. Construction of new buildings	**CCM 7.1,** CCA 7.1, CE 3.1	45,426,483	7.4	EL	EL	N/EL	N/EL	EL	N/EL								9.8		
Revenue from taxonomy-relevant but not environmentally sustainable activities (non-taxonomy-compliant activities) (A.2)		45,426,483	7.4	7.4 %	0 %	0 %	0 %	0 %	0 %								9.8		
A. Revenue from taxonomy-eligible activities (A.1+A.2)		599,881,619	97.4	97.0 %	0 %	0 %	0 %	0 %	0 %								96.5		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Revenue from taxonomy-non-eligible activities		16,070,088	2.6																
Total		**615,951,707**	**100**																

Our company

To our shareholders

Combined management report

Foundations of the Group

Sustainability report

Economic report

Risk and opportunities report

Outlook

Other disclosures

Consolidated financial statements

Independent auditor's report

Remuneration report

Other information

CapEx

TABLE 015

Financial year 2023		Year		Significant contribution criteria						DNSH criteria ("Do no significant harm")									
Activities (1)	Code(s) (2)	CapEx (3)	CapEx Share, Year 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) CapEx, Year 2022 (18)	Category: enabling activities (19)	Category: transitional activities (20)
		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Activity 1: 7.1. Construction of new buildings	**CCM 7.1,** CCA 7.1, CE 3.1	0.00	0	Y	N	N/EL	N/EL	N	N/EL	Y	Y	Y	Y	Y	Y	Y	0		
CapEx for environmentally sustainable activities (taxonomy-aligned) (A.1)		0.00	0	0 %	0 %	0 %	0 %	0 %	0 %	Y	Y	Y	Y	Y	Y	Y	0		
Of which enabling activities		0,00	0	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	0	E	
Of which transitional activities		0,00	0	-						Y	Y	Y	Y	Y	Y	Y	0		T
A.2 Taxonomy-relevant but not environmentally sustainable activities (non-taxonomy-compliant activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Activity 1: 7.1. Construction of new buildings	**CCM 7.1,** CCA 7.1, CE 3.1	0.00	0	EL	EL	N/EL	N/EL	EL	N/EL								0		
CapEx for taxonomy-relevant but not environmentally sustainable activities (non-taxonomy-compliant activities) (A.2)		0.00	0	0 %	0 %	0 %	0 %	0 %	0 %								0		
CapEx for taxonomy-eligible activities (A.1+A.2)		0.00	0	0 %	0 %	0 %	0 %	0 %	0 %								0		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx for taxonomy-non-eligible activities		7,424,875	100																
Total		**7,424,875**	**100**																

Our company
To our shareholders
Combined management report
Foundations of the Group
Sustainability report
Economic report
Risk and opportunities report
Outlook
Other disclosures
Consolidated financial statements
Independent auditor's report
Remuneration report
Other information

OpEx

TABLE 015

Financial year 2023		Year		Significant contribution criteria						DNSH criteria ("Do no significant harm")									
Activities (1)	Code(s) (2)	OpEx (3)	OpEx Share, Year 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) OpEx, Year 2022 (18)	Category: enabling activities (19)	Category: transitional activities (20)
		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Activity 1: 7.1. Construction of new buildings	**CCM 7.1,** CCA 7.1, CE 3.1	0.00	0	Y	N	N/EL	N/EL	N	N/EL	Y	Y	Y	Y	Y	Y	Y	0		
OpEx for environmentally sustainable activities (taxonomy-aligned) (A.1)		0.00	0	0 %	0 %	0 %	0 %	0 %	0 %	Y	Y	Y	Y	Y	Y	Y	0		
Of which enabling activities		0,00	0	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	0	E	
Of which transitional activities		0,00	0	-						Y	Y	Y	Y	Y	Y	Y	0		T
A.2 Taxonomy-relevant but not environmentally sustainable activities (non-taxonomy-compliant activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Activity 1: 7.1. Construction of new buildings	**CCM 7.1,** CCA 7.1, CE 3.1	0.00	0	EL	EL	N/EL	N/EL	EL	N/EL								0		
OpEx for taxonomy-relevant but not environmentally sustainable activities (non-taxonomy-compliant activities) (A.2)		0.00	0	0 %	0 %	0 %	0 %	0 %	0 %								0		
A. OpEx for taxonomy-eligible activities (A.1+A.2)		0.00	0	0 %	0 %	0 %	0 %	0 %	0 %								0		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx for taxonomy-non-eligible activities		1,779,249	100																
Total		**1,779,249**	**100**																

Scope of taxonomy capability and compliance for each environmental objective

TABLE 016

	Revenue Share/Total Revenue		OpEx percentage/total/OpEx		CapEx percentage/total CapEx	
	Taxonomy-aligned per target	Taxonomy-eligible per target	Taxonomy-aligned per target	Taxonomy-eligible per target	Taxonomy-aligned per target	Taxonomy-eligible per target
CCM (Climate Change Mitigation)	90.0%	7.4%	0%	0%	0%	0%
CCA (Climate Change Adaptation)	0%	0%	0%	0%	0%	0%
WTR (water)	0%	0%	0%	0%	0%	0%
CE (Circular Economy)	0%	0%	0%	0%	0%	0%
PPC (Pollution Prevention and Control)	0%	0%	0%	0%	0%	0%
BIO (Biodiversity and Ecosystems)	0%	0%	0%	0%	0%	0%

Social

Employee issues

GRI 401

MATERIAL TOPICS* IN THIS SECTION:

- S1 Employee diversity
- S2 Work-life balance
- S4 Occupational health and safety
- S10 Employee fair pay
- S12 Social dialogue/good working conditions
- S13 Employee satisfaction

* Doubly material topics are outlined in orange.

Strategy and materiality

The Group's employees are material for the Instone Group from the impact perspective. Employees plan and implement projects, develop innovations and drive transformation. They work to solve the following key challenges:

- creating sufficient and affordable housing,
- further developing environmentally sustainable and climate-friendly construction methods,
- designing neighbourhoods in German urban areas that are worth living in.

The topic of employee diversity is of particular relevance to the Instone Group (double materiality). Employee diversity is a core element of the ideals of the Instone Group. The organisation is made up of lots of different people (age, gender, ethnic origin etc.) who significantly shape the diversity of the Instone Group. The personality of every single individual is extremely important. However, a good work-life balance, occupational health and safety, fair pay and good working conditions are also essential to achieve a high level of employee satisfaction.

All topics relating to employees and their concerns are the responsibility of the HR Department and are clarified with the responsible Chief Human Resources Officer, Andreas Gräf, and where co-determination law is concerned, with the works council. As part of the due diligence process, this department takes over the planning and implementation of measures for key topics in the area of employee issues and coordinates with the Sustainability Department in accordance with the governance concept page 183. Our internal Legal department advises on legal matters. GRI 2-30, 407, 407-1, 409, 409-1 The key figures relating to our employees can be found in table 004.

With regard to employees, our goal is to both continuously review existing processes and structures and, if necessary, reorganise and restructure them.
GRI 402, 402-1

Employee issues measures

TABLE 017

Material topic	Measure	Degree of implementation[1]
Employee diversity	Annual review of the Instone Group's mission statement and management principles with managers and employees	In planning
	Workshop: How can we proactively promote diversity in the Company?	In progress
	Improvement of employee awareness of diversity through internal communications (e.g. "Diversity month", Advent quiz with questions on diversity)	In progress
	Establishment and consistent use of gender-conscious language (e.g. by amending our communications policy, optimising job advertisements)	In planning
Work-life balance	Development of a meeting hygiene concept, including employee recommendations	In planning
	Webinars on self-organisation, time management etc.	In progress
	Creation of options for job rotation, sharing or enlargement (making work less stressful by making it more varied)	In progress
	Company support through sports programme offered by employees	In progress
Occupational health and safety	Continuation of virtual health seminars	Implemented
	Continuation of "Instone Moves" initiative	Implemented
Employee fair pay	Monitoring of remuneration with regard to diversity, position and fairness	Implemented
	Introduction of new KPIs to compare income differentials	In planning
Social dialogue/ Good working conditions	Development of a sustainable employee feedback and anonymous feedback concept	Implemented
Employee satisfaction	Employee dialogue in discussion forums and job-related working groups	Implemented
	Workshops on agile working	In progress
	Encouraging employees to approach superiors, the management team or the Management Board directly if they are dissatisfied	In progress

[1] The degree of implementation is broken down into three stages as follows: 1) In planning: Decision has been made to implement the measure; 2) In progress: Work is already proceeding to implement the measure; 3) Implemented: The measure has already been included in standard processes, e.g. in guidelines and work equipment.

Measures and implementation

Employee diversity (S1)

At the Instone Group, diversity means forms of work in which different skills, talent, experience and beliefs can play a role. In line with the core elements of the Charta der Vielfalt (Diversity Charter) as well as the commitment to the Universal Declaration of Human Rights and in compliance with the International Labour Standards of the ILO, the Instone Group is committed to the issues of diversity and respect for human rights and acts both within the Group and with contractual partners in accordance with these guidelines. In addition, vacancies are advertised and filled in accordance with the German General Equal Treatment Act (AGG). In this sense, the Instone Group is committed to always treating both applicants and employees equally, regardless of differences in age, gender, sexual orientation, physical appearance, ethnicity, nationality, religion, ideology or other characteristics.

The Instone Group endeavours to increase the percentage of women in leadership positions and uses targets as an instrument to promote gender equality. The current distribution and target rate of managers by gender can be found in table 004. Further information on the topic of diversity at the Supervisory Board and Management Board levels also can be found on page 191. The process of achieving this target is assessed through continual due diligence. The Management Board will next review the target rates for the first and second management levels under the Management Board as well as for the Board itself in 2025. Considering almost no vacancies were filled in the past year due to the economic situation, there have been hardly any changes in distribution compared to the previous year. The goal of organic employee growth, which could not be pursued in the reporting year due to the economic situation, remains in the long-term but must be revised for the financial year 2024. The target is to keep the number of employees at the current level.

In the financial year 2023, the Instone Group established a working group from the HR and Communications Departments to conceptualise and refine the topic. The group's first step was to conduct a comparative analysis using the Diversity Charter. In addition, strategic considerations were made to continuously expand the diversity issue at the Instone Group. To this end, initial implementation ideas were exchanged and agreed in close coordination with the Management Board.

The Instone Group is laying the foundation with the establishment of the uniform management principles developed in 2022. The importance of employee diversity is addressed in this report. These principles also emphasise heterogeneous team structures, a variety of personalities and skills and the diverse strengths of employees as key success factors. With the implementation of the management principles, the Instone Group is creating a binding framework and enshrining the topic of diversity in the Company's culture. Responsibility for this lies with the HR Department in close coordination with the Management Board. GRI 405

Work-life balance (S2)

Due to the increasing digitalisation of work processes, work environments can now also be outside the traditional office setting. As an attractive employer, the Instone Group normally offers employees the option of mobile working – working from any location – two days per week, though operations must maintain the necessary level of efficiency. The current works agreement governs the possibilities and conditions for mobile working whilst also protecting operational processes, ensuring the security of the company IT network and defining the precautions and preventive measures necessary for occupational health.

Employee satisfaction (S13)
GRI 202-2

Aside from recruiting skilled and junior personnel, employee loyalty is a chief concern and a strategic challenge in the face of the ongoing skills shortage. Employee satisfaction is a key lever in this regard. Risks may arise if key vacancies cannot be filled in a timely manner – or at all. Opportunities arise from redirecting skilled workers towards attractive and secure employers such as the Instone Group.

One approach to providing employees with personal development opportunities and retaining them more closely with the company is the internal mentoring programme. This supports young leaders at the Instone Group in finding their leadership role. In this programme, mentees are supported by experienced mentors over a period of two years. The programme also gives young managers the opportunity to grow their internal network and gain experience from various keynote speeches.

The Instone Group also offers all employees an extensive training and professional development programme. In addition to the mandatory training on data protection, IT security and compliance (anti-corruption and competition law), employees have the opportunity to participate in professional training, soft skills training and individual training.

The Instone Group's good kununu[1] rating of 3.9 qualifies it as a top employer.[2] The annual employee survey showed a Group-wide participation rate of 72% in the 2023 financial year (previous year: 82%). The participation rate thus remained at a high level. However, the survey showed that employee satisfaction (very satisfied/satisfied) fell 28% to 47% (previous year: 75%). In the reporting year, more employees rated their satisfaction as neutral (34%). This can be explained by the changing market situation, the tense economic situation and the resulting high degree of uncertainty. Due to the challenging market conditions, planned adjustments to reduce platform costs were also implemented in the past year. As a result, the fluctuation rate in the reporting year was higher (16.0%) than in the previous year (9.3%). The average length of service, on the other hand, rose slightly to 7.3 years (previous year: 6.5 years). GRI 401-1

The Instone Group enables young people to gain practical experience and take on responsibility early on. The Company employs a large number of interns and student trainees to give them an insight into the work of a project developer and to recruit them into a permanent position after graduation. In addition to a targeted induction plan devised by the relevant specialist department and the HR department, areas of responsibility are transferred gradually to new employees.

The "New work" trend is also gaining traction at the Instone Group. The digital workplace is an important step in the transformation into a modern work environment. We are digitising communication, tools, processes and information in a strategically effective way. This makes efficient, modern mobile working possible for employees.

The Instone Group is also keen to address the increasing importance of having a sense of purpose in the workplace. In implementing its corporate and sustainability strategy, the Instone Group is clearly demonstrating that it takes its responsibility seriously. The Instone Group is transparent in showing what solutions it is addressing in relation to social topics that are part of its business model, for example by establishing working groups to examine these topics. The sustainability strategy and related ambitions that the Instone Group has are taken into account when designing individual job profiles with their duties.

Occupational health and safety (S4)

The Instone Group's external service provider for the topic of occupational health and safety is responsible for the identification and analysis of potential emergencies. Accident prevention is pursued through regular training, workplace and construction site inspections as well as (safety) instructions to increase the safety of employees, contractors and clients.

Together with the occupational safety service provider and the accident prevention and insurance association for the construction industry, it is ensured that all relevant legal requirements and internal guidelines are met. Instone Group construction sites are secured with temporary fencing surrounding the property. Debris netting, covered walkways and adequate lighting and signage are all monitored by security services where necessary. Safety officers in all areas of the Company support the occupational health and safety team.

[1] https://inside.kununu.com/kununu-pruefprozess/ and https://inside.kununu.com/wie-kununu-daten-verarbeitet/
[2] Portal for applicants and employees to rate employers created by the social media network Xing.

The continuous monitoring and improvement of occupational health and safety as well as offers of programmes to promote health are all geared towards prevention. Employees were offered regular eye check-ups in the financial year 2023. In addition, a company-wide psychological risk assessment was carried out for the first time. The six core dimensions of work content, working time, social relations, work organisation, work environment and work equipment were examined.

GRI 403, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 416, 416-1

Fair pay and remuneration (S10)

The Instone Group's remuneration framework forms the basis for fair market value pay for employees. Accordingly, remuneration is determined by an employee's position, experience, responsibilities and work quality – and is non-discriminatory and performance-based. Comparisons of the last few years show that the differences caused by demographic factors are gradually levelling out. The Instone Group continues to make every effort to eliminate any and all unjustified differences in remuneration between employees. The Group bases the remuneration of its employees on the collective agreement for the construction industry, which also ensures that the conditions are in place for the statutory minimum wage and fair remuneration. In addition to the current works agreements, the commitment to the collective bargaining agreement forms the basis for a transparent salary structure.

Social dialogue/good working conditions (S12)

As an employer, the Instone Group is not aware of employee membership or involvement in trade unions. At the Instone Group, there is a general works council at Group level and in the subsidiaries, plus employee representatives in the North-east (Hamburg, Berlin, Leipzig), West (Essen, Cologne, Frankfurt am Main) and South (Munich, Nuremberg, Stuttgart) regions. Employees at all levels work on the basis of trust-based working time. Employees' supervisors are responsible for ensuring that the general occupational health and safety rules are followed. As part of a works agreement, each employee is given three days of time off in lieu per year scheduled by site.

Feedback that employees wish to give regarding their work, duties or leadership can be noted in Management Board livestreams. Alternatively, the anonymous whistleblower contact option can be used. Over the past year, communication channels and interactions were expanded in order to remain in contact, particularly in these current challenging times. These include regular on-site visits and video messages by the Management Board to reach all employees as directly and simultaneously as possible as well as the set-up of an anonymous query tool so employees can submit questions at any time. These questions can then be addressed and answered in writing and/or in the Management Board livestream.

To promote internal and external social commitment, the Instone Group allocates at least one working day per year as a social day and involves all employees at the respective location in this initiative.

Contractual partners in the supply chain and their employees

MATERIAL TOPICS IN THIS SECTION:

S10 Contractual partner fair pay

G7 Fair competition

Strategy and materiality

Within the scope of its project development, the Instone Group works in partnership with its contractors. Among other things, the Instone Group awards the implementation of its construction projects to contractual partners, who take over the various construction activities under the coordination of Instone Group project management. As a result, our contractual partners' employees play a key role in that they complete the projects of the Instone Group successfully and to a high level of quality. This means that these employees, some or all of whom are working at the construction site, are exposed to different risks than employees working in offices.

The Instone Group endeavours to establish lasting and dependable partnerships with its contractual partners. Once an order is initiated, sustainability topics are discussed with the contractual partners and the results documented in the minutes of the meeting in order to increase transparency and ensure these topics are included in the collaboration. This also allows us to comply with the various regulatory requirements.

The Purchasing Department is primarily responsible for the management of material topics under "Contractual partners in the supply chain and their employees". The current (regulatory) requirements for sustainable cooperation, especially in construction, are addressed in regular exchanges with the Sustainability department and translated into concrete (communication) measures. Given that legal requirements are continually changing, it is important to include contractual partners in this process and notify them of any changes at an early stage. This is especially true with the current drafts of the Corporate Sustainability Due Diligence Directive, which is expected to become relevant to the Instone Group from 2025 once it is finalised. We have already conducted a preliminary review of the potential implications and requirements for the Instone Group. The Instone Group will continue to monitor these developments and take appropriate measures as soon as the final version with binding requirements is passed.

Measures and implementation

Contractual partner fair pay (S10) | Fair competition (G7)

The Instone Group awards single or (partial) general contracts for construction services. In cooperation with the Project Service and Project Management departments, bills of quantities are created based on planning documents, building specifications, expert reports and other documents, and invitations to tender are then sent by Purchasing on a trade-specific basis to a predefined group of tenderers.

The tenders submitted are compared in a price table. Depending on the requirement, the tenders are negotiated with the potential contractual partners in a process that is transparent within the Company; this process is recorded and any changes, for example to the scope of work, are recorded in the contract. Every decision to award a contract is made following a standardised multiple-control verification process. This open and transparent process is a key component of any lasting, trusting cooperation and ensures fair competition. Interested new companies have the option of applying as a contractual partner of the Instone Group on the Company's website at ↗ https://instone.de/en/become-a-partner/.

GRI 308, 308-1, 308-2, 414, 414-1

The Instone Group's contractual partners can be divided into the following categories:

- Brokers who have access to our clients
- Consultants who provide assistance during the purchase and sale processes
- General contractors, construction companies and contractual partners for individual trades operating at construction sites
- Property management service providers
- Planning teams comprising architects and professional planners

Whenever possible, the Instone Group prioritises contractual partners directly from the area around the project's location.

All current and new contractual partners are recorded in the supplier relations management (SRM) database and assessed according to various criteria at different points in the process. If these criteria are not met or not satisfactorily met, they can be adjusted before, during and after a project.

The assessment criteria are compiled into the following main groups:

- Contractual matters
- Quality of work
- Project completion
- ESG criteria

In light of our social responsibility, we focus on the following criteria in particular:

- Fair pay: compliance with the statutory minimum wage applicable in Germany
- Occupational health and safety
- Compliance with the statutory working hours regulations
- Collaboration in preparing the occupational health and safety concept on construction sites (as described in the section on the Company's employees)
- Compliance with accident prevention and insurance association recommendations on occupational health and safety, such as those in the construction site regulations
- Compliance with human rights and a complete refusal to employ anyone involved in forced labour, human trafficking, child labour or illicit work GRI 408, 408-1, 409, 409-1

We also increasingly expect our contractual partners to pay greater attention to all topics of environmental relevance, such as climate change mitigation, pollution and the circular economy. Finally, our contractual partners will be required to include planning assumptions for a reduced carbon footprint/proposals for sustainable building in the architect-engineer contract.

Purchasing and Project Service are responsible for adjustments to policies, contracts and tenders involving contractual partners, which are checked in consultation with the Legal department. The HR department is also involved in case of employee issues. GRI 204, 204-1, 409, 409-1

Risks relating to contractual partners and resulting from the current situation can be found in the section "Risk and opportunity management" on page 156.

Cities and communities

MATERIAL TOPICS* IN THIS SECTION:

- S5 Proportion of affordable housing
- S6 Development of neighbourhoods
- S7 Social commitment

* Doubly material topics are outlined in orange.

Strategy and materiality

The Instone Group is aware of the impact it has on society and the environment, and aims to make a positive difference with its projects. Responsibility is firmly rooted in our corporate culture and therefore in the Group's day-to-day business. As a company, the Instone Group wishes to establish a successful long-term collaboration with cities and communities whilst also demonstrating its social responsibility to people and the environment. In many projects, the Instone Group is not only the residential developer but also the neighbourhood developer – we design living space.

The concept of "social impact development" has become increasingly important. Project developers like the Instone Group are strengthening collaboration with urban planners and urban development policy, initiatives, NGOs, cooperatives and civil society. This means that neighbourhoods can be developed sustainably with existing structures being optimised instead of replaced. Urban development driven by social impact can be described as a discipline of urban planning that involves all stakeholders to a greater degree. Taking into account ESG, EU taxonomy and certification requirements, the Instone Group is a trusted partner for all the different stakeholders in the neighbourhood. Under "social impact", the Instone Group combines the impact on the neighbourhood ("neighbourhood impact") and the construction of (affordable) housing.

The challenge of designing living space lies in the fact that current planning must reflect the state of the art for development, energy supply, mobility, neighbourhood needs, local recreation and the environment 20 years from now and beyond in order to create an attractive living environment for all residents over the long term. As a neighbourhood developer, the Instone Group feels it has an obligation to offer residents and the area surrounding the neighbourhoods a positive "neighbourhood impact" whilst also supplying urgently needed housing.

The supply of affordable housing in Germany's metropolitan areas is one of the greatest challenges of our times. In Germany, hundreds of thousands of homes are lacking – and the trend is rising. Forecasts for 2025 are estimated at 700,000 missing housing units.[1] Current demand is not being met and the situation is deteriorating with every passing year. Despite the population in Germany increasing by 1.1 million people in the past year, residential building permits fell 28.5% in the first half of 2023 compared to the previous year.[2] This increases rents and sale prices to such an extent that people in many income groups can no longer afford to buy residential property. Many rent-controlled homes are also coming to the end of their rent control period. This means that more homes are losing the protection of rent control than are being built each year.[3] The number of subsidised units decreased from around 2.1 million to 1.1 million from 2006 to 2022[4], and has therefore nearly halved. As a result, the supply of affordable housing in metropolitan areas is coming under ever-increasing pressure, and this situation will be further exacerbated by current inflation trends as well as higher interest rates, building costs and energy prices.

[1] ZIA, 2023: "Konzentrierte Aktion Wohnen: Was es jetzt braucht, um den Wohnungsbau endlich wieder anzukurbeln" [Concerted action: housing – what it will take to get residential construction going again]. https://zia-deutschland.de/wp-content/uploads/2023/05/zia_positionen_aktion_wohnen_2023_Druckversion.pdf (German only)
[2] bulwiengesa, 2023: "Die 5%-Studie – wo investieren sich noch lohnt" [The 5% study – where is investing worth it?]. https://bulwiengesa.de/sites/default/files/2023-09/5_prozent_studie_2023_deutsch.pdf (German only)
[3] bulwiengesa, 2023: https://bulwiengesa.de/de/magazin/doppelter-sinn-gefoerdertes-wohnen-als-investment
[4] Statista, 2023: https://de.statista.com/statistik/daten/studie/892789/umfrage/sozialwohnungen-in-deutschland/

A rethink by all those involved in a project development, such as administrations, politicians, project developers and investors, is therefore required in order to build even the 400,000 new homes per year called for by the German Federal Government. Among other things, this requires that approval processes be reduced, support policies standardised and the standards situation and building legislation considerably simplified. The long-term planning security that would result from these political and legal adjustments would improve investor confidence and allow project developers to plan cost-effectively and with confidence. In this context, the Instone Group has defined affordable housing as a topic with double materiality.

As such, the supply of affordable yet sustainable and liveable housing is one of the most pressing social issues of this time if the current shortfall is to be made up. As a project developer, the Instone Group is aware of its responsibility and, despite the tense market situation, is making an important contribution to meeting the housing demand in Germany with the construction of its residential housing projects. This includes both the creation of housing in general and the supply of affordable housing for a large target group in particular. The Instone Group is achieving this by constructing subsidised and price-controlled housing whilst also, with the cost-optimised residential concept of its subsidiary nyoo, pursuing the goal of affordable building and affordable housing through mass-production planning and standardised production.

The management of material topics in this action area is primarily the responsibility of the managers at Instone Real Estate Development GmbH and Nyoo Real Estate GmbH. As part of a due diligence process, they assume responsibility for planning and implementing material topics in the area of "Cities and communities" and, if necessary, come to an agreement with the Sustainability Department and committee in accordance with the governance concept. In addition, a permanent working group focussed on this topic is developing implementation ides for sustainable neighbourhood development and using those ideas to develop concrete measures for future projects.

Cities and communities measures

TABLE 018

Material topic	Measure	Degree of implementation[1]
Affordable housing	Review of higher-level certifications (e.g. serial certification for the nyoo planning toolbox)	In progress
	Specialist lectures at subject-specific events, municipalities, municipal associations (such as Deutscher Städtetag (an association representing German cities and towns)) to demonstrate the added value of the Instone Group and nyoo in all phases	Implemented
	Evaluation of funding opportunities	In progress
	Initiation and hosting of curated events together with leading industry associations to sustainably increase the innovative power of the industry/mass-production building	In progress
	Evaluation of strategic partnerships in portfolio holding	In progress
Development of neighbourhoods	Social impact guide	Implemented
	Social impact scoring model	In progress
Social commitment	Development of a participation process guide	In progress

[1] The degree of implementation is broken down into three stages as follows: 1) In planning: Decision has been made to implement the measure; 2) In progress: Work is already proceeding to implement the measure; 3) Implemented: The measure has already been included in standard processes, e.g. in guidelines and work equipment.

GRI 413, 413-1

Measures and implementation

Affordable housing (S5)

In order to respond to the growing housing shortfall in Germany, the Instone Group is continuously working with its subsidiaries, Instone Real Estate Development GmbH and, specifically, Nyoo Real Estate GmbH (nyoo) to optimise the entire value chain to be able to continue building housing even in challenging times. The Instone Group ensures an optimised project workflow in particular by taking the lean management approach using the "beeboard" software.

The construction of urgently needed affordable housing is a primary concern. The Instone Group defines affordable housing as all units that are subsidised or enter the market at a pre-set price. The Instone Group also includes all units built based on the cost-optimised nyoo concept. Our goal is to have at least 50% of our residential units be categorised as affordable housing by 2030 (see table of targets on page 68) and, until then, to steadily increase the proportion of this kind of housing in our overall portfolio.

To accomplish this, the Instone Group is taking two approaches: The first approach is to review at the start of every project how many subsidised and price-controlled units can and must be constructed. The development plan frequently specifies a minimum percentage of the total volume or, for new development plans, the Instone Group speaks directly to the appropriate city or local authority. The funding terms can also vary between federal states, cities and local authorities. On this basis, the Instone Group is evaluating economically viable solutions. Responsibility lies with the respective operating subsidiary. The second approach is to accomplish the goal specifically by increasing nyoo's project portfolio.

This approach is based on the "nyoo concept". nyoo has set a goal of using serial planning and production to build more affordably. By consistently standardising and optimising the entire project development and building process, nyoo is able to keep manufacturing costs low. At the heart of this conceptual approach is digitalisation and standardisation on three levels: product, process and production. A multi-disciplinary team consisting of planners, architects, project developers, project managers and office management staff covers the majority of the value chain with its work. This mass-production concept delivers better efficiency and cost savings: Interfaces to external planners can be reduced and production costs and project run times can be minimised. Resources of all kinds are optimally used.

The success of the nyoo concept is demonstrated not only by the first projects completed using this approach but also by initial success in urban planning competitions. The "DUS 19" project in Dusseldorf-Unterbach, with a total of 80% subsidised housing, and "DUI 76" in Duisburg-Buchholz were both completed in the middle of 2023 and have been successfully handed over to the long-term portfolio holders. The "DUI 06" project in Duisburg-Wedau is still in the planning phase. In North Rhine-Westphalia's largest urban development project to date, "6-Seen-Wedau", the nyoo concept won over the jury in the concept tendering procedure and was awarded two plots with the potential for around 185 residential units in 2022. Over the coming years, nyoo will develop more than 1,000 residential units in total, including the project in Duisburg – a significant contribution to increasing affordable housing.

Normally, nyoo undertakes project development for institutional clients as well as private and municipal housing companies using a trading development model.[1] In addition to this model, nyoo offers its services under a general contractor model.[2] This expands the Instone Group's affordable housing portfolio whilst also creating an offering for B2B clients and residential portfolio holders.

As well these opportunities, there is also a risk: Upon selling, nyoo gives responsibility for setting rents for all but the subsidised and price-controlled residential units to the buyer and thus no longer has any control over rental prices. At this point, it can no longer be ensured that the cost savings generated for the buyer by the optimised nyoo concept are passed on to the tenant. GRI 203, 203-1

[1] The project development process takes place at the own expense of the project developer. The marketing risk is borne by the project developer itself.
[2] A general contractor (GC) is responsible for all planning and engineering services as well as construction services for an owner under a works contract. The GC is free to award contracts to sub-contractors to provide the actual services. In the case of a project involving a TÜ, there is only one contract and contact person who hands over a turnkey property to the client on a contractually agreed date.

Development of neighbourhoods (S6) | Social commitment (S7)

During the early acquisition and planning permissions procurement phase, the Instone Group is in regular contact with cities and communities to establish meaningful added value above and beyond the urban development agreements. Early dialogue between all stakeholders, for example through innovative participation processes and the results of a careful site analysis, form the basis for needs-based neighbourhood development.

In order to find the best solutions for both the Instone Group and the city/municipality and the neighbourhood, our internal social impact scoring model, which we developed in-house, is a good starting point. The scoring model enables us to examine and analyse the site as a whole in order to identify potential and needs and take into account social aspects. The following action areas have been identified that require special attention in this process:

- Mobility
- Sports/recreation
- Culture
- Health/care
- Services
- Commerce/local amenities
- Education
- Community offerings

Every site and the surrounding infrastructure are assessed according to these action areas before and after the project development process. The scoring model is then used to gauge the efficacy of the project with regard to the measures planned and the resulting social impact. A kit of best practice examples also provides creative ideas and solutions for meeting the identified needs of the site. The goal is to design new, attractive living space whilst also remaining cost-effective and sustainable. This is why the Instone Group factors the costs for developing sustainable energy and mobility concepts, for example, into its purchase estimate along with the "classic parameters" – the same goes for measures and activities to promote social interaction in a neighbourhood. GRI 203, 203-1, 203-2

Clients and end users

MATERIAL TOPICS* IN THIS SECTION:

G6 Client satisfaction

* Doubly material topics are outlined in orange.

Strategy and materiality

In the future, sustainability will develop from a cost factor to a revenue factor and is an important future topic for both institutional clients and end users (individual buyers of single units). A positive client experience as well as client satisfaction and loyalty are crucial to the Group's successful and sustainable growth. The topic "Client satisfaction" was identified in the materiality analysis as having double materiality.

On this basis, the Company established an exchange format (Vertical "Client") in the first quarter of the year. A systematic exchange on how to deal with end-user requirements takes place within the framework of regular work meetings. This is intended to further promote the continuous improvement and harmonisation of the initiatives initiated by the individual departments with regard to the customer experience. Firm fixtures of this exchange format are representatives from Corporate Marketing, Digital Strategy & Project Office – which oversees the digital solutions facing our buyers (e.g. the client portal and the customer relationship management software) – and management. Other operations employees join this group depending on the topic, for example from Client Management and Sales. Concrete measures resulting from these meetings which are currently being implemented include the redesign of our website and the revision of the client portal. The measures are intended to help optimise processes and thus improve the client experience.

With regard to the term "client", this section differentiates between "institutional clients" and "end users". These two groups of stakeholders have different priorities and motivations when it comes to sustainability, so they require a different assessment approach.

Institutional clients, particularly those in the financial sector, increasingly focus on a project's ESG concept as a whole and the company's ESG strategy. There is a particular focus on the aspect of climate change mitigation. This target group shows increased interest in documented sustainable building certifications (e.g. DGNB certifications) and in compliance with EU taxonomy requirements. The Instone Group keenly recognises that institutional clients' criteria relate in particular to the EU's Sustainable Finance Disclosure Regulation and the Principles for Adverse Impact, which constitute the basis for Article -8 and -9 fund products (sustainable and impact funds). With their long-term investment horizons, institutional clients have expressed to their clients a commitment to taking on far-reaching, voluntary obligations and targets, such as climate neutrality. Regulations are another key driver in this respect. The result is demand for increasingly green and sustainable assets in order to meet ambitious (climate) targets and minimise business risks from non-sustainable operations.

The topic of climate change is also important to end users. The difference, however, is that end users are more interested in a balanced cost ratio/the affordability of housing, which can also be achieved, for instance, by the unit having high energy efficiency and, as a result, lower operating costs (potentially higher purchase costs for the [new] unit amortised by long-term savings from greater energy efficiency compared to existing real estate, for example).

The operational branches and the Management Board are primarily responsible for managing the material topic in this action area. As part of their due diligence, they assume responsibility for planning and implementing measures for the material topic for clients and end users, and come to an agreement in accordance with the governance concept (see page 120). The sustainability working groups also discuss the needs of clients and end users.

Client and end user measures

TABLE 019

Material topic	Measure	Degree of implementation[1]
Client satisfaction	Review of the feasibility of client preferences in the Instone Group's planning requirements	In progress
	Revision of the digital client survey concept to increase survey participation rates	In progress

[1] The degree of implementation is broken down into three stages as follows: 1) In planning: Decision has been made to implement the measure; 2) In progress: Work is already proceeding to implement the measure; 3) Implemented: The measure has already been included in standard processes, e.g. in guidelines and work equipment.

Measures and implementation

The Instone Group obtains information about clients' preferences and requirements through a continuous dialogue. Whilst institutional clients are managed by a single contact, such as a branch manager, the management or the Management Board, end users are supported by employees from Client Management or Sales during the buying process. In addition to in-person dialogue, the Instone Group conducts systematic, anonymous client satisfaction surveys of end users. The results of these surveys provide important information on end users' expectations, needs and perceptions, and are used for quality assurance and quality improvement purposes when making strategic decisions.

These client satisfaction surveys are conducted because client satisfaction is important to the Instone Group as a higher-level indicator for a benchmark amongst projects and for the Company overall. The Management Board decided in 2022 that an indicator of less than 2.4 (on a scale of 1 – very satisfied to 5 – not at all satisfied) can be taken to mean the client is satisfied. The indicator for client satisfaction for the projects handed over to end users in 2023 is 1.3 (result of a total of 37 survey responses). A high level of customer satisfaction can be derived from this result. Compared to the previous year, the value continued to increase (previous year: 1.7; result of a total of 67 survey responses). The surveys were carried out during the handover of the apartment.

To increase the participation rate and improve the interpretability and usability of the results, the concept of this digital client satisfaction survey was revised in the reporting year and divided into various topics. Beginning in 2024, feedback will also be obtained at two different times:

1) After notarisation

2) After handover

Whilst the first part of the survey focuses on **questions about the decision to buy**, the second part asks about **quality of service, willingness to recommend to others and an overall rating (indicator of client satisfaction)**. The client satisfaction indicator remains comparable in the new client satisfaction survey, since the question about satisfaction has not been altered. Since the change, the Corporate Marketing Department has been responsible for interpreting the survey. This means that the results can be analysed by a single department across all projects.

The Instone Group's goal is for the client to evaluate the process and their experience as soon as possible and to obtain a more differentiated view of the various process steps and departmental elements to produce valid results that we can then factor into decision-making and selection processes in order to optimise future activities.

The Instone Group caters to the preferences and informational needs of our institutional clients in implementing our sustainability strategy. The Group does this by examining the regulatory and market-driven requirements of institutional clients in detail and anticipating any resulting demands on the product. To that end, the Instone Group holds regular talks and meetings with institutional clients.

With regard to the preferred standard of living, the Instone Group responds to the demand of both end users and institutional clients to make units increasingly adaptable to accommodate different phases of life. This can be seen in the following characteristics in particular when planning projects:

- Intelligent floor plans suitable for families with children, couples or single persons,
- Accessible design within apartments and in communal areas as well as outside, which will ensure the infrastructure is sustainable and there is age-appropriate housing for the growing older population segment,
- Energy efficiency and, ideally, no use of fossil fuels.

The Instone Group strives to achieve the highest possible satisfaction in every client group and to accommodate the needs of life into housing in the best possible way.

Governance

Governance, risk management and internal control system

Relevance of governance processes for the strategy, business model and organisation of the Instone Group

GRI 2-9

Detailed information on corporate governance and the principles of corporate governance at the Instone Group, particularly the cooperation between the Management Board and Supervisory Board, the composition of both Boards, and compliance with the recommendations of the German Corporate Governance Code (GCGC) by the Management Board and Supervisory Board of Instone Real Estate Group SE is available in the corporate governance statement, which can be found in the combined management report on page 182 et seqq.

In preparation for the future requirements of the CSRD/ESRS, the operational managers and employees were included to a greater degree in the past financial year (see section "Strategy and business model" page 50). This is also reflected in an expanded governance structure. In addition to established formats such as the Sustainability Committee, two other bodies have been formed to address and decide how to implement sustainability aspects, particularly at the project level:

- Investment Committee (comprising all members of the Management Board and management) acts as a research body for examining and making decisions on topics that affect the Instone Group's project work
- Branch Leadership team (comprising all members of the Management Board, management and branch managers) – responsible for exchanging ideas and assessing needs

As developments and the growing importance of sustainability dictate, the duties of the Sustainability Department have also grown. The department is now ultimately responsible for sustainability topics at the company and project level, and consolidates the topics in a multi-disciplinary manner.

Governance concept structure TCFD governance

Governance bodies

Below is a description of the duties, responsibilities and roles that are part of sustainability governance across all topics and bodies. The description of nomination and selection processes and their principles can be found in the general section on corporate governance in the corporate governance statement in the combined management report on page 182 et seqq.

Management Board and Supervisory Board

The Management Board consists of three members. The Supervisory Board currently consists of six members. While the Management Board manages the Company, the Supervisory Board performs an advisory and monitoring function. Given the high relevance of the topic for the Instone Group, the Sustainability Department reports directly to the Management Board.

Following the decision of the 2023 Annual General Meeting to add another person, the Supervisory Board of the Instone Group now has six members. The Annual General Meeting elected Sabine Georgi (currently Managing Director of ULI e.V.) to this newly created position on the Supervisory Board. Given her expertise and experience, Ms Georgi will focus on the topic of sustainability on the Supervisory Board and advise the Company on this matter. (See also Corporate Governance Statement on page 182 et seqq.).

Management

The management teams of the two operating subsidiaries, Instone Real Estate Development GmbH and Nyoo Real Estate GmbH, are an important multiplier for the operational integration of sustainability aspects into the branches and corporate departments given their responsibility for their regions and topics. Especially in the above exchange formats (Investment Committee and Branch Leadership team), they play a key role in implementing sustainability topics at the project level. They also discuss requirements and address new topics. As the main interface for sustainability topics at company and project level, the Sustainability department routinely reports on progress made towards achieving goals and takes on new requirements.

Sustainability department ()

The establishment of this department in 2021 laid the foundation for sustainability at the Instone Group. Comprehensive processes have been established for sustainability reporting, regulatory compliance and data management and are constantly being refined. The employees in the Sustainability department act as contacts for this specific topic and as the monitoring body for the recording of sustainability data in the Company, for example for sustainability and taxonomy reporting.

The department's duties have also grown in the past year to include the implementation of sustainability aspects in business operations. The Sustainability department now also acts as the main interface between the company and project levels. It actively helps shape the sustainable transformation of the Instone Group through activities such as initiating and leading company-wide working and discussion groups, and consolidates the topics in an overarching manner. In this way, whilst regulatory requirements are imposed on business operations, practical solutions are also developed that make a significant contribution to the achieving of targets, such as those on the path to climate neutrality by 2045. The department is also a source of company-wide knowledge and makes this information available to all employees. One example in this regard is the Company's Intranet, which was developed in-house and contains every finding from the current working groups on the topic of sustainability. An extensive media pool contains tangible work results as well as company-wide collections of best practices, checklists and guidelines. Operational sustainability topics in particular are also presented and discussed at regular expert meetings (such as the project developers' meeting) and regular branch meetings.

Sustainability Committee ()

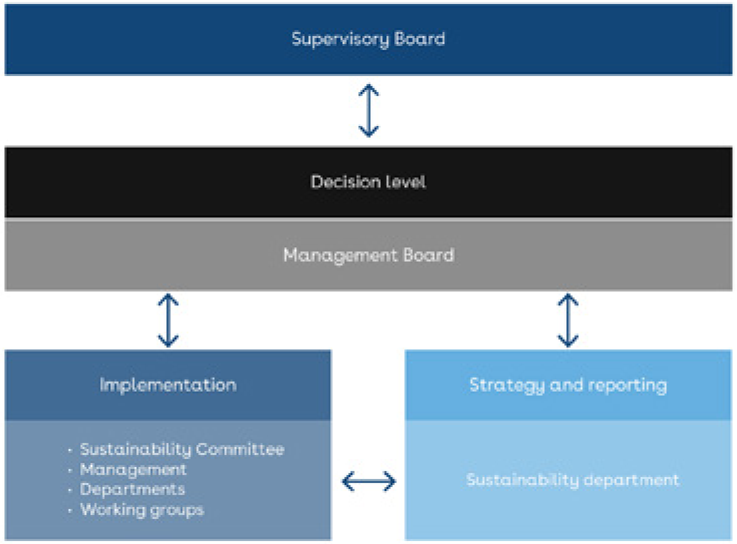
The Sustainability department chairs the quarterly meeting of the Sustainability Committee on the communication, updating and preparation of decisions with cross-departmental implications. Each year, the committee addresses progress in achieving set sustainability targets, particularly the reduction of GHG emissions as part of our scientific climate target validated by the SBTi. Proposals for new targets or adjustments to targets introduced by the Sustainability department and, if applicable, other affected departments are discussed in connection with setting sustainability targets. Also discussed are the effectiveness and feasibility of measures and their implementation, though, as described above, the final decision lies with the CEO.

Operational working groups on sustainability topics

Since the end of 2022, five working groups with over 30 employees have been working hard to operationalise sustainability targets and establish them in practice. The groups' specific goals are derived from the topics identified by the Instone Group in its materiality analysis. They develop proposals for practical solutions and create guidelines for the Instone Group's future operations.

Presentation of the governance structure for sustainability topics

FIGURE 014



Examples of governance structures in the implementation of topic-specific measures for environment and social issues[1]

As part of the identification of material topics, we identified which topics have materiality and which have double materiality in the financial year 2022. Based on this, we performed a due diligence assessment of the impacts as well as the risks and opportunities under the direction of the Sustainability department and with the involvement of other relevant departments. In doing so, we recorded existing measures and added new measures in some cases.

The defined measures for each action area can be divided into two areas of responsibility. The first area relates to measures that can be implemented via corporate departments (such as Legal or Purchasing) for the Instone Group's business as a whole. These include contractual requirements for the Instone Group's contractual partners and checks to determine that they have been implemented, for instance in relation to compliance with the KrWG or environment-related provisions for construction site equipment. While the Sustainability department initiates the changes, the corporate department is responsible for implementation and verification. The Sustainability department records progress with the measures in its reporting. Progress is also discussed in the Sustainability Committee.

The second area relates to measures that are purely project-specific and thus fall under the responsibility of that project's manager. An example of this is compliance with biodiversity requirements when initiating projects, planning them and during construction. The Sustainability department is also involved here in the initiation of measures and raising employees' awareness of these measures. The measures are monitored in regular site discussions between the project managers and the respective contractual partners on the construction site, and are documented in minutes of the discussions. Operational working groups develop concrete measures in order to share learning outcomes across different sites, constantly improve project teams' sustainability skills and scale up innovative approaches and ideas.

[1] The effects, risks and, if available, opportunities recorded in the due diligence process and the measures themselves can be found in the issue-specific sections in the Environment and social section.

Policies, work instructions and documentation

The following policies, working materials and guidelines exist in relation to the implementation of the sustainability strategy and the achievement of the targets set, and are amended as needed to newly imposed requirements (list not exhaustive).

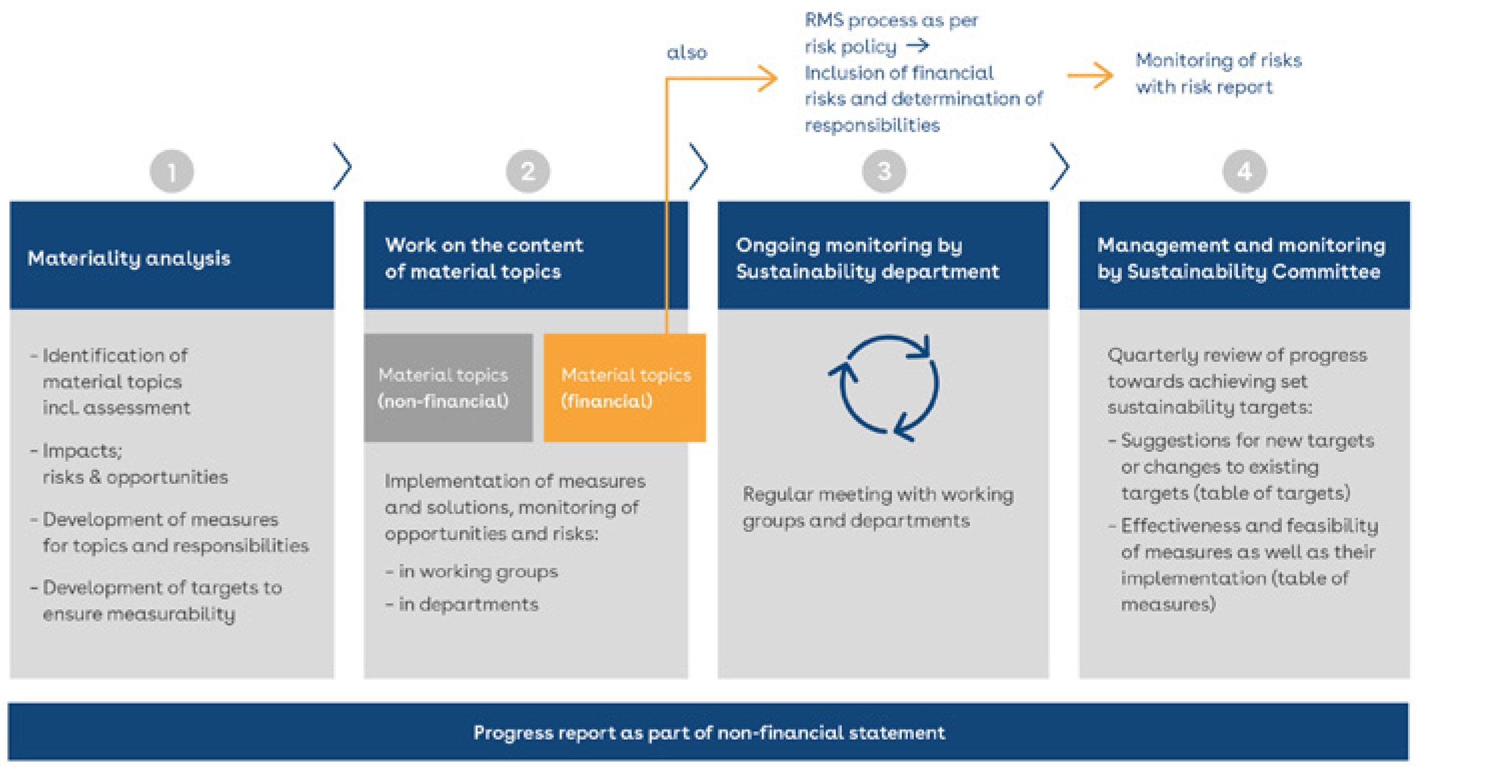
- Code of Conduct for employees
- Code of Conduct for contractual partners
- Accounting policy
- Materiality analysis policy
- Guideline and form for project-specific data collection for the EU taxonomy and associated sources
- Building specification
- Site regulations
- Occupational health and safety information from the industry's accident prevention and insurance association
- Integration of technical rules for hazardous materials (TRGS)
- Integration guideline for off-road machinery and equipment
- Contracts with contractual partners and employees
- Works contract for single or general contracts
- ESG process documentation
- Process documentation for GHG accounting
- Process documentation for scenario analysis
- Investment application template
- Planning requirements

Risk management, due diligence and internal control system

Based on the materiality analysis, the Instone Group has defined processes in place to ensure risk management and ongoing due diligence. Internal controls as part of the company-wide risk management system and a quarterly review by the Sustainability Committee ensure activities are conducted in the proper manner. An example of the process is illustrated in the following graphic.

Ensuring due diligence

FIGURE 015



All material topics are continuously monitored by the Sustainability department both in close cooperation with the operational working groups and their higher management as well as in regular meetings with the departments.

Topics with financial materiality are included in the company-wide risk management process (in accordance with the applicable risk policy). The quarterly monitoring of the topics is conducted in the risk report.

The Sustainability Committee performs a quarterly review of the progress made towards achieving the set sustainability targets. Suggestions for new targets and/or changes to existing targets are discussed and the effectiveness and feasibility of measures as well as their implementation are examined.

The results of the review, the list of intended measures as well as associated and qualified impacts, risks and opportunities are submitted to the Management Board for final review at the end of the due diligence process and once every step of the materiality analysis is complete. If a change is made, it is documented accordingly and the final list of approved material topics, including estimates of impact, risks and opportunities as well as action plans, is approved. Progress on the measures is documented in the annual report.

Sustainable corporate governance

MATERIAL TOPICS* IN THIS SECTION:

- G1 Economic development of the company
- G8 Payment behaviour (towards contractors)
- S11 Respect for human rights
- G2 Business ethics – compliance with social and ethical criteria
- G4 Compliance and anti-corruption measures

* Doubly material topics are outlined in orange.

Strategy and materiality

A description of the key principles of corporate governance and culture and associated policies is provided in the general section on governance processes in the management report on page 182 et seqq.

In terms of the integration of sustainability aspects into corporate governance, the focus this past year was primarily on increasing the standardisation of electronic data collection and processing for key sustainability figures. Further formalising data collection and integrating it into the existing process landscape is an important goal, especially with regard to CSRD/ESRS requirements. The integration of the key sustainability figures into investment decisions and sales approvals demonstrates how relevant they are. The new processes enable (project) decisions to be made based on data whilst also ensuring that business practices are aligned with sustainable targets. Responsibilities and approval and control processes (ICS) have been defined as part of the expansion of the structured recording of relevant key sustainability figures, especially at project level. The Sustainability department is responsible for initiating/monitoring the overall process.

The Instone Group regularly audits compliance with contractual partner requirements, required proof of good standing and compliance with minimum wage laws, as well as the daily site diaries. Compliance with Instone Group policies and regulations, which include compliance with ESG criteria in addition to technical, professional and legal requirements, play an increasingly central role (Business ethics, G2).

The Management Board has laid down the fundamental values of lawful, ethical conduct in a Group-wide Code of Conduct for employees and contractual partners. This specifies the Instone Group's understanding of business ethics as well as applicable duties and responsibilities and establishes standards of conduct. It provides employees and contractual partners with guidance in their daily work and contains binding requirements for their conduct.

Compliance with the Code of Conduct and other provisions aims to protect the Instone Group from losses resulting, for example, from corruption, money laundering, unfair competition, abuse of power, violations of employee rights (including by contractual partners), greenwashing, or violations of other laws and regulations.

Measures and implementation

Sustainable corporate governance is ensured by the governance processes (see page 182 et seqq. of the management report). This means no further measures are required for compliance. The implementation of the material topics is described further and specified below.

Economic development of the company (G1)

The "Economic development of the company" was identified in the materiality analysis as a topic with double materiality. The economic report on page 129 et seqq. contains detailed information on this subject. The key points of the strategy and the future prospects of the Company are described here. The resulting risks and opportunities can also be found in the risk and opportunities report on page 156 et seqq..

Payment behaviour (towards contractors) (G8)

In addition to transparent communication, compliance with agreed payment terms is crucial to establishing trust. As a reliable partner, the Instone Group normally makes a contractual commitment to make payment within 14 to 30 days of invoice receipt, depending on the agreement. The Instone Group generally meets the agreed payment deadlines. This is an important basis for trusting cooperation between the Instone Group, as customer, and its contractual partners.

Risks relating to contractual partners resulting from the current situation are addressed in the risk and opportunity management section of the management report. page 168

Respect for human rights (S11) | Business ethics – compliance with social and ethical criteria (G2)

Respect for human rights is a vital part of the Instone Group's responsible corporate governance. In its declaration on human rights, diversity and freedom of association released in the past financial year, the Instone Group expressly committed itself to respecting human rights. The Company believes that all humans are endowed with equal and inalienable rights from birth. Every person deserves respect, dignity and the chance to live free of discrimination. The Instone Group condemns all forms of injustice, oppression and violence against fellow human beings.

The Instone Group expects and requires complete and total respect for human rights along the entire value chain, internally and externally, at all times. The fundamental values of lawful and ethical conduct are defined in the Instone Group's Code of Conduct for contractual partners and employees and are derived from the duties and responsibilities prescribed by law or official regulations and the Instone Group's understanding of the matter. These are used to establish standards of conduct. All employees/contractual partners receive the Code of Conduct as an annex to their contract form (G2). It provides employees, service providers and contractual partners with guidance in their day-to-day work and conduct. If the Instone Group becomes aware of any non-compliance with the Code of Conduct, a review will be initiated and appropriate action considered. For contractual partners, the Legal, HR and Purchasing departments are responsible for reviewing these matters and deciding what action to take. Information on the number of incidents/complaints is shown in table 004.

Compliance/anti-corruption measures (G4)

At the Instone Group, compliance is an integral part (impact dimension) of responsible corporate governance. The central compliance organisation sees itself as a key contributor to an integrity-led corporate governance and culture.

Management of the material topics in this action area is primarily the responsibility of the Legal Department, which undertakes the planning and implementation of measures for material topics in the areas of compliance, anti-corruption and the prevention of money-laundering as part of a due diligence process and coordinates with the Sustainability Department and committee on relevant topics in accordance with the governance concept.

The goal of the Group-wide compliance management system is to prevent violations of applicable laws and internal policies, and to protect the Instone Group and its employees from inappropriate and unlawful conduct. The key pillars of the compliance management system include the well-developed compliance culture, in particular the whistleblower system, and the compliance programme, which includes measures that are used to avoid and mitigate compliance risks.

The whistleblower system offers employees and third parties the opportunity to report potential violations of rules or laws by employees to the Instone Group. Each report is examined and followed up systematically in accordance with the following principles:

- The process is fair,
- The whistleblower's anonymity is protected,
- Investigations are confidential and
- Processes are efficient and protected.

A digital whistleblower system and direct contact with the Compliance Officer are options available to those looking to report misconduct.

Likewise, under no circumstances is corruption tolerated by the Instone Group, neither on the part of business partners or third parties nor on the part of the Company's own employees. Corruption cases are consistently investigated without exception in order to protect employees and the Company. GRI 205-3

The Instone Group also does not allow transactions with the Company to be misused for the purposes of money laundering or the financing of terrorism. The Company rejects any transaction in which a third party benefits from a criminal act. The Instone Group has therefore put in place special preventive measures as part of its compliance programme, to be taken on a routine basis or as the need arises, to detect and combat such suspicions. These measures include:

- Due diligence of business partners for compliance risks,
- Due diligence around suspected money laundering,
- Checking of potential business partners against sanctions lists and
- Verification of banking information in payment transactions with business partners and clients.

The Instone Group is involved in various initiatives, associations and organisations. In some cases, the Company's employees perform representative duties. The principles of responsible corporate governance are also ensured in this regard: No financial resources beyond normal membership fees are provided. GRI 2-23, 2-24, 2-28, 415, 415-1

Memberships at company level (excerpt):

- German Property Federation (ZIA)
- BfW Bundesverband Freier Immobilien- und Wohnungsunternehmen e.V. (Federal Association of Independent Real Estate and Housing Companies)
- Institut für Corporate Governance in der deutschen Immobilienwirtschaft e.V. (ICG) (Institute for Corporate Governance in the German Real Estate Industry)
- Charta der Vielfalt (Diversity Charter)
- Deutsche Unternehmeninitiative EnergieEffizienz e. V. – DENEFF., Initiative Immo2.Zero
- DGNB – Deutsche Gesellschaft für nachhaltiges Bauen e.V. (DGNB) (German Sustainable Building Council)
- Urban Land Institute initiative "We give life space"
- UN Global Compact Network Germany e. V.

Further information on the compliance management system and the Instone Group's measures to combat corruption and money laundering can be found on the Instone Group's website. The key figures for compliance and anti-corruption measures are included in table 004. GRI 205

Economic report

Economic conditions

Overall economic output in Germany is declining

The German economy as a whole is still in a weak phase due to a crisis-driven environment. According to the Federal Statistical Office, price-adjusted gross domestic product (GDP) decreased by 0.3% in 2023. As a result, development in Germany fell short of development in the other major economies in the EU, the USA or China.

The main factors were the long-term weak order books, which is likely to have had an increasing impact on industrial production. In addition, increased financing costs and the expiry of the environmental bonus dampened investments. The increase in interest rates and the poor weather with high rainfall also weighed on construction production and investment.

For 2024, the Deutsche Bundesbank expects a moderate recovery of the German economy and moderate GDP growth of 0.4%. The Bundesbank assumes that expanding international markets will have a positive impact on export demand and that falling inflation combined with significant wage increases should have positive effects on private consumer demand. The Bundesbank expects German GDP growth to accelerate slightly to +1.2% in 2025.

The labour market remains stable

The labour market remained robust despite the difficult economic environment.

According to the Federal Statistical Office, the average number of people in employment in Germany continued to rise by an average of 333,000 people (+0.7%) despite the decline in economic output, reaching a new record level with an average of 45.9 million employees. The reasons for this increase included the immigration of foreign workers and the increase in the employment of the domestic population. According to the Federal Employment Agency, the unemployment rate in Germany rose slightly year-on-year to 5.7% in December 2023 (previous year: 5.3%). This increase was particularly due to Ukrainian refugee migration. The Federal Agency assumes that this effect accounts for 0.4 percentage points.

The Bundesbank assumes that this high level of employment can be maintained in 2024. However, due to the increased level of refugees, this can lead to an average annual increase in registered unemployed.

Inflation remains high but declining

The development of inflation was also one of the most important economic parameters in 2023. According to the Federal Statistical Office, the average increase in consumer prices in Germany in 2023 was 5.9% (previous year: 6.9%). The inflation rate therefore remained at a consistently high level. The impact of geopolitical crises remains noticeable in this respect. Following the sharp rise in energy costs in the previous year, food prices were a major cost driver in 2023 and underwent increases of an average of 12.4% year-on-year. However, the rate of inflation showed a marked downward trend over the course of the year. Even though the inflation rate rose again in December compared to the previous month, at 3.7% by the end of the year it was already well below the average level for the year as a whole.

To contain inflation, international central banks relied on the continuation of restrictive monetary policy with further interest rate increases.

The Deutsche Bundesbank expects inflation to fall further to 2.7% for the 2024 average for the year. As labour costs continue to rise, a reduction in the price pressure on food and energy raw materials should contribute to this.

A further rise in interest rates on housing loans has a significant negative impact on credit demand

The European Central Bank (ECB) has continued to raise interest rates significantly from 2.5% at the end of 2022 to 4.5% by September 2023 in several interest rate steps. This coincided with an increase in long-term interest rates. According to the Deutsche Bundesbank, the average effective interest rate for housing loans granted to private households rose from 3.6% in December 2022 to 4.12% in December 2023. At the end of 2021, the comparable interest rate was 1.34%.

The further increase in financing costs had an increasingly negative impact on the affordability of real estate and therefore on demand for real estate loans in the course of 2023. According to the Deutsche Bundesbank the volume of newly issued real estate loans from German banks to private households fell to around €161 billion in 2023 – a significant decrease compared to around €257 billion in the same period of the previous year (37.4%).

Population in Germany increased again

According to the Federal Statistical Office, 84.6 million people lived in Germany as of 30 September 2023. This corresponds to a population increase of 336,000 people (+0.4%) year-on-year. The population of Germany has therefore reached a new peak. However, the rate of increase has weakened compared to 2022. Due to the refugee migration following the war in Ukraine, the increase in the population in 2022 amounted to around 1.1 million people. This positive development is driven exclusively by net immigration, whereas the surplus of deaths compared to births had a negative impact on population development. Since the early 1970s, deaths in Germany have exceeded births.

The development of the number of households is the most important demand determinant for demand for housing. Several social developments have ensured that this figure has increased disproportionately compared to population development in recent years. According to the Federal Statistical Office, while the population grew by only 2.5% between 2000 and 2022, the number of households increased by 8.5% over the same period. This is largely driven by the increase in the share of single-person households, which rose from 35.8% to 40.8% during this period. One reason for this is, for example, the increasing number of people living alone (singularisation) due, among other things, to increasing life expectancy. The Federal Statistical Office expects a further increase in the share of single-person households by 2040.

As a result of these factors, there will also be an increase in demand for housing in German cities with good infrastructure in the coming years.

Building permits and completions are declining

From January to November 2023, the number of building permits in Germany fell by 25.9% compared to the previous year to a total of 238,500 homes. This includes both new builds and new homes in existing buildings. In the new construction sector, permits for single and two-family homes in particular fell drastically by 38.6% and 49.2%, respectively, while in the case of multi-family homes there was a drop of 23.8%.

This development also indicates a significant decline in construction work. While in 2022 some 295,000 apartments were completed in Germany, the ifo Institute only expects 245,000 homes to be completed in 2023 and 2025 out of 200,000. This is a clear failure to meet the federal government's target of 400,000 new homes per year.

Crisis exacerbates housing shortage

The rising demand for housing as a result of the positive development of households and the population as well as the continuing decline in the supply of new housing is exacerbating the housing shortage in Germany. A study by the Pestel Institute found that more than 700,000 additional homes were required in Germany in 2023. This is the biggest housing deficit in more than 20 years. The shortage is increasing all the time, particularly where affordable housing is concerned.

The continued reduction in vacant housing also reflects the scarcity in the housing market. This is shown in the data from the current CBRE empirica vacancy index. At the end of 2022, the market-active vacancy rate, in other words apartment blocks that can be rented directly or capitalised in the medium-term, was 2.5% (previous year: 2.8%). As a result, the absolute vacancy rate fell significantly year-on-year by around 53,000 to around 554,000 homes (previous year: 607,000 homes). For the first time in 22 years, there has been no increase in one of the 400 areas analysed. The lowest rate remained unchanged in Munich with 0.1%, followed by Frankfurt am Main, Münster and Freiburg at 0.2% each.

Comparatively moderate declines in new housing prices in 2023

Prices for newly built residential units in Germany in the top 7 cities fell moderately in 2023. According to data from the consultancy company bulwiengesa, the average price development in the individual cities was around 4%. According to bulwiengesa, the cities of Stuttgart and Munich have the most stable development in this respect, while the price declines in Hamburg and Frankfurt am Main have been somewhat stronger.

For 2024, we expect prices for new build properties to stabilise in Germany's most attractive metropolitan regions as supply is still very low in these regions and this will be offset by a substantial and growing demand surplus. This is also reflected in the sustainable positive development of rents. The high energy efficiency of new buildings is another factor stabilising the prices of our products. Non-renovated old buildings have lost more value.

There continues to be a clear upward trend in rents. The continuing high demand for rental homes is due to a lack of affordable supply. Net immigration and declining new construction activity are exacerbating the shortage. In addition to cold rents, ancillary costs have also increased enormously as a result of the energy crisis, which has led to a significant cost burden for tenants. This has triggered additional demand pressure from tenants for energy-efficient apartments and thus new buildings.

According to bulwiengesa, first-time rents for new buildings in Germany increased by an average of 4.3% in the top 7 cities in the fourth quarter of 2023.

Overall statement on the financial year

2023 financial year: Instone Group achieves annual targets in a difficult industry environment

Despite a crisis in the housing development sector in 2023, the Instone Real Estate Group SE was able to hold its own in a difficult overall economic environment and achieve all its financial targets for the 2023 financial year.

The sharp rise in interest rates led to a significant decline in private and institutional demand and to a deterioration in financing conditions in the sector. The further increase in construction costs – even if this weakened over the course of the year – also had a negative impact on project margins. In this environment, the Instone Group benefited from a high number of projects already sold. The continuing high gross margin is also strongly attributable to its own expertise in construction management and the associated stringent cost discipline, which is a distinguishing feature of the company compared to many of its competitors.

The decrease in its project portfolio by 31 December 2023 to €6,972.0 million (previous year: €7,668.8 million) was the result of disposals due to completion in the amount of €493.2 million and revaluations and the effects of the deconsolidation of a project in the amount of €203.6 million. Adjusted group sales fell by around 1% to €616.0 million as a result of the interest rate-induced decline in demand (previous year: €621.0 million). Adjusted earnings after tax (EAT) were down slightly on the previous year at €48.2 million (previous year: €50.0 million). The improved result of equity investments was almost completely compensated by the increase in platform costs. At €76.5 million, total platform costs were below our original expectations for the 2023 financial year.

Operating cash flow before payments for land acquisitions amounted to €118,1 million despite the decline in consolidated net income and extensive tax payments due to the positive change in net working capital before land purchases (previous year: €187.2 million).

Comparison of actual and forecasted development

Comparison of actual and forecasted development in 2023 TABLE 020

In millions of euros

		Actual 2023	Forecast[1]
Revenue (adjusted)		616.0	600 to 700
Gross profit margin (adjusted)	In %	25.1	~25
Earnings after tax (EAT) (adjusted)		48.2	40-50
Volume of sales contracts		211.4	>150

[1] Summary Management Report 2022, page 169.

Results of operations, net assets and financial position

Cumulative financial key performance indicators TABLE 021

In millions of euros

		2023	2022	Change In %
Revenues adjusted[1]		616.0	621.0	-0.8
Gross profit adjusted		154.5	157.2	-1.7
Gross profit margin adjusted[1]	In %	25.1	25.3	
EBIT adjusted		86.1	88.6	-2.8
EBT adjusted		71.2	72.7	-2.1
EAT adjusted[1]		48.2	50.0	-3.6

[1] Financial performance indicators.

Results of operations

To present the results of operations, some items in the income statement are combined into new items:

→ Cost of materials, changes in inventories and one-off expenses related to the valuation of inventories are covered by the Project costs item.

→ The gross profit item is the balance of revenue and project costs.

→ Other operating income, staff costs as well as other operating expenses and depreciation and amortisation are summarised under the heading Platform costs.

→ The consolidated earnings from operating activities and share of results of joint ventures form earnings before interest and tax (EBIT).

The profit figure shows all income as positive and all expenses as negative.

From the results of operations, the following adjustments are made to the adjusted results of operations, which are relevant from the point of view of the Management of the Instone Group:

As part of the adjusted results of operations of the Instone Group, revenue recognition will continue to reflect share deals and asset deals in the same way and similarly in accordance with IFRS 15, irrespective of a decision by the IFRS IC to exempt share deals from revenue recognition over time under IFRS 15.

Adjusted earnings after tax are intended to reflect the sustained profitability and are thus adjusted for non-recurring effects relating to other periods. In particular, the following significant expenses are adjusted for disposal losses from sales of tangible or financial assets or securities, unscheduled depreciation and amortisation of tangible and financial assets, one-off expenses relating to the valuation of inventories, costs for acquisitions, merger losses, contractual penalties, demands for additional taxes from previous years (e.g. based on audits), severance payments to the Management Board, and personnel reductions and restructuring to a greater extent, if these do not meet the strict criteria set out in IAS 37. The adjustment of material income includes, in particular, income from capital gains arising from sales of non-current assets, compensation for damages, writeups on non-current assets, refunds of taxes from previous years based on audits, reversals of provisions for extraordinary events and merger gains.

The ongoing effects from purchase price allocations following the expansion of the scope of consolidation in previous years have also been eliminated in the adjusted income figures.

The calculation of the individual adjusted items results from the following items in the income statement and the above-mentioned consolidated items:

- Adjusted revenue is revenue adjusted for the effects from purchase price allocations, also taking into account effects from share deal agreements.
- The adjusted project costs include the project costs adjusted for the effects from purchase price allocations, the effects from share deal agreements, material cost-induced other operating income (income opposed by a directly attributable item in cost of materials), indirect selling expenses and capitalised interest. It thus reflects the external costs allocated to the project developments.
- Adjusted gross profit is the result of adjusted revenue less adjusted project costs.
- Adjusted platform costs are the platform costs less other operating income after subtracting the cost of materials and indirect sales expenses allocated to project costs and adjusted for non-recurring effects.
- The adjusted share of results of joint ventures are the pro rata earnings contributions from associated company and joint venture companies which are included in the consolidated financial statements using the equity method.
- Adjusted earnings before interest and tax are the adjusted gross profit reduced by the adjusted platform costs, plus the earnings of companies consolidated at equity.
- Adjusted financial result and result from investments comprise the total of other income from investments, finance income, finance costs, and depreciation and amortisation on securities classified as financial assets less capitalised interest.

Adjusted results of operations TABLE 022

In millions of euros

		2023	2022	Change in %
Revenues adjusted		616.0	621.0	-0.8
Project costs adjusted		-461.5	-463.8	-0.5
Gross profit adjusted		**154.5**	**157.2**	**-1.7**
Gross profit margin adjusted	**In %**	**25.1**	**25.3**	
Platform costs adjusted		-76.5	-72.5	5.5
Share of results of joint ventures adjusted		8.1	3.9	107.7
Earnings before interest and tax (EBIT) adjusted		**86.1**	**88.6**	**-2.8**
EBIT margin adjusted	**In %**	**14.0**	**14.3**	
Financial result adjusted		-14.9	-15.9	-6.3
Earnings before tax (EBT) adjusted		**71.2**	**72.7**	**-2.1**
EBT margin adjusted	**In %**	**11.6**	**11.7**	
Income taxes adjusted		-23.1	-22.6	2.2
Earnings after tax (EAT) adjusted		**48.2**	**50.0**	**-3.6**
EAT margin adjusted	**In %**	**7.8**	**8.1**	

- Adjusted earnings before tax results from adjusted earnings before interest and tax less the adjusted investment and financial result.
- Adjusted income taxes correspond to income taxes adjusted for the tax effects of purchase price allocations, share deal agreements and non-recurring effects.
- Adjusted earnings after tax are the adjusted earnings before tax less the adjusted income taxes.

Revenue

Despite an increase in construction activity compared to the previous year, adjusted sales in the 2023 financial year amounted to €616.0 million (previous year: €621.0 million), in other words around 0.8% below the previous year's figure. The slight decline in sales is mainly due to a reduction in sales speed compared to the previous year.

The adjustment of effects from purchase price allocations slightly increased the adjusted revenue by €2.6 million (previous year: €3.9 million). The separate valuation of share deals ("Westville" project) increased the adjusted revenue by €99.1 million (previous year: €49.6 million).

Revenue TABLE 023

In millions of euros

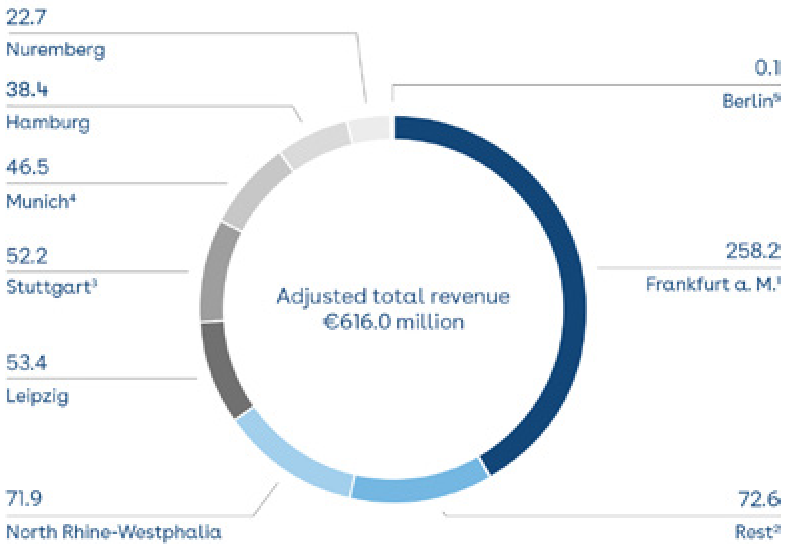
	2023	2022	Change in %
Revenue	**514.3**	**567.5**	**-9.4**
+ effects from purchase price allocations	2.6	3.9	-33.3
+ effects from share deal agreements	99.1	49.6	99.8
Revenues adjusted	**616.0**	**621.0**	**-0.8**

The increase in the sales contribution of the "Westville" project is due in particular to the construction progress on schedule and a subsequent increase in the revenue volume in the year under review.

The adjusted revenue of the Instone Group was almost exclusively generated in Germany and broken down across the following regions as follows:

Sales (adjusted) by region 2023 FIGURE 016

In millions of euros



[1] Includes, among others, Maintal, Hofheim and Heusenstamm

[2] Includes, among others, Wiesbaden (€43.9 million), Bamberg (€19.6 million) and Potsdam (€9.5 million)

[3] Includes, among others, Rottenburg and Schorndorf

[4] Includes Munich, Augsburg and Rosenheim

[5] Includes Nauen.

Project costs

The adjusted project costs, essentially consisting of the cost of materials and the changes in inventories, also fell in the financial year to €-461.5 million (previous year: €-463.8 million). Despite continuing construction activity, the significantly reduced purchases of land plots resulted in a reduction in the cost of materials to €-544.5 million (previous year: €-551.2 million). The increase in inventories to €167.6 million (previous year: €123.5 million) reflects the increasing progress of construction in projects that are not sold or that are sold in the form of a share deal.

In the 2023 financial year, one-off expenses relating to the valuation of inventories in the amount of €-17.7 million were recorded in project costs. These expenses result from the rescheduling of projects due to the continuing difficult conditions in the industry and general economic environment in Germany and the need to replan individual projects. These expenses are unusual in their amount and cannot be regarded as recurring on a regular basis. For this reason, these are adjusted as non-recurring effects.

Indirect sales expenses in the amount of €-2.5 million (previous year: €-2.8 million) and material cost-related other operating income of €15.1 million (previous year: €10.2 million), of which €13.4 million from grants, were allocated to adjusted project costs as of 31 December 2023. The adjustment of the capitalised interest in the changes in inventories of €-12.2 million (previous year: €-3.2 million) were was added to the adjusted project costs. Effects from the amortisation of purchase price allocations reduced adjusted project costs by €3.0 million (previous year: €10.3 million). Due to the separate valuation of share deals, adjusted project costs again increased by €-88.0 million (previous year: €-50.6 million).

Project costs TABLE 024

In millions of euros

	2023	2022	Change in %
Project costs	**-394.6**	**-427.6**	**-7.7**
+ effects from purchase price allocations	3.0	10.3	-70.9
+ effects from reclassifications	0.5	4.1	-87.8
+ non recurring effects	17.7	0.0	0.0
+ effects from share deal agreements	-88.0	-50.6	73.9
Project costs adjusted	**-461.5**	**-463.8**	**-0.5**

Gross profit

Adjusted gross profit declined to €154.5 million as a result of the heavier fall in revenue compared to project costs during the financial year and due to the lower project gross profit margin (previous year: €157.2 million) compared with the previous year.

Gross profit TABLE 025

In millions of euros

	2023	2022	Change in %
Gross profit	**119.6**	**139.9**	**-14.5**
+ effects from purchase price allocations	5.6	14.3	-60.8
+ effects from reclassifications	0.5	4.1	-87.8
+ non recurring effects	17.7	0.0	0.0
+ effects from share deal agreements	11.1	-1.1	n/a
Gross profit adjusted	**154.5**	**157.2**	**-1.7**

The adjusted gross profit margin – calculated from the adjusted gross profit relating to the adjusted revenue – amounted to 25.1% (previous year: 25.3%). The adjusted gross profit margin fell in the financial year – mainly due to a change in the project mix.

Platform costs

Adjusted platform costs deteriorated to €-76.5 million compared to the previous year (previous year: €-72.5 million). In terms of costs, the measures introduced to increase efficiency will contribute to a noticeable reduction in platform costs. This enabled us to achieve the goal of reducing the ongoing annualised platform costs to around €70 million by the end of the fourth quarter of 2023. In the financial year, indirect sales costs of €2.4 million and material cost-related other operating income in the amount of €15.1 million were reclassified as project costs and other non-recurring effects were adjusted in the amount of €3.8 million. These mainly relate to expenses in connection with structural reorganisation measures amounting to €2.5 million.

Platform costs TABLE 026

In millions of euros

	2023	2022	Change in %
Platform costs	**-67.6**	**-67.2**	**0.6**
+ effects from reclassifications	-12.7	-7.4	71.6
+ non recurring effects	3.8	2.1	81.0
Platform costs adjusted	**-76.5**	**-72.5**	**5.5**

Staff costs at the end of the 2023 financial year were €-51.7 million (previous year: €-48.7 million) – a year-on-year rise of around 6%. This is mainly due to the €5.1 million increase in expenses related to performance-related remuneration compared to the previous year. GRI 2-7, 2-8

The reported other operating income, at €25.6 million (previous year: €17.9 million) was higher than last year. This included material cost related other operating income after subtracting the cost of materials of €15.1 million (previous year: €10.2 million), which were reclassified as project costs. Included in this are especially income from the realisation of grants of €13.4 million (previous year: €7.3 million). Income from the reversal of provisions for and liabilities relating to employees during the reporting period was below the previous year's level at €3.3 million (previous year: €3.8 million). In addition, income was realised from the reversal of provisions and project-related liabilities released in the amount of €3.5 million (previous year: €5.8 million). In addition, income of €2.8 million was reported from the deconsolidation of a subsidiary.

The reported other operating expenses increased to €-36.5 million in the reporting period (previous year: €-31.6 million), mainly due to increased expenses for warranty claims for old projects (€-5.0 million) and increased expenses relating to structural reorganisation of €-2.1 million. This is offset by consulting expenses of €2.6 million and sales costs of €1.5 million. Other operating expenses mainly include costs for warranties, consulting expenses, sales costs, IT costs and court costs, solicitors' and notaries' fees.

The reported depreciation and amortisation was €-5.0 million (previous year: €-4.8 million), a slight increase compared with the previous year.

Share of results of joint ventures

The adjusted shares of results of joint ventures of €8.1 million (previous year: €3.9 million) during the financial year was attributable almost completely to construction activities and the sale of the Berlin joint venture Friedenauer Höhe, and reflects the expected development of this project.

Earnings before interest and tax (EBIT)

In 2023, adjusted earnings before interest and tax fell slightly compared to the previous year to €86.1 million despite the increased earnings from share of results of joint ventures compared to the previous year, essentially due to the increased platform costs and the reduced gross profit compared to the previous year (previous year: €88.6 million).

EBIT TABLE 027

In millions of euros

		2023	2022	Change in %
EBIT		**60.1**	**76.6**	**-21.5**
+ effects from purchase price allocations		5.6	14.3	-60.8
+ effects from reclassifications		-12.2	-3.2	>100.0
+ non recurring effects		21.5	2.1	n/a
+ effects from share deal agreements		11.1	-1.1	n/a
EBIT adjusted		**86.1**	**88.6**	**-2.8**
EBIT margin adjusted	**In %**	**14.0**	**14.3**	

Investment and financial result

As in the previous year, there was no materially adjusted income from investments in the reporting period.

The reported financial result deteriorated in the financial year to €-27.1 million (previous year: €-19.1 million). The increase in interest expenses was mainly attributable to the higher project-related new debt in the financial year and increased interest rates.

The adjusted financial result improved to €-14.9 million (previous year: €-15.9 million) due to reclassifications of capitalised interest from project financing before the start of sales in the amount of €12.2 million (previous year: €3.2 million).

Earnings before tax (EBT) GRI 207-1

Adjusted earnings before tax fell to €71.2 million compared to the previous year (previous year: €72.7 million).

EBT TABLE 028

In millions of euros

		2023	2022	Change in %
EBT		**33.0**	**57.4**	**-42.5**
+ effects from purchase price allocations		5.6	14.3	-60.8
+ non recurring effects		21.5	2.1	n/a
+ effects from share deal agreements		11.1	-1.1	n/a
EBT adjusted		**71.2**	**72.7**	**-2.1**
EBT margin adjusted	**In %**	**11.6**	**11.7**	

Income taxes

The tax rate in the adjusted results of operations in the 2023 financial year was 32.4% (previous year: 31.2%). In the 2023 financial year, the adjustment of tax effects relating to other periods resulted in a lower tax rate compared to the expected tax rate.

Due to the effects mentioned above, income taxes in the reported earnings amounted to an expense of €14.1 million (previous year: €17.7 million).

Earnings after tax (EAT)

As a result of the effects mentioned above, the adjusted earnings after tax of the Instone Group totalled €48.2 million (previous year: €50.0 million). Before adjustment for effects from purchase price allocations, effects from share deals and non-recurring effects, reported earnings after tax were €19.0 million (previous year: €39.8 million).

EAT TABLE 029

In millions of euros

		2023	2022	Change in %
EAT		**19.0**	**39.8**	**-52.3**
+ effects from purchase price allocations		4.0	9.7	-58.8
+ non recurring effects		16.1	1.4	n/a
+ effects from share deal agreements		9.2	-0.9	n/a
EAT adjusted		**48.2**	**50.0**	**-3.6**
EAT margin adjusted	**In %**	**7.8**	**8.1**	

Earnings after tax and after minority interests

Non-controlling interests in the earnings after tax amounted to €-1.1 million (previous year: €-0.8 million). Non-controlling interests in the adjusted earnings after tax also amounted to €-1.1 million (previous year: €-0.8 million).

Earnings after tax and after minority interests TABLE 030

In millions of euros

	2023	2022	Change in %
EAT after minority interests	**20.1**	**40.6**	**-50.5**
+ effects from purchase price allocations	4.0	9.7	-58.8
+ non recurring effects	16.1	1.4	n/a
+ effects from share deal agreements	9.2	-0.9	n/a
EAT adjusted after minority interests	**49.3**	**50.9**	**-3.1**

Earnings per share

Adjusted earnings per share in 2023 were €1.14 (previous year: €1.11), an increase on the value from the previous year.

Earnings per share TABLE 031

In millions of euros

		2023	2022	Change in %
Shares[1]	In thousands units	43,349.6	45,890.0	-5.5
Owners of the Company		20.1	40.6	-50.5
Earnings per share	In euros	0.46	0.88	-47.7
Owners of the Company adjusted		49.3	50.9	-3.1
Earnings per share adjusted	In euros	1.14	1.11	2.7

[1] Average weighted number of shares as at 31/12/2023 and 31/12/2022.

Net assets

Condensed statement of financial position[1]

TABLE 032

In millions of euros

	31/12/2023	31/12/2022	Change in %
Non-current assets	81.4	82.8	-1.7
Inventories	1,085.8	967.3	12.3
Contract assets	177.1	333.6	-46.9
Other current assets	111.7	141.1	-20.8
Cash and cash equivalents and term deposits	383.6	255.6	50.1
Assets	**1,839.6**	**1,780.3**	**3.3**
Equity	576.0	573.0	0.5
Liabilities from corporate finance	176.8	179.7	-1.6
Liabilities from project-related financing	355.8	341.0	4.3
Provisions and other liabilities	731.0	686.7	6.5
Equity and liabilities	**1,839.6**	**1,780.3**	**3.3**

[1] Items have been adjusted: Term deposits have been allocated to cash and cash equivalents due to short- to medium-term availability, and financial liabilities allocated on the basis of their use in corporate finance or project financing.

As at 31 December 2023, the Instone Group's total assets rose to €1,839.6 million (previous year: €1,780.3 million). Despite the decline in contract assets and other current assets, this is primarily due to the increase in cash and cash equivalents and inventories.

As at 31 December 2023, inventories rose to €1,085.8 million (previous year: €967.3 million). This increase in inventories is mainly due to the construction progress of the unsold projects that are currently being realised.

As at 31 December 2023, acquisition costs and incidental acquisition costs for land amounting to €694.3 million (previous year: €690.4 million) were included in inventories.

Receivables from customers for work-in-progress (gross contract assets) already sold and valued at the current completion level of development fell to €603.2 million as at 31 December 2023 (previous year: €847.9 million), on the one hand due to the higher number of transfers of residential properties and on the other hand due to the reduced volume of sales contracts. As at 31 December 2023, payments received from customers amounted to €-430.1 million (previous year: €-519.6 million). This decrease also reflects the increase in the number of handovers to buyers compared to the previous year.

Contract assets

TABLE 033

In millions of euros

	31/12/2023	31/12/2022	Change in %
Contract assets (gross)	**603.2**	**847.9**	**-28.9**
Payments received	-430.1	-519.6	-17.2
	173.1	**328.3**	**-47.3**
Capitalised costs to obtain a contract	4.0	5.3	-24.5
Contract assets (net)	**177.1**	**333.6**	**-46.9**

Due to the first-time consolidation of Instone Real Estate Development GmbH in 2014 and Instone Real Estate Leipzig GmbH in 2015 as well as the business activities of S&P Stadtbau GmbH in the 2019 financial year, as at 31 December 2023 inventories and contract assets still included writeups of €11,5 million (previous year: €17.1 million) from purchase price allocations. Based on current estimates, the Instone Group expects these effects to expire in 2025.

Trade receivables in the financial year rose to €6.5 million (previous year: €2.8 million). This increase is mainly due to withholdings from the handover of projects.

The shares accounted for using the equity method, which also include investments in project companies, rose in the 2023 financial from €43.8 million to €51.7 million due to the sale and construction progress of project developments in joint ventures.

Non-current financial receivables amounting to €10.3 million (previous year: €19.0 million) includes borrowings from joint ventures and have decreased due to repayments.

The increase in current financial receivables of €23.3 million (previous year: €0.7 million) essentially relates to a loan to a joint venture which was fully consolidated until and including May 2023.

Non-current right of use assets amounting to €11.3 million (previous year: €7.6 million) mainly relates to rights of use for real estate and cars. Current right of use assets in the amount of €3.0 million (previous year: €3.0 million) covers a leasehold plot intended for project development.

Other current receivables and other assets decreased from €133.9 million to €74.6 million in 2023. A considerable share of these items consists largely of approved public grants of €51.6 million (previous year: €86.7 million) for the construction of buildings, including subsidy of the KfW efficiency programme. The majority of this change as at the reporting date is due to approved grants being reported in a different period for the purposes of accounting that is expected to occur between the start of sales and the start of construction. In addition, conversions of projects due to these changes were corrected according to the corresponding receivables. In addition, the decrease in the success-based income is also due to pledged public grants already being accepted. Prepayments on land for which the transfer of benefits and encumbrances takes place after the balance sheet date decreased to €14.1 million in the financial year due to a lack of new investment (previous year: €42.4 million). GRI 201-4

Cash and cash equivalents and term deposits of €383.6 million (previous year: €255.6 million) increased mainly due to the continuous inflow of funds from ongoing project developments. This includes cash and cash equivalents from development loans taken out for customers in the amount of €115.9 million. For more information, please refer to the Group's consolidated statement of cash flows. page 204 et seq.

Non-current provisions for pensions and similar obligations increased slightly to €1.0 million in 2023 (previous year: €0.1 million). The defined benefit obligation cash values for pension obligations amounting to €10.4 million (previous year: €8.7 million) was offset by plan assets of €9.4 million (previous year: €8.6 million). Plan assets amounting to €8.9 million (previous year: €8.1 million) were placed in a trust account with Helaba Pension Trust e. V., Frankfurt am Main whereas €0.5 million (previous year: €0.5 million) was invested in a trust account with FNZ Bank (formerly: European Bank for Financial Services GmbH [ebase®]), Aschheim, Germany. GRI 201-3

The other remaining non-current provisions for the financial year amounted to €3.4 million (previous year: €3.3 million), in other words almost unchanged in 2023. This item essentially comprises provisions for long-term incentive plans amounting to €2.7 million (previous year: €2.5 million) and other long-term personnel provisions in the amount of €0.7 million (previous year: €0.8 million).

The other short-term provisions for the financial year rose to €24.3 million in 2023 (previous year: €21.9 million). Project-related provisions for impending losses and warranty and litigation risks in financial year 2023 were €18.9 million (previous year: €16.7 million).

Non-current financial liabilities increased to €396.6 million as at 31 December 2023 (previous year: €292.0 million). During the same period, current financial liabilities fell to €136.1 million (previous year: €228.6 million). The total decline in financial liabilities is due to a reduced net borrowing of financial loans in the reporting period.

Leasing liabilities in the amount of €14.7 million (previous year: €10.9 million) have increased mainly due to the initial accounting of a leasehold plot intended for project development as of 31 December 2023.

The increase in other non-current liabilities to €37.8 million (previous year: €0.0 million) was completely related to interest and repayment subsidy in connection with subsidised loans.

Trade payables fell during the financial year to €142.2 million (previous year: €150.5 million) and mainly included the services provided by contractors. The fall corresponds to the decrease in output in the financial year and is also related to the reporting date.

The increase in other non-current liabilities to €431.9 million (previous year: €393.6 million) resulted mainly from advance payments received for the "Westville" project in the amount of €383.5 million (previous year: €302.5 million). The fall in liabilities from government grants in the amount of €32.4 million (previous year: €79.8 million) corresponds to the decrease in other current receivables and assets related to public funding.

Deferred tax provisions as at 31 December 2023 amounted to €44.1 million (previous year: €50.3 million). This figure also included deferred tax liabilities of €3.7 million (previous year: €5.5 million) which were formed on the basis of the writedowns from the first-time consolidation of Group companies in 2014, 2015 and 2019.

Income tax liabilities fell to €9.4 million as of 31 December 2023 (previous year: €30.2 million) mainly due to the high prepayments in the year under review.

The equity ratio as at 31 December 2023 was 31.3% (previous year: 32.2%).

The share buyback programme announced on 10 February 2022 was terminated on 24 October 2022 with a total volume of €25.4 million. On 25 October 2022, the Instone Group announced its intention to build on this with a new five-month share buyback programme of up to €25 million. As at 31 December 2023, we have now acquired additional shares with a value of €11.4 million. As at 31 December 2023, the Company held 3,665,761 treasury shares. This corresponds to a share of 7.8% of the shares. As at 31 December 2023, the number of shares adjusted for the Company's treasury shares was 43,322,575 shares.

Leverage (exclusive of the subsidised loan for the "Westville" project) reduced compared to the previous year's value, but remained at a low level in the opinion of the Management. The lower net debt reduced the leverage to 2.1 times the adjusted EBITDA. At the same time, the ratio of net debt to balance sheet inventories, contract assets and contract liabilities fell to 15.1% (previous year: 20.8%).

Net financial debt and debt-to-equity ratio TABLE 034

In millions of euros

		31/12/2023	31/12/2022	Change in %
Non-current financial liabilities[1]		318.4	292.0	9.0
Current financial liabilities		136.1	228.6	-40.5
Financial liabilities		**454.5**	**520.6**	**-12.7**
Cash and cash equivalents and term deposits[2]		-267.7	-255.6	4.7
Net financial debt (NFD)		**186.8**	**265.1**	**-29.5**
Inventories and contract assets/liabilities		1,240.8	1,275.0	-2.7
Loan-to-Cost[3]	In %	**15.1**	**20.8**	
EBIT adjusted (LTM)[4]		86.1	88.6	-2.8
Depreciation and amortisation (LTM)[4]		5.0	4.8	4.2
EBITDA adjusted (LTM)[4]		**91.1**	**93.4**	**-2.5**
Leverage (NFD/EBITDA adjusted (LTM))[4]		2.1	2.8	

[1] Excluding financial liabilities of €78.1 million from the subsidised loan for the Westville" project.

[2] Excluding €115.9 million in restricted cash and cash equivalents from the "Westville" subsidised loan.

[3] Loan-to-cost = net financial debt/(inventories + contract assets/liabilities).

[4] LTM = last twelve months.

Financial position

In the 2023 financial year, the nominal value of the corporate financial liabilities changed due to repayments in the amount of €23.0 million in the wake of the maturity of the promissory note loans and the conclusion of a new promissory note loan in the amount of €20.0 million to €175.0 million (previous year: €178.0 million); as in the previous year, syndicated loans had not been drawn down by the balance sheet date. Utilisation of lines of project financing (excluding the subsidised loan for the "Westville" project) decreased to €278.8 million (previous year: €340.2 million), in particular through the reduction of completed project financing. The total funding available (excluding the subsidised loan for the "Westville" project), then amounting to €758.4 million (previous year: 806.6 million) was reduced in the financial year due to the scheduled reduction of project financing and corporate financing. As of 31 December 2023, cash and cash equivalents totalling €423.3 million (previous year: €458.6 million) were available from project financing (excluding the subsided loan for the "Westville" project) and in the amount of €335.0 million (previous year: €348.0 million) from corporate finance. These corporate finance agreements contain financial ratios that are described in the "Other disclosures" section of the notes to the consolidated financial statements page 241.

In the balance sheet as at 31 December 2023, the liabilities from corporate finance amounted to €176,8 million (previous year: €179.7 million) and liabilities from project-related financing (including the subsidised loan for the "Westville" project)) to €355.8 million (previous year: €341.0 million). Recognised total liabilities from financing operations thus fell to €532.6 million on the reporting date (previous year: €520.6 million). The current project financing included in this is composed of option agreements for extension.

The individual project financing of the Instone Group was negotiated with various financial institutions and is subject to different conditions. In general, the loans are subject to variable interest rates. Different amounts and frequencies have been agreed for the use of funds from loans with fixed interest or fixed term. The average interest margins for 2023 were at the same level as the previous year. As a result of the project financing, which is mainly subject to variable interest rates, the interest rate increases of the European Central Bank led to higher interest rates and, as a result, to higher interest expenses. The mostly variable interest rates are between 1.24% and 3.00% (previous year: between 1.24% and 3.00%) on EURIBOR and under fixed-interest contracts at a fixed interest rate between 1.15% and 6.51% (previous year: between 1.95% and 4.50%).

Short-term funds needed for project-related payments can be obtained by means of overdraft facilities agreed with individual banks. To compensate for interest payments, all payments already received which the buyers of our properties pay into separately managed collective accounts for the purchase price payment are credited to these current account facilities. If necessary, these overdrafts can be converted into fixed-interest or fixed-term loans.

The maturities of the non-discounted repayment amounts are as follows:

Financial liabilities

TABLE 035

In millions of euros

Corporate finance (promissory notes)	Due in	Credit amount
Term < 1 year	2024	5.0
Term > 1 and < 2 years	2025	100.0
Term > 2 and < 3 years	2026	20.0
Term > 3 years	2027	50.0
		175.0

Corporate finance (syndicated loans)	Due in	Credit line	Utilisation 31/12/2023
Term < 1 year	2024	118.3	0.0
Term > 1 and < 2 years	2025	41.7	0.0
		160.0	**0.0**

Project financing	Due in	Credit line	Utilisation 31/12/2023
Term < 1 year	2024	133.1	129.0
Term > 1 and < 2 years	2025	232.7	92.2
Term > 2 and < 3 years	2026	0.0	0.0
Term > 3 years	2027	57.6	57.6
		423.3	**278.8**

Project financing (promotional loans for customers)	Due in	Credit line	Utilisation[1] 31/12/2023
Term > 3 years	>2026	199.0	115.9
		199.0	**115.9**

[1] This includes interest and repayment subsidy of €37.8 million that is recognised under other non-current liabilities.

Condensed statement of cash flows

TABLE 036

In millions of euros

	2023	2022	Change in %
Cash flow from operations	107.7	70.2	53.4
Cash flow from investing activities	11.5	9.4	22.3
Free cash flow	**119.2**	**79.6**	**49.7**
Cash flow from financing activities	9.8	45.0	-78.2
Cash change in cash and cash equivalents	**129.0**	**124.6**	**3.5**
Cash and cash equivalents at the beginning of the period	255.6	131.0	95.1
Other changes in cash and cash equivalents	-1.0	0.0	n/a
Cash and cash equivalents at the end of the period	**383.6**	**255.6**	**50.1**

Cash flow from operations in the Instone Group in the amount of €107.7 million in the 2023 financial year (previous year: €70.2 million) was mainly positively influenced by the increased cash flows from customer payments for ongoing projects as well as by cash flows from handovers of projects with final payment. There was a reduction of liabilities to contractors for ongoing projects with simultaneous purchase price payments and land acquisition taxes for land totalling €10.4 million (previous year: €117.0 million). In addition, income tax payments amounting to €44.3 million were made in the reporting period (previous year: €4.5 million).

In the 2023 financial year, the Instone Group was able to achieve a positive overall cash flow from operations and thus strengthen its position in terms of cash and cash equivalents. The operating cash flow, adjusted for payments for land, in the period under review was distinctly positive at €118.1 million (previous year: €187.2 million). This underpins the long-term positive liquidity returns of the Instone Group from the ongoing housing project developments despite the continuing difficult industry environment.

Cash flow from operations

TABLE 037

In millions of euros

	2023	2022	Change in %
EBITDA adjusted	91.1	93.4	-2.5
Other non-cash items	-9.5	-20.2	-53.1
Taxes paid	-44.3	-4.5	n/a
Change in net working capital[1]	70.4	1.6	n/a
Cash flow from operations	**107.7**	**70.2**	**-53.4**
Payments for land	10.4	117.0	-91.1
Cash flow from operations without new investments	**118.1**	**187.2**	**-36.9**

[1] Net working capital is made up of inventories, contract assets and trade receivables, other receivables less contract liabilities and trade payables and other liabilities.

Depreciation and amortisation of non-current assets of €5.0 million (previous year: €4.8 million), expenses from deferred tax of €5.9 million (previous year: € 2.2 million), the results from the revaluation of investments valued at equity by €8.1 million (previous year: €3.9 million), expenses for interest of €27.1 million (previous year: (€19.1 million), the decrease in provisions by €6.0 million (previous year: decrease by €4.6 million), one-off expenses in connection with the valuation of inventories in the amount of €17.7 million (previous year: €0.0 million) as well as expenses for income taxes amounting to €20.0 million (previous year: €15.4 million) in the 2023 financial year did not affect cash.

Cash flow from investing activities amounted to €11.5 million in the financial year (previous year: €9.4 million). This resulted mainly from scheduled repayments of loan receivables that are included in the financial assets and from interest received in the amount of €5.6 million (previous year: €0.2 million).

The cash flow from financing activities as at 31 December 2023 was at €9.8 million (previous year: €45.0 million). This mainly consisted of net opening of new lines of credit in the amount of €68.6 million, consisting of payments received from new finance facilities in the amount of €327.3 million and repayments for terminated finance facilities in the amount of €258.7 million. In the financial year, payments for interest amounting to €35.1 million (previous year: €19.5 million) and payments for the purchase of treasury shares of €4.5 million (previous year: €32.3 million) and dividend payments in the amount of €15.2 million (previous year: €28.7 million) were included in the cash flow from financing activities.

As at 31 December 2023, financial resources rose to €383.6 million (previous year: €255.6 million).

As of 31 December 2023, the Instone Group had a guarantee facility of the credit insurers in the unchanged amount of €400.0 million (previous year: €400.0 million).

Project business at a glance

Real estate business key performance indicators TABLE 038

In millions of euros

		12M 2023	12M 2022
Volume of sales contracts[1]		211.4	292.1
Volume of sales contracts	In units	370	530
		31/12/2023	**31/12/2022**
Project portfolio (existing projects)[1]		6,972.0	7,668.8
of which already sold		2,693.4	2,987.3
Project portfolio (existing projects)	In units	14,252	16,209
of which already sold	In units	6,217	7,309

[1] See definitions in the chapter "Corporate governance key performance indicators" on page 46.

As we expected, the buying restraint of self-users, private investors and institutional investors in the German housing market continued in 2023. The combination of the high level of interest rates, the more restrictive procurement of real estate financing (compared to the period before 2022) and the loss of purchasing power resulting from the significant increase in consumer prices from 2021 to 2023 continue to unsettle private buyers and is reduce the number of potential buyers in the year under review.

Institutional investors also exhibited considerable purchasing restraint due to interest rates and the tougher macro environment.

The forecast published by the Management Board on 16 March 2023 for the volume of sales contracts in the 2023 financial year of more than €150 million was achieved with a sales volume of €211.4 million for 370 units and exceeded original expectations by 40%. This represents a decrease of around €81 million compared to the sales volume of €292.1 million (530 sales units) achieved in 2022. It should be noted that the direct and indirect economic effects of the war in Ukraine at the beginning of 2022 only had a significant effect on the sales agreements towards the end of the second quarter of 2022.

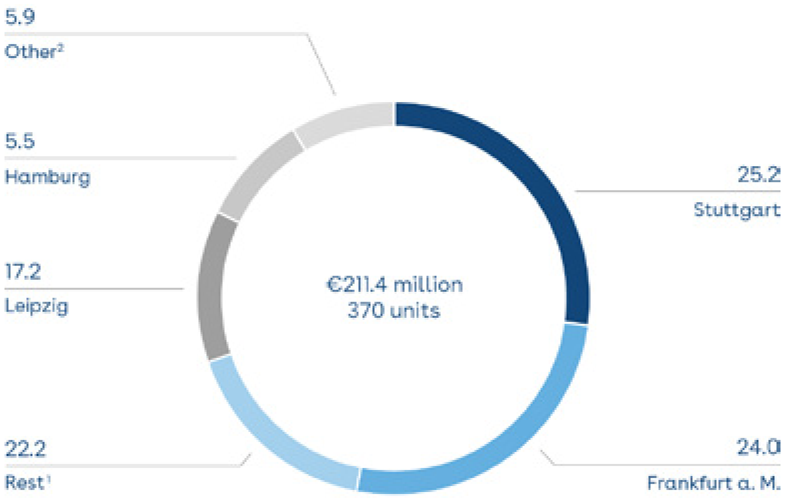
In a long-term comparison, the sales speed of our unit sales projects for 2023 as a whole is below average. In the last quarter of the 2023 financial year, there was a moderate recovery. This is also due to the "Urban.Isle Campus" sub-projects in Hamburg that have been launched in sales and to a sub-project of the "Neckar.Au-Viertel" in Rottenburg. In addition, a large part of the sales success is reflected in projects tailored to investment sales. The shortfall in the fixed interest rate of 4% for ten and 15-year construction loans had the first positive effects on the number of sales contracts at the end of 2023. With a sales offering of 325 units in unit sales at the beginning of the year and an increase in supply of 419 units, 166 units with a revenue volume of €82.0 million were sold in the 2023 financial year.

The majority of the sales volume in the reporting period was attributable to our institutional projects amounting to €129.4 million and 204 sales units. Adjusted for the sales volume resulting from supplementary items to purchase agreements concluded prior to the reporting period (around €50 million), the sales performance of institutional investors and in individual sales, however, is at a comparable level in the year under review.

The realised volume of sales contracts of around 78% as at 31 December 2023 was mainly focused on the most important metropolitan regions of Germany. Around 22% is attributable to other attractive, medium-sized cities.

Marketing in 12M 2023 by region FIGURE 017

In %



[1] Essentially includes Bamberg, Potsdam and Wiesbaden.
[2] Includes Berlin, Nuremberg, Munich, NRW.

The following projects mainly contributed to successful marketing in the 2023 period under review:

Real estate business key performance indicators – Volume of sales contracts 2023 TABLE 039

In millions of euros

Individual sale		Volume	Units
"Parkresidenz"	Leipzig	36.3	78
"Urban.Isle Campus"	Hamburg	12.0	25
"Neckar.Au Viertel"	Rottenburg	11.6	30
"Fontane Gärten"	Potsdam	6.6	11
"Schönhof-Viertel"	Frankfurt a. M.	4.1	4
Other	Other	11.4	18
Investor goods			
"Neckar.Au Viertel"	Rottenburg	n/a[1]	105
"Lagarde"	Bamberg	n/a[1]	99
"Westville"[2]	Frankfurt a. M.	33.8	0
"Schönhof-Viertel"[2]	Frankfurt a. M.	5.8	0
"Steinbacher Hohl"[2]	Frankfurt a. M.	3.3	0
Other[2]	Other	10.1	0

[1] Confidentiality regarding the amount of the purchase price was agreed with the relevant contracting parties.
[2] Volume of sales contracts results (partly) from supplementary items to the purchase agreement.

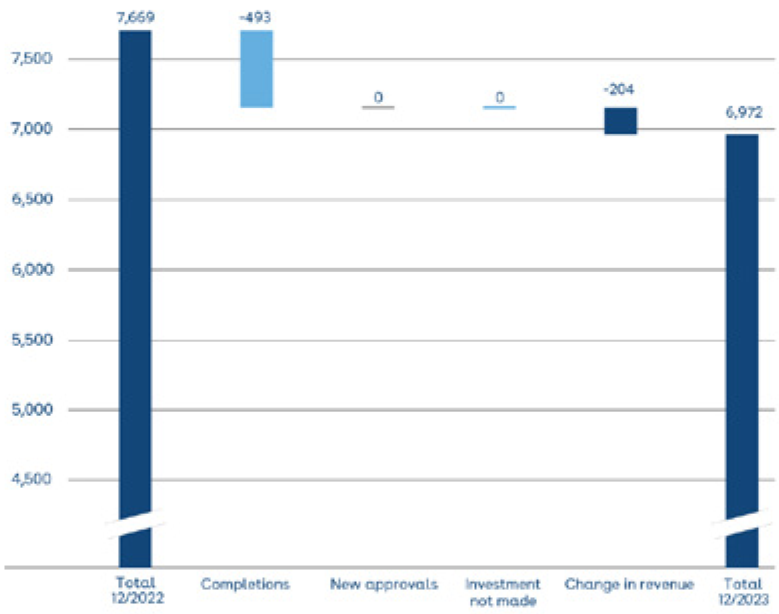
The offering for sale of our individual sales projects on the market as at 31 December 2023 includes 584 units with an expected revenue volume of €345 million. Given the current supply base, we are at a lower level than at the end of 2022 (325 units and €221 million).

For example, the Instone Group has driven product modification through higher sustainability classes, increased eligibility and smaller housing typologies to achieve broader performance and attract investment sales. As a result, four sub-projects with a total of 419 sales units were launched on the market in the year under review and led to an increase in the sales offer of the individual sales objects. As of 31 December 2023, 333 of the new units that had been launched for sale were already under construction. Construction of the 86 others is planned to start in 2024.

The sales made in the reporting period in the individual sales division led to a reduction in the sales offering. A total of 166 units were successfully sold in the 2023 financial year.

Development of the project portfolio, 31/12/2023 FIGURE 018

In millions of euros



As of 31 December 2023, the Instone Group's project portfolio comprised 45 projects with a current expected volume of sales contracts of €6,972.0 million. It was therefore down on 31 December 2022 (€7,668.8 million).

In the 2023 financial year, the Instone Group continued to pursue the strategic approach of extremely selective investment activity, which was deliberately chosen in 2022. For example, no new investment approvals were granted in the reporting period and therefore no new property purchase agreements were concluded. We also expect attractive acquisition opportunities for projects of competitors with weaker financial resources in the changed interest rate and financing environment. The exploitation of these opportunities is expected to lead to significant investment activity on our part in the near to medium-term.

The main factors in the portfolio decline are the completions (€-493 million) and the portfolio's revenue reductions (€-204 million).

For example, a total of six projects were completed in the reporting period and taken out of the project portfolio review with the successful handover of all sub-projects (see the section "Adjusted sales revenues" page 151).

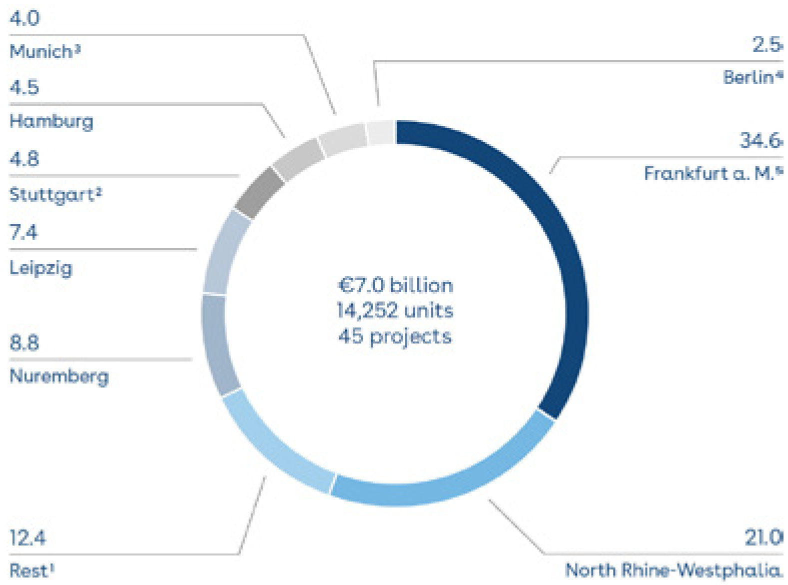
In terms of revenue changes, the removal of the "Am Sonnenberg, Wiesbaden" project due to the change in the continuation of the project in the at-equity company as of the second quarter of 2023 played a significant role in the reduction. Further revenue reductions in various projects were mainly offset by revenue increases in other projects within the scope of further planning specification and changes in the sales concepts, as well as sales price increases through supplementary items to the purchase contract.

We have already realised adjusted revenues of €2,022.5 million from the current project portfolio, of which €788.2 million has already been handed over.

In the project calculations as at 31 December 2022 and 30 June 2023, the construction cost inflation for projects before the start of sales in the coming years was forecast in the high single-digit percentage range. As of 31 December 2023, the Management Board expects construction prices to move sideways, due to the current high cost level and the decreasing dynamics in construction production. An additional positive effect results from the adjustment of one-off expenses in connection with the valuation of inventories (see also Results of operations, net assets and financial position chapter, Project costs section). This is reflected in the project valuations at the end of 2023 and leads to an improvement in the forecast gross project profit margin on the project portfolio to around 24.6%, without taking into account the "Westville" project in Frankfurt am Main.[1]

Project portfolio by region FIGURE 019

In %



[1] Includes Wiesbaden, Hanover, Potsdam, Bamberg

[2] Includes Rottenburg and Herrenberg

[3] Includes Munich, Augsburg and Rosenheim

[4] Includes Nauen

[5] Includes, among others, Maintal, Hofheim and Heusenstamm

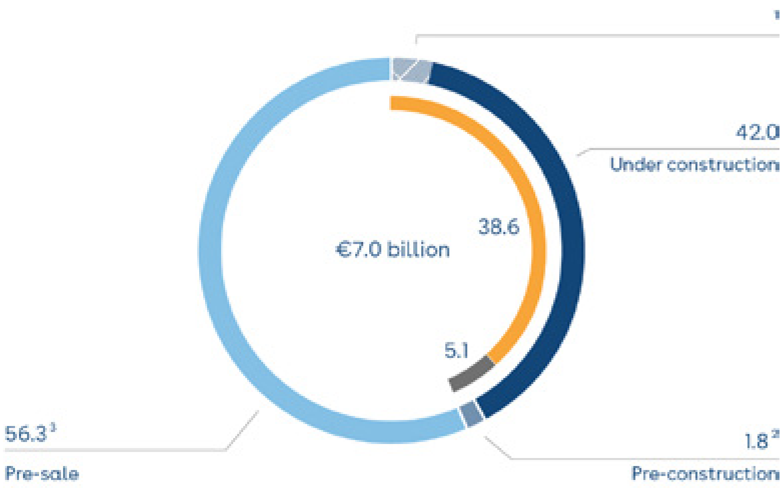
The majority – approximately 88% – of anticipated overall volume of revenue from the project portfolio as at 31 December 2023 is located in the most important metropolitan regions of Germany: Berlin, Dusseldorf, Frankfurt/Main, Hamburg, Cologne/Bonn, Leipzig, Munich, Nuremberg and Stuttgart. Around 12% is attributable to other attractive, medium-sized cities.

[1] If the large "Westville" project is taken into consideration, the expected project gross profit margin for the project portfolio is about 23.6%

Project portfolio by groups;
Basis: Sale proceeds

FIGURE 020

In %



Internal sector:
- Sold
- Unsold

[1] 10.6% of the project portfolio has already been transferred. These projects are included in "Under construction".

[2] 0.7% of the project portfolio has already been transferred. These projects are included in "pre-construction".

[3] 8.0% of the project portfolio are in the status of land acquisition. These projects are included in "pre-sale".

Given our project portfolio's continued growth in recent years, the conscious decision to take a selective approach to starting sales in the current macroeconomic environment and the on-going completion of sold projects, most of our current projects are in the "pre-sale" development stage.

The total revenue volume of the completed and handed over projects for the 2023 financial year amounts to €493 million. This is offset by an expected total revenue volume of €201 million from the sub-projects which construction began on in 2023. Since the total portfolio value decreased during the course of the 2023 financial year, all of the categories listed in figure 020 are at a comparable, relative level to the previous year (31 December 2022: 41.3% "under construction", 2.2% in "pre-construction" and 56.4% in "pre-sale").

In addition, the preceding diagram shows that, as at 31 December 2023 we had already sold approximately 39% of the anticipated overall revenue volume of the project portfolio. In terms of the anticipated revenue volume from "under construction" and "pre-construction" projects, approximately 88% of projects had been sold as at 31 December 2023.

In addition to the 45 projects, the Instone Group's project portfolio will be supplemented by four further projects that will be realised in joint ventures. Overall, a total volume of sales of around €1.3 billion (Instone Group share approx. €630 million) and the development of approximately 2,100 residential units was expected for these projects consolidated using the equity method.

Adjusted revenue

Despite the persistently difficult macroeconomic conditions, adjusted sales at €616.0 million were achieved in the 2023 financial year at the previous year's level (previous year's figure: €621.0 million). This means that the forecast of €600 million to €700 million issued in March 2023 was achieved.

The following projects contributed significantly to the adjusted revenue in the period under review:

Key projects revenue recognition (adjusted) 2023 TABLE 040

In millions of euros

		Revenue volume (adjusted)
"Schönhof-Viertel"	Frankfurt a. M.	136.5
"Westville"	Frankfurt a. M.	99.3
"Parkresidenz"	Leipzig	53.3
"Wiesbaden-Delkenheim"	Wiesbaden	43.8
"Urban.Isle.Campus"	Hamburg	38.2
"Augusta and Luca"	Augsburg	36.5
"Wohnen im Hochfeld"	Dusseldorf-Unterbach	31.2
"Neckar.Au Viertel"	Rottenburg	28.6
"Literaturquartier"	Essen	19.7
"Lagarde"	Bamberg	19.6

The building blocks of success for realising the adjusted revenues were steady marketing progress and a further development process in the structural implementation of our projects. For this reason, in addition to the marketing progress achieved, progress in the projects under construction, in particular, have contributed to the generation of revenue. Around 4,870 units are currently in the construction phase at the same time.

In the reporting period, a total of six projects with around 470 residential units have been started with the "Fuchsgärten" in Nuremberg-Boxdorf, two sub-projects each for the "Lagarde" in Bamberg and the "Parkresidenz" in Leipzig, and one sub-project for the "Neckar.Au-Viertel":

Construction starts in 2023 TABLE 041

"Parkresidenz" (2 sub-projects)	Leipzig	Around 80 residential units
"Neckar.Au Viertel" (4th sub-project)	Rottenburg	Around 120 residential units
"Fuchsgärten" (4th sub-project)	Nuremberg-Boxdorf	Around 120 residential units
"Lagarde" (2 sub-projects)	Bamberg	Around 150 residential units

In 2023 financial year, a total of 1,808 units were successfully handed over. This includes handovers of sub-projects as well as those of overall projects.

The second project part of a project in Hamburg was handed over in the form of the "Schulterblatt Amanda" sub-project. 113 private apartments and two commercial units have been built in a central location between the Schanzenviertel and Eimsbüttel. In addition, 52 sponsored student apartments have been created for NORD PROJECT Immobilien in the first part of the "Student Shoulder Sheet" project.

The "Stephanstrasse" project in Nuremberg was also successfully handed over. With a total living area of approximately 9,800 square metres, this comprises 459 high-quality furnished and mostly barrier-free micro-apartments. On the ground floor, around 800 m² of commercial space and 75 underground parking spaces have been completed. All residential units meet the KfW Efficiency House 55 standard.

The "DUI 76" project in Duisburg was completed on a 5,463 square metre plot of a former bowling centre in Duisburg-Buchholz in the immediate vicinity of the district centre. The total of 78 barrier-free 1.5 to 5-room apartments that have been completed and handed over are an ideal complement to the existing housing estate and were built in accordance with the Efficiency House 55 standard.

In Schorndorf, 228 apartments were handed over in the form of the "s'Lederer" project. On the one hand, attractive one to five-room apartments with areas of approximately 30 to 125 square metres have been created, and on the other, four townhouses and 18 loft apartments, all of which are rented out by the new owner. 28 apartments are social dwellings, 21 units are reduced-price apartments.

The entire "City Prague Office" project was completed in November 2023 with the completion of the "Maybach 10" office and business building and a daycare centre. 250 rental apartments in the "Living in the Theatre District" sub-project, including 34 barrier-free and 24 social-price-linked units, were completed and handed over in the summer of this year.

All developments in what is a challenging market environment were monitored closely in terms of our projects and compensated for as far as possible by making the appropriate adjustments to the relevant processes.

The completed projects of Instone Group's project portfolio continue to have a high sales ratio of about 95%.

Instone Real Estate Group SE

Operations

Instone Real Estate Group SE is the Instone Group's strategic management holding. Instone Real Estate Group SE directly owns all shares in Instone Real Estate Development GmbH and Nyoo Real Estate GmbH and indirectly all or almost all shares in the other operating subsidiaries of the Instone Group.

The annual financial statements of Instone Real Estate Group SE were prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The management report is summarised in the Group Management Report. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) in accordance with Section 315e (1) HGB. Differences between the accounting and valuation methods according to the German Commercial Code (HGB) and the International Financial Reporting Standards (IFRS) mainly arise in accounting for, receivables, leases, provisions, financial liabilities and deferred tax in the balance sheet.

Control system, future development and risk situation

As a holding company, Instone Real Estate Group SE acts directly with control functions and services for the operating activities of the subsidiaries and depends indirectly on the results and the economic performance of its subsidiaries. The management system, expected development and opportunities and risks of the Instone-Group are reported in detail in the "Strategy" page 42, "Corporate management" page 45, "Risk and opportunities report" page 156 and "Outlook" page 174 of this Combined Management Report.

2023 business performance

The business performance and situation of Instone Real Estate Group SE is largely determined by the business development and success of the Instone Group. This is described in detail in the "Results of operations, net assets and financial position" page 133 and "Project business at a glance" page 146 of this Combined Management Report.

Results of operations

Condensed income statement TABLE 042

In millions of euros

	2023	2022	Change in %
Revenue	7.8	7.4	5.4
Other operating income	5.6	4.7	19.1
Staff costs	-14.1	-10.9	29.4
Other operating expenses	-14.3	-13.3	7.5
Depreciation and amortisation	-0.7	-0.6	16.7
Financial result	56.6	63.7	-11.1
of which revenues/losses from profit and loss transfer agreements	48.5	65.2	-25.6
Taxes on earnings	-17.7	-16.9	-7.7
Earnings after tax	**22.8**	**34.3**	**-23.9**

The reported revenue of Instone Real Estate Group SE in the amount of €7.8 million (previous year: €7.4 million) resulted mainly from the provision of services to affiliated companies.

Other operating income rose to €5.6 million (previous year: €4.7 million) and includes, in particular, income from passing on expenses to affiliated companies.

The increase in the staff costs to €-14.1 million (previous year: €-10.9 million) is mainly due to the increase in expenses related to performance-related remuneration, the increase in the annual average of employees in the year under review and the full impact of the transfer of operations in the previous year.

Other operating expenses amounted to €-14.3 million, slightly above the previous year's level (previous year: €-13.3 million). In the 2023 financial year, other operating expenses mainly included expenses for organisational consulting and services amounting to €-5.5 million (previous year: €-6.9 million), other taxes expenses of €-1.7 million (previous year: €-1.3 million), expenses in connection with severance payments in the amount of €-1.4 million (previous year: €-0.2 million), expenses for IT services in the amount of €-1.2 million (previous year:€-0.3 million) and expenses for insurance premiums of €-0.8 million (previous year: €-1.0 million).

The changes in the financial result to €56.6 million (previous year: €63,7 million) were essentially made up as follows:

- Income from profit and loss transfer agreements amounted to €51.6 million (previous year: €71.1 million). The significant decline is due, on the one hand, to the lower margins compared to the previous year for the residential development projects handed over to customers after completion and, on the other hand, to one-off expenses recorded for the first time in the year under review relating to the valuation of inventories in the amount of €17.7 million (previous year: €0.0 million) owned by Instone Real Estate Development GmbH.
- Income from loans amounted to €15.3 million (previous year: €9.2 million).
- Income from interest on investments amounted to €4.5 million (previous year: €0.3 million)
- Expenses from the acceptance of losses amounted to €-3.1 million (previous year: €-5.8 million).
- Interest and similar expenses were at a similar level to the previous year at €-12.0 million (previous year: €-11.0 million).

Taxes on income and earnings amounted to €-17.7 million (previous year: €-16.9 million).

In the period under review, there was a total net profit of €22.8 million (previous year: €34.3 million). This fall is mainly due to the significantly lower results from profit and loss transfer agreements.

Net assets

Condensed statement of financial position

TABELLE 043

In millions of euros

	31/12/2023	31/12/2022	Change in %
Non-current assets	224.8	224.1	0.3
Loans and receivables from affiliated companies	207.7	303.7	-31.6
Other receivables, other assets and deferred income	3.2	3,3	-3
Bank balances	209.2	189.6	10.3
Deferred tax assets	5.6	4.8	14.6
Assets	**650.5**	**725.5**	**-10.3**
Equity	453.7	450.6	1.4
Provisions	14.6	31.6	-64.2
Loans from banks and other lenders	177.6	180.9	-1.8
Liabilities to affiliated companies	1.5	58.2	-97.4
Other liabilities	3.1	4.2	-26.2
Equity and liabilities	**650.5**	**725.5**	**-10.3**

At the year end, the total assets of Instone Real Estate Group SE fell to €650.5 million (previous year: €725.5 million). On the assets side, this is mainly due to the reduction of loans to and receivables from affiliated companies and, on the liabilities side, mainly result from the reduction in liabilities to affiliated companies.

Non-current assets mainly included the investment book values of Instone Real Estate Development GmbH, Essen amounting to €222.1 million (previous year: €181.8 million). The increase compared to the previous year is mainly due to the lateral merger of Instone Real Estate Leipzig GmbH, Leipzig with Instone Real Estate Development GmbH, Essen.

Loans, receivables, other assets and deferred income amounting to €210.9 million (previous year: €307.0 million) include loans to affiliated companies amounting to €119.4 million (previous year: €200.4 million) and ongoing receivables from affiliated companies based on profit and loss transfer agreements. Other assets amounting to €2.3 million (previous year: €1.6 million), in particular, include receivables from tax refund claims and receivables from the former shareholder of the subsidiary Instone Real

Estate Development GmbH. This requirement results from the exemption from property transfer tax expenses in connection with the acquisition of the Company, for which a corresponding provision exists.

As of the reporting date, temporary valuation differences between the commercial balance sheet and the tax balance sheet resulted in deferred tax assets in the amount of €5.6 million (previous year: €4.8 million).

The equity ratio on the balance sheet date was 69.7% (previous year: 62.1%).

Provisions fell to €14.6 million in the financial year (previous year: €31.6 million) and relate in particular to personnel provisions for pensions and for bonus commitments to the Company's employees and employees of group companies as well as tax provisions. The sharp decline mainly relates to tax provisions and results from the advance payments made in the year under review with a declining tax base.

The liabilities essentially consist of loan liabilities to credit institutions and other lenders amounting to €177.6 million (previous year: €180.9 million) and those to affiliated companies in the amount of €1.5 million (previous year: €58.2 million). The loans from banks, other lenders and affiliated companies result, in particular, from the strategic alignment of financial management, with which corporate financing is taken up by the highest group company and free liquidity is bundled in the highest group company. They are then used within the group companies. The significant decrease in liabilities to affiliated companies is the result of the sideways merger of Instone Real Estate Leipzig GmbH with Instone Real Estate Development GmbH and the associated offsetting of receivables and liabilities.

Financial position

As an objective of appropriate financial management, the Instone Group, through Instone Real Estate Group SE, provides sufficient cash and cash equivalents to meet the operational and strategic financial needs of the Group companies at all times in the management's view. As a listed company, Instone Real Estate Group SE considers the interests of shareholders and banks in its financial management. Instone Real Estate Group SE ensures an adequate ratio between equity and debt financing in the interests of these stakeholders at its discretion.

Staff

At the end of the year, around 97 members of staff were employed at Instone Real Estate Group SE (previous year: 104 employees). GRI 2-7

Outlook

Due to its position as a strategic holding company, the company does not have its own operative business. Sales arise almost exclusively from the administrative services provided to group companies and the remuneration agreed for this purpose. At the same time, the Company accepts expenses for the salaries of employees of administrative central departments, the salaries of the Management Board and Supervisory Board remuneration, as well as for interest expenses for corporate financing, including guarantee commissions. The sum of these expenses exceeds the recoverable sales revenue.

Compared to the previous year's outlook, earnings after tax fell by €11.4 million to €22.8 million, contrary to expectations. This is mainly due to the lower income from profit and loss transfer agreements compared to expectations. In particular for the subsidiary Instone Real Estate Development GmbH, one-off expenses in connection with the valuation of inventories had a significant impact on the annual profit for the year in the reporting year.

The Company receives significant income from existing profit and loss transfer agreements with subsidiaries, in particular with Instone Real Estate Development GmbH Due to the expected business development of this subsidiary , a significant increase in income from profit and loss transfers compared to the previous year is expected for the 2024 financial year. Because of the overall effects described, we expect earnings after tax for the 2024 financial year to be well above the previous year's figure.

Risk and opportunities report

The risk management of the Instone Group is geared towards securing the successful, continued development and profitability of the Group in the long-term.

Risk management system TCFD risk management

At the Instone Group, the risk management system is understood to mean the entirety of all organisational regulations and measures intended to identify business risks at an early stage and to counteract them with appropriate measures in good time. This is intended to secure the defined business goals and future success of the Instone Group. Unrecognised and therefore uncontrolled and unmanaged risks represent a high risk potential for the Instone Group. Systematic risk management reduces the risk potential and ensures the continuation of the Company, the preservation of jobs and the successful further development of the Instone Group.

Key elements of the risk management system include the use of risk management software, quarterly risk identification measures, closely monitored, database-assisted project controlling, periodic reviews, internal approval processes for any far-reaching decisions, the ICS and the four-eyes principle. The powers for individual decision-making levels are clearly regulated in the internal guidelines. The risk management process does not encompass a separate opportunities management function. The Instone Group assesses identified opportunities with regard to their impact on the planned results within the framework of existing planning and controlling processes.

We are continuously working to optimise the risk management system together with our independent partners. As a German stock corporation listed on the Frankfurt Stock Exchange, the Instone Group is subject to the corresponding regulatory framework. As a result, the Management Board and the Supervisory Board are also obliged to issue an annual declaration on the extent to which the recommendations of the German Corporate Governance Code (GCGC) have been observed. All applicable internal guidelines, rules of procedure and measures designed to ensure a Group-wide standardised and structured approach to risk management are reviewed internally on a regular basis and updated where applicable.
GRI 2-22

Responsibilities

In organisational terms, the Risk Management Department is part of the Controlling Department and reports directly to the Management Board, which bears overall responsibility for the risk management system. It makes decisions regarding the structural and procedural organisation of risk management and the provision of resources. The Board also adopts the documented risk management results and takes them into consideration in its management of the company. The Supervisory Board's audit committee monitors the findings of the risk management system. In the interest of key stakeholders such as shareholders, customers, employees, suppliers and investors, the Management Board pursues a conservative, safety-focused risk strategy, which also takes the sustainability of our activities into account.

The first and second levels of executives below the Management Board are called risk owners and in this role bear responsibility for identifying, evaluating, documenting, managing and communicating all material risks in their respective areas of responsibility. Every employee of the Instone Group is required to behave in a risk-aware manner, i.e. to be clear about the risk situation within their area of responsibility and to deal responsibly with identified risks.

Risk management process

Within the scope of the risk management process, the Risk Management Department coordinates the identification, evaluation, documentation and communication of risks. It consolidates the risk reports of the risk owners and prepares the report for the Management Board and Supervisory Board. This enables the Management Board to systematically identify and assess material risks within the Company or in the Company's environment in a timely manner and initiate appropriate countermeasures.

In our view, the risk management system of the Instone Group ensures the early identification, assessment, management and monitoring of all material risks. This also includes risks that exist beyond the financial risks processed in the Controlling Department, which can endanger not only the net assets and financial position of the Company, but also intangible assets such as the Company's reputation. Project risks are identified and evaluated in particular as part of the project controlling process. Project Controlling uses a central database-supported software programme, the data and reports of which are used for close coordination regarding the status of projects and potential risks – at both the project level and the company level. In this way, potential dangers that may affect the Company's value or performance are recognised at an early stage. Under this approach, environmental and company-specific early warning indicators are taken into account and the regional knowledge and perceptions of our nationwide employees are taken into consideration.

Risk assessment

By means of a systematic process, the risk owners regularly identify, analyse and update all risks in their respective area of responsibility, with the support of risk assistants, if necessary, that arise by comparison with the applicable medium-term business plan. These are subdivided into the six risk categories "general business risks", "compliance risks", "financial risks", "IT and communication risks", "project business risks" and "legal risks" and their subcategories. The determined levels of loss and probabilities of occurrence are classified within specified ranges for each risk and documented in a Group-wide risk overview. EBT and liquidity are assessed to identify any plan variances over a three-year horizon.

Risks are documented as gross risks and net risks, meaning that the probability of occurrence and damage impact are determined from two perspectives, both before (gross) and after (net) the effects of effective measures to be implemented. The goal is to control every risk with the help of measures. Countermeasures serve to avoid, reduce or transfer risks. However, risks must be accepted in some cases in which no countermeasures can be identified, for example, due to macroeconomic effects that cannot be influenced. Individual risks are assessed as severe if the corresponding net risks would have a serious impact and at least a medium probability of occurrence. Risks assessed as being severe are to be explicitly listed in the risk and opportunity report.

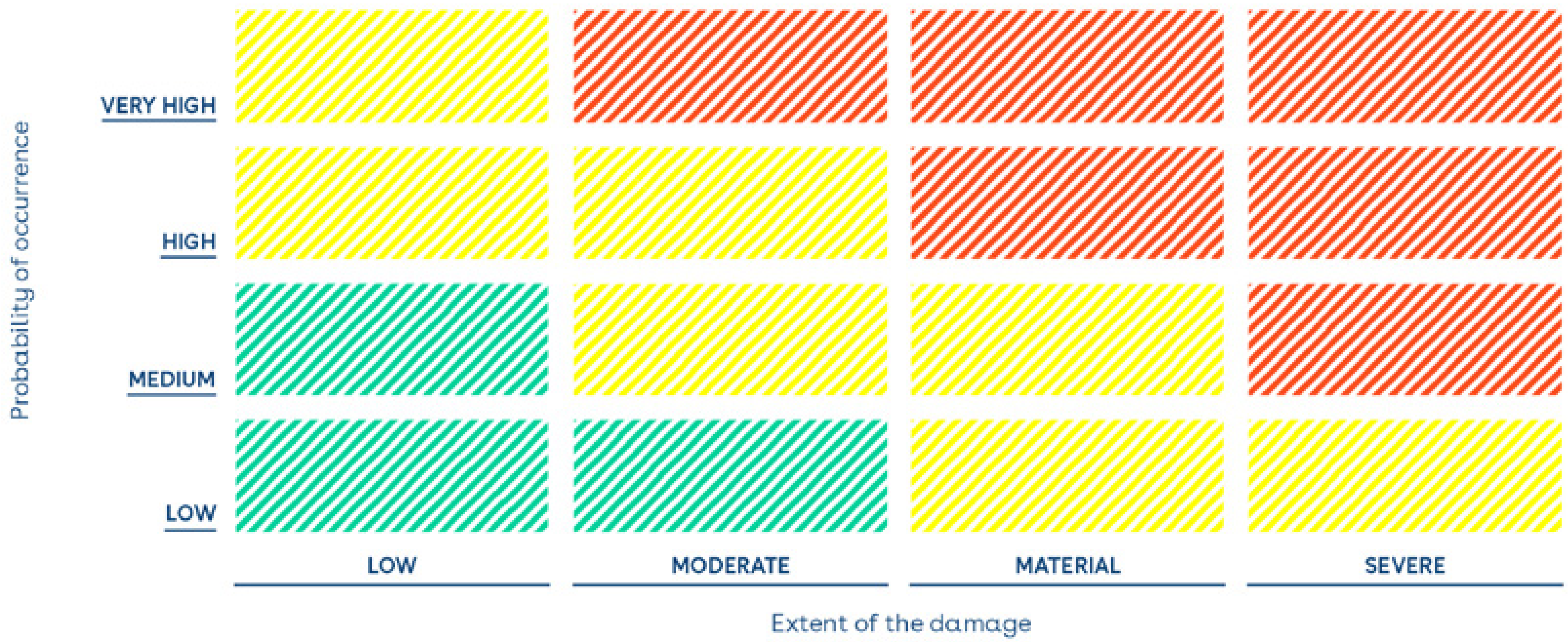
TABLE 044

Probability of occurrence	In %	Extent of loss	EBT In thousands of euros	Liquidity In thousands of euros
Low	≤ 10	Low	≤ 4,000	≤ 3,000
Medium	> 10 ≤ 25	Moderate	> 4,000 ≤ 10,000	> 3,000 ≤ 9,000
High	> 25 ≤ 50	Material	> 10,000 ≤ 20,000	> 9,000 ≤ 15,000
Very high	> 50 ≤ 100	Severe	> 20,000 ≤ 40,000	> 15,000 ≤ 30,000

This scheme creates an assessment matrix that categorises the individual risk notifications into a traffic light system (green, amber and red).

Risk assessment matrix

FIGURE 021



Supervision of the risk management system

The risk management system is regularly updated and developed and particularly adapted to changes in the Company and/or the Instone Group. The Risk Management Policy describes the core elements of the risk management system and defines the responsibilities. This is amended continuously as necessary. Basic and coordinating activities related to the risk management system are carried out by the Controlling Department, communicated to the Risk Management Committee and if necessary approved by the Risk Management Committee and the Management Board of the Instone Group. This process includes, but is not limited to:

- Documentation and communication of rules for the risk management process at the Instone Group
- Definition, ongoing determination and review of the Company's risk-bearing capacity
- Further development of existing risk management regulations
- Point of contact for all fundamental questions of risk management at the Instone Group

- Critical scrutiny of the reported risk situation as well as discussion and critical reflection in the event of uncertainties regarding reported or unreported risks
- Discussion, coordination and follow-up of countermeasures
- Reporting to the Management Board about material risks and their development

The described process is permanently managed by the Controlling Department and the results and decision-relevant points are presented to the Risk Management Committee, which meets once every quarter. Extraordinary meetings are convened when needed.

Reporting

Risk management activities and results are documented in a quarterly risk report, which is made available to the Management Board. The Supervisory Board's audit committee is also informed about the risk situation four times a year. This reporting system ensures that both management and supervisory bodies are fully informed and that relevant operational early warning indicators are in place. In this way, undesirable developments can be detected in good time and countermeasures initiated at an early stage. If material risks occur suddenly, they are reported to the Management Board without delay.

Internal Control System (ICS)

The ICS is closely linked to the risk management system and regulates the avoidance or limitation of risks with the aid of control measures. It is therefore aimed at safeguarding both the risks of financial/sustainability reporting and operational risks. The ICS is regularly adapted to the current risk situation of the Group. The accounting-related ICS ensures the accuracy and reliability of accounting and compliance with the legal requirements applicable to the Company. In addition, it ensures the effectiveness and profitability of the business activities. The focus is on the prevention and detection of asset misappropriation and the protection of the Company's assets. The ICS is the responsibility of the Management Board. The Management Board is responsible for set up, monitoring, effectiveness testing and development. The objective of the accounting-related ICS within the meaning of the relevant regulations is to ensure the legal compliance and adequacy of financial reporting. For this purpose, the ICS is embedded in the Finance and Accounting Department. The finance and accounting department is responsible for guidelines for the adoption of accounting regulations and for the content and timing of the financial reporting process. From an organisational viewpoint, work on financial statements for all companies included in the consolidated financial statements is carried out by the parent company. All companies and branches included in the consolidated financial statements are located in an SAP environment. The entire Group is subject to uniform accounting/valuation requirements, charts of accounts, account assignments, processes and process controls. The central control elements are the internal approval processes, the dual control principle and the required separation of functions. The Instone Group has an authorisation concept that is adapted to the job profiles of the respective employees.

Internal Audit

The Internal Audit Department prepares a risk-oriented audit schedule annually based on an analysis of all material business processes. After approval of the audit plan by the Management Board, the Internal Audit Department independently and autonomously audits compliance with the legal requirements and Group-wide guidelines for the control system. It assesses the functionality and effectiveness of the internal control and risk management system and identifies possible optimisation potential for minimising risks in process execution and in the control environment. The individual audit reports are made available to the Management Board, the audited business units and the risk management system for the purpose of checking potential identified risks. This allows the Management Board to make timely adjustments to processes and to further develop the ICS that is already in place. The implementation of the measures specified in the audit reports is the subject of follow-up audits. The Management Board and the Audit Committee receive an annual report from the Internal Audit Department for information. GRI 205-1

Risk-bearing capacity

Within the risk management system, ensuring the Company's risk-bearing capacity is a key objective at the Instone Group. The assessment of the overall operational risk by means of risk aggregation makes it possible to conclude whether a company's risk coverage potential is sufficient to cover all risks, also in the future. The risk-bearing capacity is determined by comparing the risk coverage potential with the respective overall risk exposures over the three-year planning horizon. It can therefore be interpreted as available EAT or liquidity cover funds after the consideration of the identified quantitative net risks. The risk-bearing capacity over time is considered cumulatively.

The overall risk exposure refers to the measure of risk that results from the aggregation of all quantitative net risks in the risk inventory according to their effects on EBT and liquidity. The overall EBT risk exposure is then converted to an overall EAT risk exposure.

The risk coverage potential is regularly determined by the Controlling Department and is incorporated into the risk-bearing capacity assessment logic. The basic scenario for the risk coverage potential is based on continued corporate planning, taking into account the existing projects of the project portfolio, while maintaining personnel and material cost planning. The risk coverage potential for comparing the overall risk exposure EAT is formed by IFRS equity or, in terms of liquidity, freely disposable cash and cash equivalents, including contractually guaranteed credit lines.

Current risk assessment

The main risk categories and risk sub-categories at the Instone Group are described in the following condensed risk assessment. The description is based on the risk inventory as at 31 December 2023. The greatest risks in the risk sub-categories are explicitly mentioned in the descriptions. Risk sub-categories are divided into “relevant” and “not relevant”. Risk sub-categories are assessed as relevant if they account for more than 5% of the overall risk situation assessed (total of expected values), if at least one risk is in the "material" or "severe" range or if the Instone Group Management Board makes a corresponding determination from its higher-level perspective.

As of 31 December 2023, as in the previous year, the Instone Group identified the sales risk for all planned sales activities of the portfolio as a severe individual risk due to the macroeconomic effects described in the section "General business risks".

As in the previous year, a large part of the risk situation relevant to the Instone Group is derived from the market environment, which is characterised by high interest rates and decreased purchasing power. In addition, the Instone Group sees a tightening of lending standards by credit institutions, also influenced by raised regulatory requirements. As a result, in addition to the significant increase in debt financing costs, the Management Board is particularly also focusing even more on new financing and refinancing at the company and project level on the basis of risk management. Changes in the risk situation are continuously monitored, assessed and, if necessary, incorporated into the ongoing forecast.

The same risk sub-categories as in the 2022 Annual Report are assessed as relevant, as the risk situation has remained relatively constant compared to the previous year.

General business risks TCFD risk management

Global/national economy

The Instone Group is dependent on the German residential real estate market, which is influenced by various macroeconomic and general factors, such as economic, demographic and political trends. The increasing geopolitical tensions in recent years have caused growing political and economic uncertainties throughout the world. Detrimental political and economic trends across the world and in Europe could have negative effects on the export-oriented German economy as a whole and may particularly lead to a higher unemployment rate, lower per capita purchasing power and rising economic uncertainty. Such factors may delay demand for residential property.

The surge in inflation since 2022 prompted an interest rate reversal on the part of both central banks and capital markets, leading to a rapid rise in interest rates. This led to an increase in financing costs, which has had a dampening effect on real estate demand. Institutional investors also exhibited considerable purchasing restraint due to changes in interest rates and the tougher macro environment. If central banks stick to a more restrictive monetary policy and keep key interest rates at the current levels, this could lead to persistently high financing costs, which could also continue to restrict demand for Instone Group's products. In addition, demographic and socio-economic trends in key markets for the Instone Group could have a considerable impact on residential property demand. Although the population in the most important population centres of Germany rose between 2008 and 2023 as a result of increasing urbanisation and a generally growing population in Germany, this trend could reverse or at least slow down. In 2023, growth was comparatively less strong than in the first two quarters of 2022, which were marked by large movements of Ukrainian refugees. Not taking immigration into account, a shrinking and ageing population is to be expected in Germany. Lower immigration rates could reduce demand, especially in the key markets of the Instone Group. At this point, however, it should be taken into account that adverse development for the Instone Group would only become noticeable after the housing shortage in Germany has been reduced (see the "Economic framework" section starting on page 129).

However, the Instone Group has achieved broad regional diversification so that it can better respond to possible changes in the market. The Instone Group is represented in core cities and prosperous medium-sized of Germany, where it offers real estate in different price segments ranging from publicly subsidised housing to high-end housing. The project portfolio includes new construction projects as well as the renovation of listed buildings. Projects have been sub-divided into different building phases so that the Company can respond to differing market requirements in each phase. Also in sales, different customer groups such as owner-occupiers, investors and institutional investors are served. Despite this diversification and other measures, the impact of the remaining risk arising from the global and national economies is considered to be relevant.

Sector-specific regulatory risks

The real estate industry is subject to a great many legal regulations and legally influenced operating conditions. Changes in these areas can necessitate adjustments and measures on the part of companies in the real estate sector, including the Instone Group. These may include, but are not limited to, legislative changes or adjustments to construction regulations such as the German Building Energy Regulation, as well as regulatory intervention in the real estate market in the form of rent controls on new builds or quotas on housing subsidies, for example, which are not currently covered by civil law. Risks are identified on a case-by-case basis as part of regular screening of changes to relevant legal framework conditions. In addition, changes to these legal framework conditions due to longer building permit processes, for example, can lead to delays in the implementation of real estate development projects.

The Instone Group is active in real estate interest groups such as the German Central Real Estate Committee (ZIA) in order to contribute its extensive experience accumulated from a wide variety of projects over many years. Furthermore, we examine possible regulatory developments when acquiring land and take them into consideration in drafting the contract or determining the purchase price.

Due to the potential severe effects of regulatory risks and given that they cannot be ruled out due to the multi-year project periods, the Instone Group deems them to be relevant.

Market developments

As at 31 December 2023, approximately 88% of our portfolio (based on anticipated revenue volume after completion of development) was located in the most important population centres and metropolitan areas in Germany (Berlin, Dusseldorf, Frankfurt am Main, Hamburg, Cologne/Bonn, Leipzig, Munich, Nuremberg and Stuttgart) and approximately 12% in other prosperous medium-sized cities. The positive population and household trends and the continuing need for new housing are, in our view, favourable factors in the current real estate market. In recent years, increased demand for housing has been observed in major population centres and large cities. If growth in the population centres changes, that would pose a risk to the core markets of the Instone Group. The Instone Group is also looking into project opportunities outside the core cities to counteract such a development. With the subsidiary Nyoo Real Estate GmbH, which operates in the affordable housing segment, the target group that can be reached and the potential project locations in major population centres and beyond – especially in so-called B locations – will be significantly expanded. We monitor market developments and the situation of supply and demand very closely so we can react to any changes that may occur. The year 2023 was marked by falling sales prices and declining sales transactions across all residential property categories (new and existing construction of single, two and multi-family homes), particularly due to the fact that demand is not sufficiently supported by purchasing power and financing ability. The Instone Group currently expects the residential property market cycle to stabilise again in 2024 and continue to recover in the future. This expectation is supported by signs that interest rates are beginning to decline and the fact that the growing demand for housing, also due to the high rate of immigration, will come up against a relatively tight supply of housing. GRI 202

As the Instone Group is directly affected by changes in the market, the effects arising from market development risks are deemed to be relevant.

Staff

The factors of globalisation and digitalisation have lasting effects on the labour market. Moreover, sustained inflation is shaping the labour market and is a particular challenge at the current time. To counteract this, the parties to the collective agreement decided back in February 2023 to pay an inflation bonus split between 2023 and 2024. Furthermore, it is expected that with the expiry of the currently valid collective bargaining agreement in March 2024, the issue of inflation compensation will be the focus of the negotiations. In addition to those employees covered by collective bargaining agreements who have taken inflation compensation into account under collective bargaining conditions, those not covered by such agreements and their salary structure are regularly reviewed by Instone.

Furthermore, the shortage of skilled workers creates a dynamic in the market of job seekers that exposes a growing shortage of skilled workers. This is a strategic challenge because key positions can only be filled after a delay. There is a risk that knowledge transfer management cannot be optimally organised. In order to meet this challenge, the Instone Group has set itself the task of identifying key positions and pursuing active succession management. The Instone Group continually evaluates the age structure within the corporate group and analyses future search profiles. The aim is to devise countermeasures to avert a potential loss of know-how at an early stage.

In addition to attracting new specialists and young talent, retaining employees is a key concern and a strategic challenge given the persistent shortage of skilled workers. In this context, the Instone Group is continually developing talent development programmes in order to develop the company's potential on an ongoing basis. A key approach is the internal mentoring programme to support young managers in their leadership roles at the Instone Group. Under this programme, the mentees are supported by experienced mentors in a programme lasting two years. In addition, the programme gives young managers the chance to expand their internal networks and broaden their experience by attending various keynote lectures. For the Instone Group, employees are the face of the Company and the link to our customers and business partners. By targeting qualified personnel, the Company can fill key positions with highly trained employees. These initiatives have a positive impact on the image of the Instone Group brand. They also help to retain sufficiently qualified personnel.

Due to its streamlined business structure, the Instone Group cannot rule out vacancies in positions requiring highly specialised and individual expertise due to absences due to illness, termination or holidays. This may present a risk in certain situations.

Overall, we consider the impact of personnel risks to be relevant despite the measures implemented.

Reputation

To some extent, the Instone Group's business and growth strategy partly depends on preserving the integrity of the brand and reputation of the Instone Group as a reliable partner and quality supplier.

The Instone Group's reputation could be damaged by a number of factors and events which the Instone Group may not be able to influence at all or only to a small degree. These include unethical or illegal behaviour by employees or business associates, working conditions, incidents on construction sites, extensive or significant construction defects and associated claims for damages, an inability to provide the services requested by customers, negative reports in the (social) media, as well as threatened or actual litigation. In addition, the debates surrounding regulatory issues such as housing affordability and sustainability issues could adversely affect the reputation of the Instone Group.

The Instone Group may also encounter disagreements with local authorities and/or regulators in connection with its activities, resulting in administrative proceedings and unfavourable orders, directives or decrees that could lead to financial losses and delays in the completion of development projects.

With the involvement of external partners, the Instone Group has coordinated and developed a communication strategy and action plans to be implemented in response to different events. Reports in the (social) media are monitored continually in order to be able to quickly respond to any relevant reports. Incorrect or poor communication with the capital market (analysts and investors) would present the risk that the Instone Group could fail to meet the expectations of the capital market. This could lead to a lasting loss of reputation that could have an impact on the valuation of the Company.

The Company's aim is to be informed at all times about the current business and market developments within the Group through regular coordination of the specialist departments. This information policy forms the basis for external communication. The Group maintains an ongoing dialogue with the capital market (investors and analysts).

Despite the established risk communication, the Instone Group considers the impact of potential reputation damage to be relevant.

Sustainability strategy GRI 2-22 TCFD risk management

A detailed description of the Group's sustainability strategy and the resulting opportunities and risks can be found in the sustainability report starting on page 48.

The Instone Group is preparing to report in accordance with the Corporate Sustainability Reporting Directive (CSRD), applying the European Sustainability Reporting Standards (ESRS), which will be mandatory for the Instone Group from financial year 2025 onwards. Since the 2022 reporting year, all major financial market participants have also been subject to a reporting obligation under the EU Taxonomy. The Instone Group is currently not required to report, but has been voluntarily reporting on its activities since the 2022 Annual Report. The ongoing and evolving legislative process is continuously monitored by the Instone Group.

In order to achieve the national climate targets in the long-term, new materials, new construction methods and new standards must be developed and implemented (target: climate-neutral 2045). Among other things, the focus is on reducing CO2 emissions and promoting the resource-conscious use of materials and using and recycling them in the context of the circular economy in the building sector. In reducing CO2 emissions, the Instone Group is also dependent on other industries such as the energy industry and their efforts to reduce emissions. The costs associated with a switch to recycled, reused and/or alternative natural building materials and materials for the Instone Group cannot yet be quantified. This is due in part to the volatility of prices for conventional, but also natural materials and building materials, but also in part to the fact that products made from recycled, reusable or natural materials are not always available on the market in sufficient quantities. The use of diverse and alternative building materials will lead to a broader supply in the future, which may have an impact on pricing.

Other factors resulting from the derivation or implementation of climate targets, as well as the intensification of physical climate risks and preventive measures, may lead to higher project costs. Early consideration of physical climate risks in the planning process creates planning security and can increase the resilience of properties in the long-term.

Different trends can be observed in the financial market. First, climate stress tests are being performed by investors and second, a change of investment behaviour can be observed, which supports climate-conscious decisions as long as they do not exceed a set cost framework. The Instone Group anticipates a steady increase in climate-conscious investment behaviour in the future. Failure to meet the emission reduction targets as a result of insufficient investments in climate protection or in sustainable product design can therefore result in a loss of revenue. The general market trend remains to be observed, but is generally positive for the Instone Group. For example, the company is building very low-CO_2 and energy-efficient buildings that could potentially be priced higher than conventional buildings and therefore compensate for the additional costs of the sustainable transformation.

The risks of the sustainability strategy risk sub-category are considered relevant by the Instone Group.

Competition

The German residential real estate market is highly competitive. This competition covers the entire value chain of the Instone Group's development activities. Competitors mainly consist of local real estate developers who have very good networking and specialist knowledge in these markets. Moreover, a few major competitors operate throughout Germany in the same regions and cities where the Instone Group is represented. In our view, the Instone Group is competing with these housing developers to acquire attractive development land, the availability of which is usually limited. Due to the changing market situation, however, competition for these properties eased in 2022 and 2023 due to the development of demand.

Nevertheless, the Instone Group is one of the leading project developers with expertise in urban property development and complex building law. With its established branch structure focusing on core cities and prosperous medium-sized cities, the Instone Group has continued its strategy of intensive, regionally adapted market development. The Instone Group achieves excellent networking results in the markets thanks to its regional structure. This enables us to achieve our targeted acquisition volume and gives the Instone Group access to interesting projects.

This risk is deemed to be relevant despite the lessened competition pressure and successfully implemented strategy.

Compliance and data protection

The real estate and construction sectors are subject to various laws and regulations, which relate to compliance with price-fixing and data protection law and paying the minimum wage in addition to measures to combat illegal work, bribery and corruption as well as anti-money laundering, among other things. As a listed company, the Instone Group is also subject to a number of capital market regulations, compliance with which is required by law. The Instone Group depends on the compliance of all employees with applicable laws and the compliance guidelines of the Instone Group. The internal Group-wide compliance guidelines and procedures for further expanding compliance are regularly reviewed to ensure that they are up-to-date and revised as necessary. All employees and business partners of the Instone Group are obliged to comply with the Code of Conduct for employees and contractors. To ensure this, every employee must complete mandatory training on compliance and data protection.

With the help of our compliance and risk management procedures and monitoring mechanisms, we seek to detect and prevent any violations of the law and unethical behaviour, including corruption and terrorist financing, investigate indications of suspicious activity, and immediately detect contraventions. In addition, we want to ensure that our internal guidelines are also observed by our employees.

Compliance responsibilities

FIGURE 022

The Instone Group is constantly working to improve its compliance management system and provide all employees with supporting information. A digital whistle-blower system is available to employees and third parties such as customers and business partners so that they can report any wrongdoing anonymously.

At the Instone Group, the Compliance Department is organisationally part of the Corporate Legal Department of Instone Real Estate Group SE, whose head reports directly to the Chief Financial Officer. The Audit Committee of the Supervisory Board also deals with compliance issues and reports to the Supervisory Board on this subject. The Instone Group has also set up a Compliance Committee, which includes the Chief Financial Officer, the Head of the Legal Department and the Heads of Taxation, Finance and Accounting Department, the Head of the Human Resources Department and the Head of Controlling & Risk Management. The Compliance Committee deals with compliance-related topics, including the continuous optimisation of the compliance management system, on a regular basis.

In the 2023 financial year, there were no legal proceedings due to anti-competitive behaviour, price-fixing or monopoly practices. In addition, there was no evidence of any relevant compliance violations at the Instone Group in the past financial year that have been confirmed. Nevertheless, the Instone Group will carefully investigate and respond to suspected cases of compliance. The Instone Group is currently not aware of any cases of corruption and therefore no meaningful risks have arisen in this area. GRI 206, 206-1

New, extensive data protection rules must be observed by the Instone Group in accordance with the General Data Protection Regulation (GDPR) which came into force on 24 May 2016 and has been applicable since 25 May 2018. The potential sanctions for non-compliance are considerable. The Instone Group has appointed an external Data Protection Officer who is available to all employees as a contact person. The Instone Group provides annual training to its employees and provides them with information materials from external data protection officers. The IT landscape of the Instone Group is adapted to the current laws and regulations. The technical and organisational measures taken to protect data are regularly reviewed to ensure they are up-to-date and offer little scope for cyber attacks. A potential data breach or non-compliance with other data protection regulations can have significant consequences. GRI 418, 418-1

Despite the measures implemented, there is still a residual risk that violations of data protection regulations may occur. In the past financial year, there were a total of three known cases of personal data violations, but they posed no risk or only a minor risk for the rights and freedoms of data subjects.

Despite the measures implemented, there remains a residual risk. We consider the effects of these risks arising from the areas of compliance and data protection to be relevant.

Financial risks

Banking partners

Deposits with our bank partners outside of deposit protection can be subject to a total loss in extreme scenarios. Existing financing may not be continued. Both risks can cause a liquidity bottleneck for the Instone Group, so that new acquisitions cannot be made or liabilities cannot be serviced. Furthermore, interest rate increases may cause the previous financing conditions to deteriorate, so that existing variable financing becomes more expensive or new financing can only be concluded on worse conditions. To counteract this, interest rate developments are monitored continuously and all planning elements are adjusted accordingly on an ongoing basis.

The Instone Group has a Financial Risk Policy that specifies the concept and structure of bank selection. Financial transactions may only be concluded with the prior approval of the Management Board and only with approved banking partners. In order to assess creditworthiness, the Instone Group follows the general market observations of the individual credit institutions and reviews potential default risks in given cases. To minimise the risk of default, investments are distributed among several banks. We consider the potential impact of the risk to be relevant.

Financing structure

In principle, financial covenants are agreed in the corporate financing contracts. Failure to comply with the financial covenants may involve the risks of more stringent financing conditions and extraordinary terminations of financing. A termination of financing would trigger immediate repayment and, via a cross default, also the repayment of other corporate finance. In the event of terminations and the associated premature repayment of the financing, refinancing would only be possible under worse conditions. The covenant requirements are continuously monitored and forecast by the Instone Group. Prior to investment decisions, the impact of the respective investment on the existing financial covenants is checked. The Instone Group believes that there is comfortable leeway with respect to this covenant.

Due to continuous monitoring, the probability of occurrence of the violation of a financial covenant is low. Based on corporate planning, there are also no indications that the financial covenants cannot be serviced in the future. Nevertheless, non-compliance with the financial covenants would have a severe impact on the Company so we consider this risk to be relevant.

Interest

The vast majority of our project financing and parts of corporate financing are concluded on the basis of variable interest rates. The reference interest rate is based on the requirements of the European Central Bank. If the noticeable increase in interest rates since the beginning of 2022 continues or worsens, our externally financed projects would have to bear higher interest costs and interest payments than currently calculated. The findings from ongoing interest rate monitoring are reassessed monthly in the project calculations.

Further interest increases would also exceed the calculated estimates for the project portfolio share with planned property and/or structural financing and would lead to additional costs and margin burdens. After detailed analysis, interest rate hedging instruments have not been entered into to date.

In view of the current interest rate environment, the Instone Group considers the potential impact of further interest rate increases to be relevant.
GRI 2-22

Liquidity

The solvency of the Company is monitored on an ongoing basis by continuously updating the liquidity forecast. The liquidity forecast structures anticipated cash flows in monthly time windows according to their origin so that the level of risk and probability can be identified in a targeted way and quantified. The respective specialist departments provide planned figures for higher-level cash flows. The resilience and feasibility of investment projects or strategic management decisions can be analysed with the help of scenario analyses in the overall context of the company-wide liquidity forecast.

The Group must maintain a minimum level of liquidity to ensure stable liquidity. As far as economically reasonable, debt financing is generally concluded for projects.

Due to the current lack of visibility into the recurring stabilisation of the demand situation, the sales speeds in the existing projects and the associated payment returns from the medium-term planning are mapped very conservatively. Unforeseen further delays in payment returns can have a negative impact on the Company's liquidity.

Sufficient cash and cash equivalents were available throughout the financial year. There are no discernible circumstances that indicate a liquidity shortage.

Despite the implemented measures, the Instone Group considers the potential impact of liquidity risk to be relevant due to the tremendous effects.

Tax

The expansion of the Real Estate Transfer Tax Act to include the notional element of the change of shareholders in corporations could also lead to real estate transfer tax in existing structures in the case of listed real estate companies.

Regular tax audits may reveal tax risks that might reach a relevant level when they occur.

The current tax audit for the years 2014 to 2016 of the Instone Group is expected to end in the first quarter of 2024. Any findings that could arise from this are taken into account by suitable provisions. The ongoing tax audit of the Instone Group companies for the assessment periods 2017 to 2019 is expected to end in 2024. The basis for the conservative tax declaration is provided by accounting which uses the described ICS. The ICS aims to ensure the accuracy of the disclosures.

The possible effects from tax risks are considered to be relevant.
GRI 207-1, 207-2

Project business risks

Project risks are recorded, evaluated and summarised in reports. Based on this information, meetings are held monthly in the project team and in forecast and result discussions with the Management Board. The risks associated with approved projects or upcoming acquisitions and their respective mitigations are discussed and determined during these meetings.

The various levels of management are granted clearly defined decision-making powers, including those relating to project management. For example, each new project (this also applies to the approval of the initiation of sales) is approved by the Management Board and, in the case of larger projects, also by the Supervisory Board. If projects run the risk of deviating from key approved parameters, this must be explained and discussed with the Management Board within the scope of the monthly forecast and result meetings. In addition, in the decision-making process preceding the investment approval, the investment capacities of the coming years will be examined on the basis of the existing project portfolio and with the addition of the investment measure applied for. From the time of approval, each project must be fully taken into account in the ongoing planning process until it has been handed over in full or until the decision to dispose of it.

Business partner selection and contractor retention

The Instone Group relies on the provision of construction and other services by external suppliers and contractors for the realisation of its development projects. Such outsourced services in particular include architectural and engineering services as well as all construction services. Although the nationwide increase in construction volume from previous years stagnated in the 2023 financial year, bottlenecks could also arise in the future on the supplier and execution side due to business closures and insolvency.

If the Instone Group is unable to find qualified and reliable contractors for its development projects, that could hamper its ability to complete projects on time within the stipulated limit and in the requisite quality.

As part of its corporate strategy, the Instone Group relies on its regional and partially cross-regional networks to engage qualified and reliable contractors, most of whom have long-standing relationships with the Instone Group, with a correspondingly long-term lead. In addition to maintaining a consistently high quality, these measures also serve to ensure the sustainable safeguarding of resources on the market. The Instone Group has also set out guidelines indicating the evidence to be provided by contractual partners in order to prove their qualifications and reliability.

Furthermore, a lack of cost certainty in projects due to late subcontracting to subcontractors may lead to projects or individual sections of projects being implemented inefficiently. Cost increases due to short-term contracts and the resulting insufficient market penetration may have a negative impact on project results.

The implementation standards of our projects are subject to continuous development in order to adapt them to current state-of-the-art technology and the requirements of our customers. To ensure a high degree of cost certainty is achieved for the individual projects, the Project Service department, before sales release by the Management Board, carries out cost calculations for all projects on the basis of the individual costs of the partial services and can draw on the key cost figures and experience from the entire projects of the Instone Group. For the continuous verification of our cost approach, we regularly create post-calculations based on the actual costs incurred per project and transfer the knowledge gained from this to the ongoing calculation process.

Furthermore, we also reduce cost risks by agreeing long-term partnerships with our contractors and by awarding contracts to contractors as early as possible for the most important contract work. Structural work, building envelope and technical building equipment. The Instone Group assesses the potential impact of the risks to be relevant and takes steps to protects itself against these risks in each individual case at the earliest possible opportunity.

Approval process

Due to the possibility that the desired target building right with regard to an economically viable use cannot be achieved or can only be achieved with a considerable delay with the investment approval, there is a risk of selling a property without being built up. Furthermore, inadequate capacities of government agencies and changes in local government committee meetings could mean that processes such as obtaining planning rights and building permits may not be completed on time. This can lead to shifts in the sales and construction starts and, as a result, to subsequent realisation of earnings and return on payments for our projects.

The Instone Group relies on a strong regional network and expertise and maintains close contacts with the competent government agencies to reduce the risk of delayed project implementation due to delays in obtaining building rights. Any challenges during the procurement of construction rights are analysed in detail. Outstanding issues are clarified in dialogue with local authorities and community representatives. In the event of a high number of building applications, however, there may be delays in the process which could have a negative impact on the planned implementation schedule. In exceptional cases, the acquired land will need to be resold if construction rights are not granted. Due to the large project portfolio, such delays can often be addressed by re-prioritising the project implementation so that the impact is absorbed at Group level. The Instone Group considers the potential impact of this risk to be relevant.

Project implementation/construction

A number of risks can arise during project implementation, causing a delay to the start of construction or the late completion of the development project. Such delays can also lead to an increase in construction costs that the Instone Group may not be able to compensate for. As a result, under some circumstances the Instone Group may not be able to sell some or all its development properties on profitable terms. In order to avoid the risk of building cost increases, the Instone Group strives to agree fixed prices with all contractual partners for the duration of the respective project construction period. If this is not successful in individual cases, it is possible to coordinate sliding price clauses, which are agreed transparently on a sub-section basis based on construction cost indices according to Destatis. In addition, construction delays and any resulting delayed handovers can trigger contractually regulated rights of withdrawal and contractual penalties. In addition, this may also result in claims for damages on the part of the buyers and investors. In order to avoid such risks, possible project delays are subject to monthly monitoring with regard to their contractual provisions and the implementation of countermeasures.

The refurbishment of listed buildings involves special risks associated with the essence of the building. This could lead to risks in terms of costs and time delays. These specific cost and deadline risks are part of our project planning and costing. Our branch office in Leipzig, which has many years of experience in the renovation of listed buildings, can transfer the experience of already successfully developed projects to the new projects, thus reducing or eliminating unexpected risks.

The effects on raw materials markets, energy costs, production capacities, supply chains and price increases caused by the war in Ukraine in 2022 were less likely to affect costs and processes in 2023. All year round, material prices stagnated at a high level, and in a few sub-segments (for example wood, concrete steel) they showed a significant decline. The same was true for energy costs. Nevertheless, the price trend must still be regarded as volatile. Further geopolitical events and their consequences can again have a strong impact on prices. Supply chains have largely returned to normal, not least due to declining demand. From today's perspective, we expect stable material and sub-section prices on average in the coming years. Although there are also external market estimates of falling construction prices, it cannot be ruled out that the price trend will pick up again due to unforeseen events and that the economic viability of our projects will be adversely affected.

The continuing tense situation on the German construction and real estate market can also be seen in 2023 as the number of company insolvencies rises. In isolated cases, the potential insolvency of our contractors can lead to construction delays and additional costs. In addition, the development of construction companies is also restricted by the banks' cautious and cautious business activities. This makes it more difficult for companies to obtain new loans , for example to compensate for pre-financing costs for larger orders. This development will also influence the contractor portfolio of the Instone Group.

In order to be able to identify possible risks and effects at an early stage , internal purchasing risk management is structured in such a way that monitoring of the contractual partners must be actively initiated during the contract award phase by calling up a financial information. Each change in the respective company (e.g. in terms of financial position, legal form, change of management) is then re-evaluated and automatically reported to the requester via monitoring for one year. For verification purposes, in individual cases, a second information about another business service is also requested.

Due to climate change, more and more weather events can occur, which restrict future construction activity to the extent that construction progress can slow down due to heavy rain, heat, cold or storms, for example. The Instone Group is protected by insurance against damage, but not against delays. Any events that involve delays in the construction process can lead to a later generation of revenue. In addition, delays due to late completion of construction work can lead to the elimination of already approved funding.

The Instone Group makes every effort to identify and evaluate all potential project risks at an early stage. The purpose of the regular meetings at project, branch and Group level is, among other things, to closely support the project and discuss potential risks at an early stage in order to consider the further course of action together. The Instone Group encourages communication between its employees to support knowledge transfer. This allows them to pass on specialist knowledge to each other. All projects are conservatively forecast in the Controlling System and brought up to date with the current state of knowledge.

The Instone Group considers the potential effects of these risks to be relevant.

Marketing/sales GRI 417, 417-2, 417-3

Before sales begin, it may be possible to apply market prices that can no longer be implemented at the time of the sale, so that the marketing and sales process of the Instone Group would be slower or more cost-intensive.

In our opinion, the purchase restraint described in the chapter "Project business at a glance" in the 2023 financial year will not resolve abruptly in 2024. In line with the current market situation, the company's forecast therefore continued to take account of the reduced speed of sales compared to the level prior to the crisis. There could also be further reductions, including a temporary stop to the sales process. It cannot be ruled out that the purchase prices will be significantly reduced compared to current price assumptions in order to improve sales performance.

Our risk management ensures that the planned revenues and schedules for each project are analysed and scrutinised critically by the Management Board during the approval and sales release processes. We use our pre-sale quota to test the project development concept and planned sales prices in terms of market acceptance. If the concept is not accepted or, for example, if sales expectations are not achievable, the project will be re-adjusted and rechecked. This is intended to identify and implement alternative sales channels and product modifications.

As in the previous year , the sales risk for all planned marketing activities of the portfolio represents a severe individual risk as of 31 December 2023, because it has a severe damage impact and a high probability of occurrence.

The Instone Group considers the potential effects of these risks to be relevant.

IT and communication risks

The Instone Group relies on dependable, efficient IT systems for its operations and uses complex, customised IT systems to manage all phases of its development activities along the value chain. The Instone Group's IT systems may fail or be disrupted by events that are entirely or partially beyond the control of the Instone Group. The systems may be vulnerable to unauthorised access and data loss (inside or outside the Group), computer viruses, malware, cyber security attacks and the interception or misuse of information transmitted or received by the Instone Group.

The Instone Group has implemented extensive data security measures and is constantly working to keep pace with developments and meet the needs of the IT industry. To ensure this, the Instone Group relies on specialist service providers and renowned manufacturers. In addition, the legal requirements, for example, from the European General Data Protection Regulation, are taken into account when designing IT systems.

The server infrastructure of the Instone Group is fully implemented in the Microsoft Azure cloud computing platform in the EU and is redundant due to the data storage in the Microsoft data centres in Amsterdam and Dublin. Continuously updated defence systems, client and identity management systems for all mobile devices, apps and user accounts, as well as a 24/7 Cloud Security Operation Centre of a commissioned specialist service provider protect the infrastructure against external cyber attacks. Multi-level data storage systems allow the complete recovery of all data. The measures taken ensure a minimum risk of failure and a high level of data security, in our opinion.

The Instone Group does not consider the possible effects of IT and communication risks to be relevant due to the IT concepts that it has implemented.

Legal risks

Liability and insurance

As the warranty period extends over several years, the risk of warranty claims continues long after completion of the projects. This could lead to costs which were not factored in. The Instone Group, working together with its contractors, strives to hand over real estate of defect-free or nearly defect-free quality and therefore prevent any potential claims. The Instone Group is also entitled to assert the buyers’ claims against the executing contractor.

While the Instone Group is insured against fire, natural disasters, business interruption and third-party liability, the insurance contracts are subject to exclusions (such as terrorist attacks) and liability limitations for claims and insured events. The assessments of the insurance brokers commissioned by Instone Group to develop the insurance concept are based on qualified, industry-specific risk assessments. Exclusions and liability limitations have been individually defined with specific reference to the Instone Group products according to the probability of occurrence and possible effects.

In a specific, foreseeable individual case, the existing insurance concept can be subsequently expanded by individual contract adjustments or additional insurance policies, so that risks currently subject to exclusion or their effects could be covered.

On the basis of an extensively coordinated insurance package, we assume that we are adequately insured against the most common types of damage. We consider the potential effects of this risk to be relevant.

Report on opportunities

The Instone Group defines its opportunities as a positive deviation from corporate planning, similar to risks. In addition to the risks mentioned, we believe that the current prevailing market conditions and forecasts for market development, based on the Group's valuation scheme, give rise to opportunities for the Instone Group, which will bring the current adverse market situation back to a higher price and margin level in the medium-term to long-term. These include:

- Sustained high demand for housing and associated rent increases
- Rising population in conurbations
- Expansion of demand to the outskirts of the conurbations
- High willingness to invest in sustainable residential properties
- Socially and politically demanded sustainability in building efficiency
- Establishing efficiency-enhancing planning and construction processes for our nyoo product in the core business to create affordable and sustainable living space
- Attractiveness of residential developments through proximity to services, integrative concepts and social infrastructure
- Social and political pressure for the realisation of subsidised housing

The low leverage and high liquidity reserves of the Instone Group in conjunction with our nationwide presence and very good networking, our development competence with regard to urban districts with complex building regulations and our good reputation among municipal and institutional decision-makers provide the financial framework and the confidence to be able to use the opportunities arising from land acquisitions for the realisation of large-scale and complex projects in terms of volume to an even greater extent. From this position, the Instone Group also sees itself sufficiently prepared to take advantage of attractive purchasing opportunities from the current precarious environment of the real estate market.

The Instone Group is one of the largest German project developers in residential real estate and is represented nationwide in the most in demand conurbations in Germany. The majority of other German residential developers only have a local presence. They have very good networks in the market environment, but their potential project volume is generally smaller than the size of our projects.

In view of the properties it has already acquired and will still acquire, we see opportunities for the Instone Group to increase the commercial exploitation of properties in terms of gross floor area (GFA), site occupancy ratio (SOR) and floor area ratio (FAR), given the Group's many years of experience in this business.

The Instone Group pursues a value-oriented business model that is geared to growth, social and environmental sustainability and the interests of all relevant stakeholders. The objective is underpinned by a high degree of transparency, a comprehensive sustainability report that goes far beyond the legal requirements and the continued dialogue with all our stakeholders. This gives us further opportunities to be able to act successfully in line with our growth strategy.

Management Board's overall assessment of the risk and opportunities situation

All things considered, the overall assessment of the risk situation for the Instone Group as at 31 December 2023 and the forecast for the current financial year continue to show a significantly adverse macroeconomic risk situation.

Our forecast assessment is based on the assumption that we reached a bottom in terms of the price trend and number of transactions for residential real estate sales in the Federal Republic of Germany in 2023 and that we will see a modest recovery of the sales volume of our residential real estate products in calendar year 2024. Nevertheless, the risks are still high, especially in terms of sales speeds and sales prices, given that the timing of a trend reversal cannot be predicted exactly. The Management Board has adopted a series of measures to address this situation. Where possible, sales of the Instone Group products and construction starts will be carried out on a more detailed and sequential basis in order to minimise the risks of residual materials. The acquisition of properties will be much more selective. Liquidity and debt will continue to be the main focus of management decisions. The Management Board will continue to monitor developments closely and has prepared appropriate options for action in all relevant scenarios.

On the construction cost side, the Management Board that prices of materials and construction services will remain stable. It is currently not possible to conclusively assess the extent to which the declining demand for tradesman services would also lead to sustainable price advantages for the Instone Group.

Any continued restraint in the case of new acquisitions will, according to current estimates, have a negative impact on the recovery of the growth momentum of the company in the medium-term.

The current financing environment has direct implications for the ability to finance individual existing projects as well as new acquisitions.

Project-specific municipal decision-making processes, which are particularly related to the creation of planning and construction laws, remain risky and not always predictable in terms of time.

From today’s perspective, the Management Board of the Instone Group does not consider there to be any risks that the Company would be unable to adequately counteract or which could affect the results of operations, net assets and financial position in a way that could jeopardise the Group's continuation as a going concern.

Overall, the macroeconomic risks and the associated risks of sales remain significantly increased. The Management Board has responded to these risks by implementing a series of measures aimed in particular at securing the company's balance sheet strength for all relevant scenarios and also enabling the company to benefit from the acquisition opportunities that can be expected in the medium-term.

The current risk situation was taken into consideration in the forecast.

Outlook

General economic and industry economic conditions

In a crisis-ridden environment, the German economy as a whole is still in a weak phase. According to the German Federal Statistical Office, price-adjusted gross domestic product (GDP) decreased by 0.3% in 2023. The restrictions on global trade caused by geopolitical tensions for the export-focused German economy, the effects of the energy crisis and the rise in interest rates have been key factors in this. Higher energy costs and general inflationary trends put a heavy burden on manufacturing companies and consumers. The significantly higher interest rates resulting from the surge in inflation had a significant impact on the real estate and construction industry, which had previously benefited from very low interest rates.

For 2024 , the Deutsche Bundesbank anticipates a modest recovery of the German economy and moderate GDP growth of 0.4%. The Bundesbank expects that expanding international sales markets will have a positive impact on export demand and that falling inflation combined with significant wage increases should have positive effects on private consumer demand. The Bundesbank expects that German GDP growth will accelerate slightly to +1.2% in 2025. Due to the fall in inflation, the majority of economists also expect the ECB to take advantage of the leeway in terms of monetary policy and to initiate a rate reversal with several interest rate cuts.

The labour market remained robust despite the difficult economic environment. According to the German Federal Statistical Office, the average number of employed people in Germany rose further rise by an average of 333,000 people (+0.7%) despite the decline in economic output. According to the German Federal Employment Agency, the unemployment rate in Germany increased slightly year-on-year to 5.7% in December 2023 (previous year: 5.4%) year on year. This increase is largely due to the forced migration of Ukrainians. The German Federal Employment Agency assumes that this effect accounts for 0.4 percentage points. The Bundesbank expects that this high level of employment can be maintained in 2024. However, due to the higher numbers of refugees, this can lead to an annual increase in registered unemployed.

In the past year, the market for residential real estate in Germany continued to be affected particularly by the sharp rise in interest rates. The increase in financing costs led to a slump in investment in residential real estate for both private and institutional buyers. At the same time, the structural supply-demand imbalance in the German market has been exacerbated by construction projects that have been postponed in part. While some 270,000 residential units were completed in Germany in 2023, the ifo Institute expects that only 225,000 residential units will be completed in 2024 and 175,000 residential units in 2025. Thus, the German federal government's target of 400,000 new residential units per year was again missed by a wide margin.

Prices for newly built residential units in Germany in the top 7 cities fell moderately in 2023. According to data from the consulting and analysis company bulwiengesa, the average year-on-year price trend in the individual cities is around 4%.

For 2024, we expect prices for new construction properties to stabilise in Germany's most attractive metropolitan regions, as the still very tight supply in these regions will be accompanied by substantial and growing surplus demand. The high energy efficiency of new buildings is another factor stabilising the prices of our products. Unrenovated older buildings with a poor energy balance have lost value the fastest in the last two years.

Construction costs continued to rise in the past year, albeit with a marked decline in upwards momentum. Construction prices for newly built residential units have increased by +4.3% year-on-year in the time until November 2023. The Management Board of the Instone Group expects construction costs to be stable on average in 2024.

Outlook for the Instone Group

The development of the macroeconomic and industry environment has a significant effect on the forecasts presented below. Another important prerequisite is the achievement of significant milestones in our projects. Other essential factors particularly include the creation of building rights and the granting of building permits, announced sales launches, meeting planned targets for the speed of sales, expected construction starts and the planned construction progress of projects.

Any deviation from the management's assumptions regarding the development of the macroeconomic and industry environment, any changes in political factors or the risks and opportunities already described in the section "Risk and opportunities report" page 156 of this combined management report or any changes in project schedules may cause the actual business performance to differ from the forecasts, in the opinion of the Management.

As in the previous year, the negative effects of the significantly higher level of interest rates on demand were taken into account by the assumption of a lower speed of sales compared to the historical average. In an industry environment characterised by reduced forecasting certainty, we also assumed an even smaller number of transactions with institutional investors compared to the historical average.

On the basis of the assumptions made and taking the current uncertainties into account, we expect the sales volume to pick up significantly in 2024 compared to 2023, although we continue to expect that the volume of sales contracts will be lower than the historical average, at more than €300 million.

We are forecasting adjusted revenue of €500 million to €600 million for 2024, largely on the basis of already secured sales and expected new sales.

For the project mix that is relevant for revenue recognition, we expect a gross profit margin of around 22%.

Adjusted consolidated earnings after tax are forecast to be in the range of €30 million to €40 million.

Adjusted consolidated earnings after tax also form the basis for determining the profit distribution. The target figure for the expected payout ratio is 30% of adjusted consolidated earnings.

Forecast of key management performance indicators for 2024

TABLE 045

in millions of euros

	2024 outlook
Revenue (adjusted)	500–600
Gross profit margin (adjusted) as a %	~22%
Consolidated earnings after tax (adjusted)	30–40
Volume of sales contracts	>300

Other disclosures

Takeover law disclosures

The legal acquisition disclosures are shown below in accordance with Sections 315a and 289a HGB:

1 Composition of the share capital

As at 31 December 2023, the share capital (registered capital) of Instone Real Estate Group SE amounted to €46,988,336.00. It is divided into 46,988,336 no-par-value bearer shares. The registered capital is fully paid up. All shares in the Company have the same rights and obligations. Each share carries one vote and an entitlement to the same share of profits. The rights and duties arising from the shares are defined in the statutory provisions.

As at 31 December 2023, the Company held 3,665,761 of its own shares.

2 Restrictions affecting voting rights and the transfer of shares

To the knowledge of the Management Board, there are no restrictions on voting rights or the transfer of shares.

3 Direct or indirect investments in the capital amounting to more than 10% of the voting rights

According to a notice of voting rights dated 5 August 2022, Mr Saul Goldstein held an indirect share in the capital of the Company through the companies controlled by him, ASG Fund VI Tower S.à r.l. and ASG Fund VII Knight S.à r.l., in the amount of 12,192,94 (25.95%) voting rights. Furthermore, according to a notice of voting rights dated 25 April 2023, Mr Hussain Ali Habib Sajwani held an indirect share in the capital of the Company in the amount of 4,715,770 (10.04%) voting rights through the companies controlled by him, Samarra Company Limited and Dico Investments & Properties Company Limited. GRI 2-15

4 Shares with special rights conferring control powers

There are no shares with special rights which confer control powers.

5 Type of voting rights control when employees have shareholdings in the capital and do not directly exercise their control rights

There are no employee investments in the Company's capital in which the employees do not directly exercise their own control rights.

6 Appointment and dismissal of members of the Management Board; amendments to the rules of procedure

The appointment and dismissal of members of the Management Board of the Company occurs in accordance with the provisions of Section 39 (2) sentence 1 of the Regulation on European Companies (SE-VO) and Sections 84 and 85 of the German Stock Corporation Act (AktG). According to Section 9.1 of the Company's Articles of Association, the Management Board consists of at least two people. The Supervisory Board determines the number of Management Board members. It may appoint a chairman and a deputy chairman of the Management Board in accordance with Section 84 AktG and Section 9.2 of the Company's Articles of Association.

Under Art. 9 (1) (c) (ii) of the Regulation on European Companies (SE-VO) together with Section 179 (1) sentence 1 of the German Stock Corporation Act (AktG), the Articles of Association of the Company may be amended by resolution of the Annual General Meeting. Resolutions of the Annual General Meeting are passed in accordance with Section 21.4 of the Company's Articles of Association by a simple majority of the votes cast, unless binding statutory regulations require a larger majority. For amendments to the Articles of Association, pursuant to Section 21.5 of the Articles of Association, a majority of two-thirds of the votes cast is required or, if at least half of the registered capital is represented, a simple majority of the votes cast, unless binding statutory regulations require otherwise. If the law also requires a majority of the share capital represented for the annual general meeting to pass resolutions, a simple majority of the registered capital represented for the resolution shall suffice, if this is permitted by law. Under Section 21.5 of the Company's Rules of Procedure, resolutions that can be passed by a simple majority of votes and capital pursuant to Section 21.4 of the Rules of Procedure, in particular, but not exclusively, include all resolutions of the Annual General Meeting regarding capital increases with shareholders' subscription rights against contributions (Section 182 (1) AktG), capital increases from Company funds (Section 207 (2) AktG in conjunction with Section 182 (1) AktG) and the issue of convertible bonds, participating bonds and other instruments to which shareholders have a subscription right (Section 221 AktG). Under Section 21.6 of the Articles of Association, the dismissal of members of the Supervisory Board who have been elected without being bound by an election proposal requires a majority of at least three quarters of the votes cast. According to this provision of the Articles of Association, this also applies to the amendment of Section 21.6 of the Articles of Association themselves. Finally, pursuant to Section 18.3 of the Articles of Association, the Supervisory Board is entitled to make amendments and additions to the Articles of Association which only affect the wording.

7 Powers of the Management Board to issue or repurchase shares

7.1 Authorised capital 2021

According to Section 6a.1 of the rules of procedure, the Management Board is authorised to increase the Company's registered capital, with the approval of the Supervisory Board, in the period up to 8 June 2026 by up to a total of €8.0 million by issuing up to a total of 8,000,000 new no-par-value bearer shares against cash contributions and/or contributions in kind (2021 Authorised Capital) and, according to Section 6a.2 of the Articles of Association and with the approval of the Supervisory Board, to exclude shareholders' subscription rights under certain conditions and within predefined limits.

7.2 Authorised capital 2023

According to Section 6.1 of the rules of procedure, the Management Board is authorised to increase the Company's registered capital, with the approval of the Supervisory Board, in the period up to 13 June 2028 by up to a total of €15,494,168.00 by issuing up to a total of 15,494,168 new no-par-value bearer shares against cash contributions and/or contributions in kind (2023 Authorised Capital) on one or more occasions and, according to Section 6.2 of the rules of procedure and with the approval of the Supervisory Board, to exclude shareholders' subscription rights under certain conditions and within predefined limits.

7.3 Contingent Capital 2021

The Management Board was authorised by the Annual General Meeting with effect from 31 August 2021, with the consent of the Supervisory Board, to issue bearer or registered bonds with warrants or convertible bonds with a total nominal value of up to €350 million with or without a limited term (hereinafter jointly referred to as "Bonds") on one or more occasions up to 8 June 2026 and to grant the holders or creditors of the bonds option or conversion rights for up to 4,698,833 new shares in the Company with a proportionate total amount of the registered capital of up to €4,698,833.00 in accordance with the respective option or convertible bond conditions to be determined by the Management Board (hereinafter jointly referred to as "Conditions").

In addition to euros, the Bonds may also be issued in a foreign legal currency, limited to the corresponding euro equivalent. Furthermore, they may also be issued by companies dependent on the Company or majority-owned by the Company; in this case, the Management Board is authorised, with the approval of the Supervisory Board, to assume the guarantee for the Bonds on behalf of the Company and to grant the holders of such Bonds option or conversion rights to shares in the Company and to make further declarations required for a successful issue and to take actions. Issues of bonds can be divided into sub-bonds with equal rights.

The Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights to bonds (i) in order to exclude fractional amounts resulting from the subscription ratio from shareholders' subscription rights to the bonds, (ii) in order to issue bonds against cash payment, provided that this is done at an issue price that is in line with the recognised issue price, however, this authorisation to exclude subscription rights only applies to the extent that the shares issued or to be issued to service the option or conversion rights or to fulfil the conversion obligation do not account for more than 10% of the registered capital. The registered capital figure on the effective date of this authorisation is decisive when calculating this limit. If the registered capital is lower at the time the authorisation pursuant to number (ii) is exercised, this lower figure shall be used. This amount shall include the pro rata amount of the registered capital, (x) which is attributable to shares that have been or will be issued during the term of this authorisation until its utilisation from authorised capital to the exclusion of the subscription right pursuant to Section 186 (3) sentence 4 of the AktG, (y) which is attributable to treasury shares in the Company that have been or will be sold on the basis of authorisations pursuant to Section 71 (1) no. 8 of the AktG during the term of this authorisation until its utilisation to the exclusion of the subscription right of shareholders pursuant to Section 186 (3) sentence 4 AktG, and (z) which is attributable to shares that are or will be issued to service warrant or convertible bonds issued or to be issued during the term of this authorisation until its utilisation on the basis of another authorisation in similar application of Section 186 (3) sentence 4 AktG to the exclusion of the subscription right. Finally, the Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights to bonds (iii) to the extent necessary to grant subscription rights to the holders of bonds with warrants or convertible bonds (or combinations of these instruments) issued by the Company or by dependent companies or companies in which the Company holds a majority interest to the extent to which they would be entitled after exercising their rights or fulfilling their obligations.

Bonds may only be issued with the exclusion of subscription rights if the total of the new shares to be issued on the basis of such bonds, together with new shares from authorised capital or treasury shares of the Company, which are issued or sold by the Company during the term of this authorisation until it is exercised by utilising another authorisation with the exclusion of shareholders' subscription rights, and, together with rights issued during the term of this authorisation until it is exercised by exercising another authorisation under exclusion of subscription rights and which enable or oblige the conversion into or subscription to shares of the Company, no more than 10% of the registered capital is arithmetically allotted. The basis for calculating the 10% limit of the registered capital is the registered capital figure at the time of effective date of this authorisation. If the registered capital figure is lower at the time the authorisation is exercised, this lower figure shall be used.

In the case of convertible bonds, the holders shall have the right to exchange their bonds for new shares in the Company in accordance with the specific conditions. The conversion ratio is calculated by dividing the nominal value of a bond by the fixed conversion price for a new share in the Company. The conversion ratio may also be calculated by dividing the issue amount of a bond below the nominal amount by the fixed conversion price for a new share in the Company. The conversion ratio can be rounded up or down to a whole number; in addition, an amount to be paid in cash can be set. Finally, it can be stipulated that fractions can be combined and/or compensated for in cash. The proportionate amount of the registered capital represented by the shares of the Company to be issued per bond may not exceed the nominal amount of the bond or an issue price of the bond that is lower than the nominal amount.

The conditions may provide for the right of the Company to pay the holders of the conversion right the equivalent value in cash instead of the shares in the Company in the event of conversion; the value in cash is to be calculated in accordance with the specific conditions and shall correspond to the arithmetic mean of the closing prices of the share in the Company on the Frankfurt Stock Exchange in Xetra (or a comparable successor system) during the last ten trading days before the conversion was declared. The conditions may also provide for the right of the Company to grant the holders of the conversion right treasury shares in the Company or new shares from an authorised capital in the event of conversion. The conditions may also provide for a conversion obligation at the end of the term or at another time.

The conditions may provide for the right of the Company to grant the creditors of the bonds, in whole or in part, new shares or treasury shares in the Company in lieu of the payment of a due amount of money. The shares are credited with a value which, in accordance with the specific conditions, is based on the arithmetic mean of the closing prices of the shares in the Company on the Frankfurt Stock Exchange in Xetra (or a comparable successor system) during the last ten exchange trading days before the sum is due.

When issuing warrant bonds, one or more warrants shall be attached to each partial bond, entitling the holder to purchase shares in the Company in accordance with the conditions. The conditions may stipulate that those entitled to exercise the warrant bonds are either granted treasury shares in the Company or new shares from authorised capital. The proportional amount of the registered capital in the shares of the Company to be acquired per warrant bond may not exceed the exercise price of the warrant bond.

The option or conversion price for a share must be at least 80% of the arithmetic mean of the stock exchange prices of the Company's shares in the Xetra closing auction on the Frankfurt Stock Exchange (or a comparable successor system), and indeed, (i) if the subscription right is excluded or subscription rights trading does not take place for another reason during the ten exchange trading days before the day that the resolution is passed by the Management Board on the issue of the bonds or otherwise, (ii) during the exchange trading days on which subscription rights to bonds are traded on the Frankfurt Stock Exchange, with the exception of the last two exchange trading days of the subscription right trading.

The option and conversion price will then be reduced, without prejudice to Section 9 (1) AktG, on the basis of an antidilution clause in accordance with more detailed provisions of the terms and conditions by payment of a corresponding amount in cash when the conversion right is exercised or by reduction of the additional payment, if, during the option or conversion period, the Company increases the registered capital or issues further bonds or grants or guarantees option or conversion rights while granting subscription rights to its shareholders, and the holders of existing option or conversion rights are not granted subscription rights to the extent to which they would be entitled after exercising their option or conversion rights.

Instead of a payment in cash or a reduction of the additional payment, the exchange ratio may also be adjusted, as far as possible, by dividing by the reduced conversion price. The conditions may also provide for a value-preserving adjustment of the option or conversion price even for other measures taken by the Company that may lead to a dilution of the value of the option or conversion rights, as well as in the event of a capital reduction, a stock split or a special dividend.

Subject to compliance with the above provisions, the Management Board is authorised to determine the further details of the issue and terms of the Bonds and their conditions or to determine them in agreement with the corporate bodies of the Group Company issuing the Bonds, in particular the interest rate, issue price, term and denomination, subscription or exchange ratio, creation of a conversion obligation, determination of an additional cash payment, compensation for or combination of fractional amounts, cash payment instead of delivery of shares, option or conversion price and the option or conversion period.

Until now, the Management Board has not made use of its authorisation to issue warrants or convertible bonds.

7.4 Authorisation for the Company to acquire its own shares

By the resolution passed by the Annual General Meeting on 13 June 2019, the Management Board was authorised, with the consent of the Supervisory Board, to acquire treasury shares from the end of this Annual General Meeting until 12 June 2024 up to a total of 10% of the registered capital of €36,988,336 or the lower share capital figure at the time the authorisation is exercised, by being able to exercise the authorisation in full or in partial amounts, once or several times. However, the shares acquired on the basis of the authorisation, together with other shares in the Company that the Company has already acquired and still owns, may not account for more than 10% of the existing registered capital at any time. The authorisation may also be exercised by dependent companies or companies in which the Company holds a majority stake or by third parties for the account of the Company or by its dependent companies or companies in which the Company holds a majority stake. On the basis of the authorisation, the Company may also agree with one or more banks or other companies meeting the requirements of Section 186 (5) sentence 1 AktG that they will deliver to the Company a predetermined number of shares or a predetermined euro equivalent of shares in the Company within a predefined period, whereby the price at which the Company acquires these shares must in each case show a discount to the arithmetic mean of the volume-weighted average prices of the Company's shares in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange over a previously determined number of trading days. The banks or other companies meeting the requirements of Section 186 (5) sentence 1 AktG must undertake to purchase the shares to be delivered on the stock market at prices that are within the range that would apply if the shares were purchased directly on the stock exchange by the Company itself under this authorisation.

The purchase must be made via the stock market or by means of a public offer directed at all shareholders in the Company. If the purchase of the shares is made on the stock market, the purchase price (excluding incidental acquisition costs) must be no more than 10% above or below the arithmetic mean value of the share prices (final auction prices of the Instone Real Estate Group SE shares in Xetra or a comparable successor system) on the stock exchange in Frankfurt am Main on the last three exchange trading days before the acquisition or the undertaking of an obligation to purchase. In the case of a purchase via a public offer, the Company may either publish a formal offer or publicly request the submission of offers for sale. The purchase price offered (excluding incidental acquisition costs) or the limit values of the purchase price range per share set by the Company (excluding incidental acquisition costs) must be no more than 10% above or below the arithmetic mean value of the share prices (final auction prices of the Instone Real Estate Group SE share in Xetra or a comparable successor system) on the stock exchange in Frankfurt am Main on the last three exchange trading days before the publication of the purchase offer or the invitation to tender. In the event of an amendment of an offer, the date of publication of the offer adjustment shall replace the date of publication of the purchase offer. If the Company publicly solicits the submission of offers to sell, the day of acceptance of the offers to sell shall take the place of the day of publication of the offer to buy or of the adjustment of the offer to buy. The repurchase volume may be limited. If the shares tendered or offered for purchase by the shareholders exceed the total amount of the Company's purchase offer, acceptance shall be in proportion to the respective shares tendered or offered. However, it may be stipulated that small quantities of up to 100 offered shares per shareholder are accepted preferentially and that rounding according to commercial principles will be carried out to avoid fractional amounts. The purchase offer or the invitation to tender may stipulate further conditions. Any further rights of shareholders to tender shares are excluded.

The Management Board may exercise the authorisation for any legally permissible purpose, in particular to pursue one or more of the objectives listed below, although trading in treasury shares is prohibited.

The Management Board is hereby authorised, with the consent of the Supervisory Board, to redeem the treasury shares acquired on the basis of the authorisation pursuant to Section 71 (1) no. 8 AktG without a further resolution by the Annual General Meeting, whereby the authorisation may be exercised several times and the redemption may be limited to a portion of the acquired shares.

The Management Board is also authorised, with the consent of the Supervisory Board, to use the treasury shares acquired on the basis of the authorisation in a way other than by sale on the stock market or by an offer to all shareholders, with the full or partial exclusion of shareholders' subscription rights, (i) to exclude fractional amounts resulting from the subscription ratio from shareholders' subscription rights, (ii) to sell them for non-cash consideration, in particular – but without limitation – to acquire companies, parts of companies or investments in companies, (iii) to sell them for cash, insofar as this is carried out at a price that is not significantly lower than the stock market value of the Company's shares at the time of the sale (simplified exclusion of subscription rights in accordance with Sections 186 (3) sentence 4, 71 (1) No. 8 sentence 5 half-sentence 2 of the German Stock Corporation Act), whereby this authorisation, including other shares and option or convertible bonds that were issued or sold during the term of this authorisation up to the time of its utilisation under exclusion of the shareholders' subscription rights in direct or analogous application of Section 186 (3) Sentence 4 of the German Stock Corporation Act, is limited to a total of no more than 10% of the Company's registered capital. The basis for calculating the 10% limit is the registered capital figure at the time of effective date of this authorisation. If the registered capital is lower at the time the authorisation is exercised in accordance with number (iii), this lower value shall be used. Furthermore, the Management Board is authorised to use the treasury shares acquired on the basis of this authorisation under the conditions described above, (iv) to fulfil obligations of the Company arising from conversion and option rights or conversion obligations from convertible bonds or bonds with warrants (or combinations of these instruments) issued by the Company or by dependent or majority-owned companies of the Company, and (v) to grant subscription rights to holders of convertible bonds or bonds with warrants (or combinations of these instruments) issued by the Company or by dependent or majority-owned companies of the Company to the extent to which they would be entitled after exercising the rights or obligations arising from the aforementioned instruments.

The authorisations pursuant to numbers (i) to (v) may also be exercised by dependent companies or companies in which the Company holds a majority stake or by third parties for the account of the Company or its dependent companies or companies in which the Company holds a majority stake.

With the approval of the Supervisory Board, on 10 February 2022 the Management Board approved the acquisition of up to 2,349,416 shares (share buyback programme 2022/I) and on 25 October 2022 the acquisition of up to 1,349,417 shares (share buyback programme 2022/II), in other words up to 3,698,833 shares in total using the authorisation granted by the Annual General Meeting on 13 June 2019 for the acquisition of its own shares. As part of share buyback programme/I and share buyback programme/II, the Company bought back a total of 3,698,833 shares, of which it currently still holds 3,665,761 shares.

The Management Board has therefore fully exhausted the authorisation of the Annual General Meeting to acquire the Company's own shares passed on 13 June 2019.

8 Key agreements reached by the Company in the event of a change of control following a takeover bid, and the consequent effects

Individual contracts of corporate financing of the Company provide for a special termination right of the other party in the event of a change of control (partly defined as the acquisition of a majority interest by voting rights or equity interest, partly defined as holding more than 30% of the voting rights in the Company). In addition, as at the balance sheet date, there were no other key agreements by Instone Real Estate Group SE with third parties or Group companies that would take effect, change or terminate in the event of a takeover bid.

In the event of a change of control, the members of the Management Board have a special right of termination in their employment contracts. A change of control is in particular deemed to have occurred if a third party or several third parties acting jointly, who do not currently have a holding in the Company or who own a holding which accounts for less than 30% of the voting rights, acquire at least 30% of the voting rights in the Company.

9 Company compensation agreements that have been entered into with the members of the Management Board or employees in the event of a takeover bid

The members of the Management Board are entitled to a severance payment in the amount of 1.5 times their gross annual remuneration if when they exercise their special right of termination in addition to a change of control described in section 8, the basis on which they can run the business suffers a significant adverse effect, in other words if the Management Board member loses their position, the Company is merged, all or a significant portion of the Company's assets are transferred to third party legal entities that do not belong to the Instone Group, a control and/or profit transfer agreement is concluded with the Company as a dependent company, the legal form of the Company is changed and the Management Board member thereby loses the independence granted by the German Stock Corporation Act or the SE-VO or if the decision-making powers of the terminating Management Board member suffer significant adverse effect for no material reason. Under the employment contract of a Management Board member, the conclusion of a control and/or profit transfer agreement with the Company as obligated parties does not qualify as a significant adverse effect in the running of the business under certain conditions.

Corporate governance statement (unaudited)

In this report, Instone Group provides information about the Company's corporate governance in accordance with Sections 289f and 315d of the German Commercial Code (HGB) on the principles of corporate governance and Section 161 of the German Stock Corporation Act (AktG) and in accordance with the German Corporate Governance Code (GCGC). In addition to the Declaration of Compliance with the GCGC, the corporate governance statement also contains information about corporate governance and the compliance management system, the composition and working methods of the Management Board and Supervisory Board, as well as the Supervisory Board committees. GRI 2-14

Implementation of the GCGC

Corporate governance involves the responsible management and control of companies, geared towards long-term value creation. The corporate governance and corporate culture of Instone Real Estate Group SE comply with the legal requirements and – with a few reasonable exceptions – the additional recommendations of the GCGC. The Management Board and Supervisory Board feel very committed to good corporate governance and all divisions are guided by this objective. The Company focusses on values such as competence, transparency and sustainability.

The Management Board and Supervisory Board have carefully considered the fulfilment of the GCGC requirements. In doing so, they have taken into account the GCGC in the version dated 28 April 2022 and, in accordance with Section 161 AktG submitted their joint regular Declaration of Compliance with the recommendations of the GCGC in December 2023 and commented on the few exceptions.

The statement and any further declarations of compliance since the IPO are published on the Company's website in the ↗ Instone Group Declaration of Compliance.

Declaration of Compliance

The Management Board and Supervisory Board of Instone Real Estate Group SE (the "Company") are required pursuant to Section 161 (1) of the German Stock Corporation Act (AktG) to issue an annual declaration of compliance stating that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official Section of the Federal Gazette have been, and are being, complied with or which recommendations have not been, or are not being, complied with and why not. The Management Board and Supervisory board last issued a Declaration of Compliance in December 2021.

The Company's Management Board and Supervisory Board declare that for the period since the last Declaration of Compliance was submitted in December 2022, they have complied with the recommendations of the Government Commission on the German Corporate Governance Code in the version last published in the official part of the Federal Gazette on 27 June 2022 and dated 28 April 2022 ("2022 GCGC") and will also do so in future:

1. According to recommendation B.3, the first appointment of members of the Management Board is for a maximum of three years. During the declaration period, the Supervisory Board filled the position of CFO, which had become vacant following the departure of Dr Madjlessi, with David Dreyfus for a term of appointment of four years and three months. The Supervisory Board has therefore deviated from recommendation B.3 in the interest of the Company because David Dreyfus emerged from the structured recruiting process as the clear favourite and first choice of the Supervisory Board and one of the conditions by which he was recruited for this position was on the basis of the agreed term of his appointment. In addition, the agreed term of appointment reflects a reasonably long-term, sustainable appointment pursued by the Supervisory Board, which at the same time also prevents the existing Management Board mandates all expiring within a short period of time.

2. In accordance with recommendation G.7 of the GCGC 2022, the Supervisory Board must define the performance criteria for all variable remuneration components for each member of the Management Board for the forthcoming financial year, which, in addition to operational targets, should primarily be based on strategic objectives. The corporate planning and the forecast, from which the relevant performance criteria for the Management Board are derived by the Supervisory Board, are adopted at the beginning of the financial year due to the higher level of planning accuracy. Based on this, the

Supervisory Board also defines the performance criteria for the variable remuneration components at the beginning of the relevant financial year. From the Supervisory Board's point of view, this is appropriate to harmonise the corporate planning adopted with the performance criteria for the Management Board. This recommendation will therefore not be followed in the future.

3. Under recommendation G.10 sentence 2 of the GCGC, a member of the Management Board should not actually receive variable long-term remuneration amounts for four years. The remuneration system for the Management Board and the contracts of employment for the members of the Management Board, however, state that long-term variable performance-related remuneration should be paid at the end of a three-year performance period. This is in line with the requirements under stock corporation law for long-term assessment bases for variable remuneration as well as the recommendations of various institutional advisers. In the view of the Supervisory Board, however, a longer delay in the payment of the variable long-term remuneration has no added value for the incentive of the Management Board compared to the existing contractual provisions. This recommendation will therefore not be followed in the future.

Essen, December 2023

The Management Board

The Supervisory Board

Corporate governance practices

The management of Instone Real Estate Group SE is largely determined by the provisions of the German Stock Corporation Act (AktG) and is also focussed on the requirements of the German Corporate Governance Code. In addition, the Management Board has laid set fundamental values of lawful and ethical conduct in a Group-wide Code of Conduct, which is also available on our website at ↗ http://ir.de.instone-group.de/websites/instonereal/English/5800/verhaltenskodex.html. This specifies existing duties and responsibilities at the Instone Group and derives various codes of conduct on the basis of the law or existing official instructions. The Code of Conduct provides guidance and assistance to Instone Group employees in their day-to-day work while at the same time defining binding requirements for the actions of all employees. Instone Real Estate Group SE is expressly committed to the values reflected in the Code of Conduct.

In addition, the Management Board has defined overarching principles for the thoughts and actions of the Instone Group, which can also be viewed on our website at ↗ www.instone-group.de/en. These include, for example, the positioning of the Instone Group on topics such as social responsibility, the environment, economic growth, the sustainability of our projects and external communications, as well as the handling of stakeholder groups relevant to our company, including customers, employees, partners and contract partners.

Working methods of the Management Board and Supervisory Board

The Instone Real Estate Group SE is a European listed company (SE) with headquarters in Essen, Germany, which in accordance with its articles of association, has a dual management system consisting of the Management Board and Supervisory Board. These work together closely and trustingly for the benefit of the Company. The Management Board manages the Company whereas the Supervisory Board provides advice and supervision.

Both the Management Board and the Supervisory Board each have their own Rules of Procedure which include detailed regulations about the respective activities of the Boards and the internal organisation, as well as for the collaboration between the Management Board and the Supervisory Board which go beyond the provisions of stock corporation law. GRI 2-9

The Management Board and the Supervisory Board maintain an intensive, continuous dialogue, which forms the basis of efficient and targeted corporate management. The Management Board develops the strategic direction of Instone Real Estate Group SE, coordinates this with the Supervisory Board and ensures its implementation. GRI 2-12, 2-13

Both Boards also hold an annual joint strategy meeting, at which the respective members exchange views openly outside formal meetings on the strategic direction of the company and initiatives of the Management Board. The Management Board also discusses the status of the strategy implementation with the Supervisory Board at regular intervals. The Chair of the Supervisory Board and the Chair of the Audit Committee regularly liaise with the Management Board between meetings and discuss questions of strategy, planning, business development, risk situation, risk management, compliance, the internal control system and aspects of sustainability with the Management Board. The Chair of the Supervisory Board is informed by the Management Board without delay about important events which are of material importance for the assessing the financial position and performance as well as for managing the Company and its Group companies. The Chair of the Supervisory Board then informs the Supervisory Board and convenes an extraordinary Supervisory Board meeting if necessary. In addition, the Management Board reports to the Supervisory Board regularly and as required by law, by the Articles of Association and by the Management Board's Rules of Procedure, which contain comprehensive provisions for the reports and information to be submitted. GRI 2-30, 3

The Articles of Association and the Rules of Procedure for the Management Board also stipulate that fundamentally significant measures and legal transactions must be subject to approval by the Supervisory Board. The relevant rules of procedure of the Management Board and Supervisory Board also contain provisions for the handling conflicts of interest within the Supervisory Board and the Management Board, which, in addition to an obligation to disclose conflicts of interest without delay, provide for the approval of the Supervisory Board in the event of material conflicts of interest within the Management Board and, in the event of conflicts of interest identified on the Supervisory Board, prevent the member concerned participating and/or voting. In the event of material and not merely temporary conflicts of interest, the Supervisory Board member concerned must resign from office. No conflicts of interest were identified on the Management Board and Supervisory Board during the year under review.

Transactions between members of the Supervisory Board and the Management Board and related parties with the Company or its affiliates also require the approval of the Audit Committee of the Supervisory Board. The assumption of ancillary activities outside the Company by the members of the Management Board – in particular, supervisory board mandates and mandates on comparable supervisory bodies of commercial enterprises – requires the approval of the Supervisory Board.

A D&O group insurance policy has been concluded for the members of the Management Board and the Supervisory Board. It provides for a deductible for members of the Management Board that complies with the legal requirements of Section 93(2) 3 AktG. GRI 2-25, 2-26

Management Board

Composition

According to the Company's Articles of Association, the Management Board consists of at least two persons. The number of members is determined by the Supervisory Board. In the 2023 financial year, with the exception of the month of August 2023, the Management Board consisted of three members with equal rights, each responsible for the departments assigned to them. In August 2023, the Management Board had two members with equal rights, with the Chair of the Management Board also temporarily responsible for the Finance Board's department during this period.

Details of the members of the Management Board can be found in the notes to the consolidated financial statements of Instone Real Estate Group SE in accordance with Section 285 No. 10 of the German Commercial Code (HGB). page 243 Curricula Vitae of the members of the Management Board are also available on the Instone Group website at https://instone-group.de/en/management/.

Roles and responsibilities

The Management Board manages the Company on its own responsibility in accordance with the statutory provisions, the Articles of Association and the Rules of Procedure for the Management Board. It is committed to acting in the Company's best interests. The Management Board develops the strategic direction of the Company, coordinates this with the Supervisory Board and ensures its implementation. It also bears responsibility for maintaining an appropriate, effective internal control system and risk management and controlling as well as regular, timely and comprehensive reporting to the Supervisory Board.

In accordance with the general representation rules of the Articles of Association, the Company is represented by two members of the Management Board or by one member of the Management Board together with an authorised representative. GRI 2-9

Distribution of duties and rules of procedure

The Management Board performs the management function as a collegial body. Irrespective of the overall responsibility for the management, the individual members of the Management Board are responsible for the departments assigned to them in accordance with the legislation, the Articles of Association and the Rules of Procedure for the Management Board, and are personally responsible in the context of Management Board resolutions. The Management Board has not formed any committees. The work of the Management Board, including the allocation of responsibilities, is governed by the Rules of Procedure for the Management Board, which were adopted by the Supervisory Board and last amended on 26 April 2022.

The organisational chart defined for the Management Board is shown on the following page. The Management Board's rules of procedure also set out the cases which require a resolution by the entire Management Board. Management Board meetings are held fortnightly when possible, but at least once a month, in face-to-face or virtual form, chaired by the Chair of the Management Board. The Rules of Procedure for the Management Board also allow resolutions to be passed outside of meetings. Resolutions are passed by a simple majority of the votes cast unless the law provides otherwise.

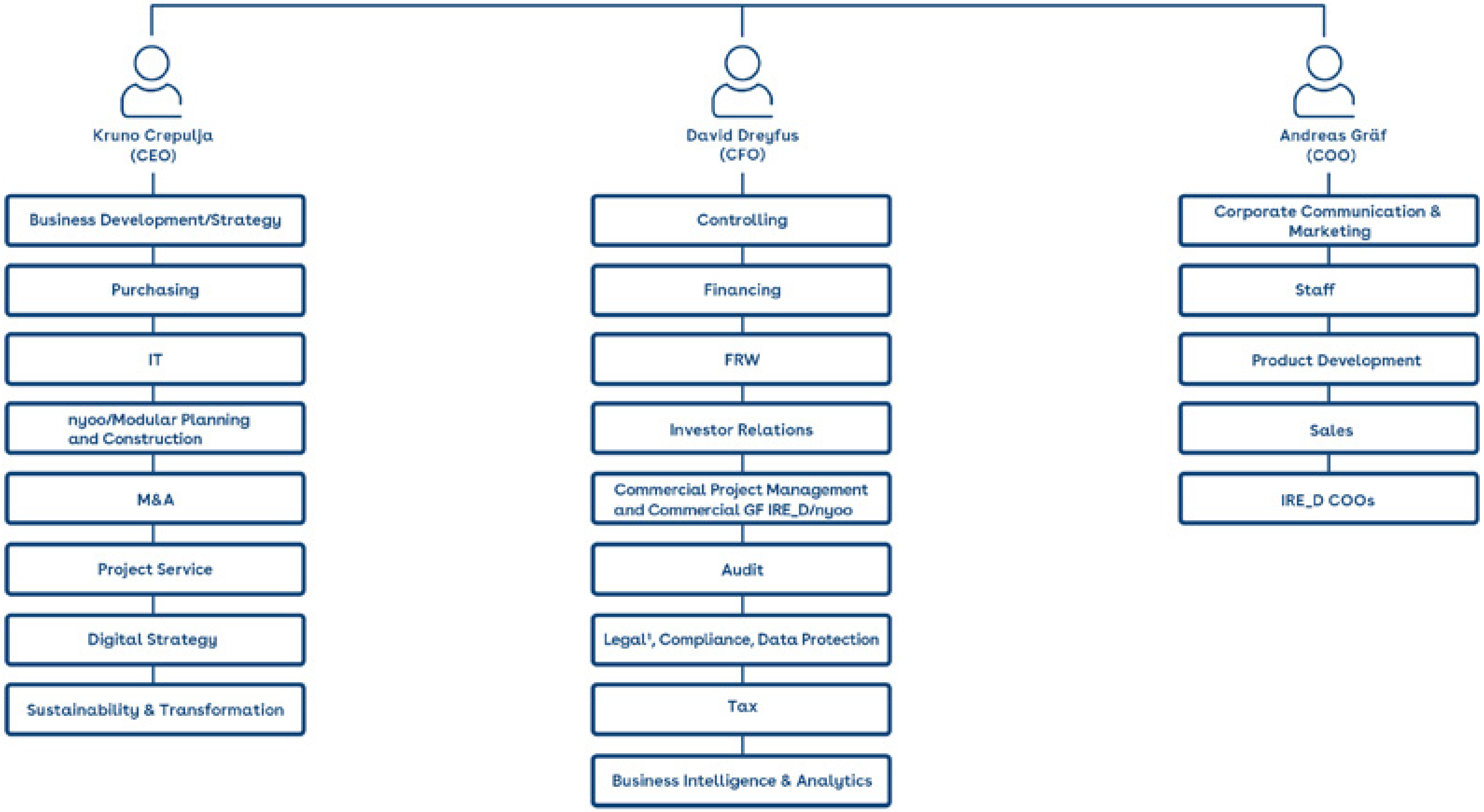
Reservations of consent and rules of information

In addition to certain approval reservations contained in the Articles of Association, the Supervisory Board has set out certain other transactions and measures of fundamental importance in the Rules of Procedure for the Management Board which require its prior approval. These include, for example, the adoption of the annual planning, larger land acquisitions and the conclusion and amendment of certain financing agreements, as well as the implementation of certain corporate law measures. Transactions between the Company or one of its subsidiaries and members of the Management Board or related parties also require the approval of the Supervisory Board Audit Committee and must comply with the usual market conditions.

The Management Board informs the Supervisory Board regularly and comprehensively as well as promptly, and when appropriate, and in accordance with the legislation, the Articles of Association and the principles of information defined in the Rules of Procedure for the Management Board, in particular with regard to strategy and the course of business, as well as its prospective development and on fundamental matters relating to the Company, including on its assets, finance and earnings situation, the risk situation, risk management and risk controlling, compliance as well as ongoing projects and the Company's finance situation. The Chair of the Management Board and the Chair of the Supervisory Board are also in regular communication.

Management Board organisational chart of Instone Real Estate Group SE dated 6 March 2024

Figure 023



[1] Including corporate and capital market law as well as support for the Supervisory Board.

Supervisory Board

Composition

According to the Articles of Association, the Supervisory Board consists of six members. It is not subject to employee co-determination. All members are elected as shareholder representatives by the Company's Annual General Meeting.

All members of the Supervisory Board are independent in accordance with the recommendations of the GCGC.

Details of the members of the Supervisory Board can be found in the notes to the consolidated financial statements of Instone Real Estate Group SE in accordance with Section 285 No. 10 HGB page 243 et seq. Curricula Vitae of the members of the Supervisory Board are also available on the Instone Group website at http://ir.de.instone-group.de/websites/instonereal/English/5650/vorstand-_-aufsichtsrat.html.

Roles and responsibilities

The Supervisory Board advises and monitors the Management Board. It works closely with the Management Board for the benefit of the Company and is involved in all decisions of fundamental importance.

Its rights and duties are determined by the statutory provisions, the Articles of Association, the Rules of Procedure for the Supervisory Board of 14 October 2021 and the Rules of Procedure for the Management Board. It appoints and dismisses the members of the Management Board, represents the Company when dealing with them and, together with the Management Board, ensures long-term succession planning.

The work of the Supervisory Board takes place both in plenary sessions and in committees. The work of the committees aims to further increase the efficiency of the Supervisory Board's work. The committee chairs regularly report to the Supervisory Board on the work of their respective committees. According to the articles of association, the Supervisory Board must hold at least two meetings in six calendar months. In addition, it must hold meetings as often as and when the interests of the Company so require. The number and material content of the meetings and resolutions passed in writing by the Supervisory Board in the 2023 financial year are explained in more detail in the Supervisory Board's report from page 24 onwards.

Evaluation of committee work and advanced training of the members of the Supervisory Board

The Supervisory Board assesses the efficiency of its activities at regular intervals, most recently in the 2023 financial year that has just ended, and subjected its committee work to a critical evaluation and assessment in a structured review process.

The Company also supports the members of the Supervisory Board with training and continual professional development.

Skills profile and qualification

The Company has complied with the requirements of the composition of the Supervisory Board under corporate law and the individual recommendations in section C.1 of the GCGC relating to the determination of specific objectives for the composition of the Supervisory Board under certain criteria, the consideration of these objectives in the Supervisory Board's proposals and the publication of these objectives and their implementation status in the corporate governance statement.

To this end, the Supervisory Board has adopted objectives for its composition, a skills profile and a diversity concept to ensure that the Supervisory Board provides qualified control and advice to the Management Board. It most recently reviewed this in December 2022 and, as part of this, expanded it to include "sustainability". The members of the Supervisory Board must have the following overall knowledge, skills and professional experience required for the proper performance of the duties of a Supervisory Board in a capital market-based real estate company:

- Experience in managing or supervising medium-sized or large companies or complex organisations
- Members as a whole must be familiar with the real estate sector and the project development industry
- In-depth knowledge about finance, accounting treatments, accounting, law and compliance in the General Committee as a whole

- At least one member of the Supervisory Board must have accounting expertise and at least one other member of the Supervisory Board must have auditing expertise (Section 100 (5) of the German Stock Corporation Act (AktG)), whereby accounting and auditing also includes sustainability reporting
- Experience with capital market instruments and bank financing
- Expertise on sustainability issues in the real estate sector and the project development business which are important for the company

Skills matrix for the Supervisory Board of Instone Real Estate Group SE

FIGURE 024

		Stefan Brendgen	Dr Jochen Scharpe	Christiane Jansen	Dietmar P. Binkowska	Sabine Georgi	Stefan Mohr	Thomas Hegel (until 14/6/2023)
	Member of the Supervisory Board since	13 August 2018	13 August 2018	20 September 2021	03 April 2019	03 July 2023	14 June 2023	03 April 2019
	Appointed until	oHV2026	oHV2026	oHV2026	oHV2026	oHV2026	oHV2026	oHV2026
Knowledge, skills or professional experience	in managing or supervising medium-sized or large companies or complex organisations	++	++	++	++	+	++	++
	Familiarity with the real estate sector and project development business	++	++	+	++	++	++	++
	Finance, accounting and financial reporting	++	++	++	++	++	++	+
	Financial reporting[1]	++	++	+	+	+	++	++
	Annual audit[1]	+	++	+	+	+	+	+
	Legal and compliance	+	+	++	+	+	+	++
	Capital market instruments and bank financing	++	+	+	++	+	++	+
	Sustainability	++	+	+	+	++	+	+
	Independence	Yes	Yes	Yes	Yes	Yes	No	Yes

[1] including sustainability reports and auditing of sustainability reports

\+ Expertise
++ Special knowledge

The Supervisory Board should also have an appropriate number of independent members.

The status of the implementation of the skills profile is also shown for the individual members of the Supervisory Board in the above skills matrix and updated as appropriate. GRI 2-10

In the interests of complementary cooperation, the selection of candidates for the Supervisory Board should also ensure adequate diversity with regard to different professional backgrounds, specialist knowledge and experience. The members of the Supervisory Board should also have sufficient time to carry out their mandate. In the opinion of the Supervisory Board, this is the case for all members.

Only persons who have not yet reached the age of 70 at the time of appointment are to be proposed for election as a member of the Company's Supervisory Board. The standard limit for the period of membership of the Supervisory Board is twelve years. These requirements were also met; as of 31 December 2023, no member of the Supervisory Board had reached the age of 70 or exceeded the regulatory limit for membership of the Supervisory Board.

Supervisory Board committees

In the 2023 financial year, the Supervisory Board had at its disposal three committees: the Nomination Committee, the Audit Committee and the Remuneration Committee. Further committees can be formed as required. The tasks and responsibilities and the personnel composition of the committees are set out below:

Audit Committee

The Audit Committee is responsible, in particular, for monitoring the accounting process, effectiveness of the internal control system and internal auditing system, the audit, in particular, the independence of the auditor, additional services provided by the auditor, the appointment of the auditor, granting the audit assignment to the auditor, the determination of audit priorities, the fee agreement, the assessment of the quality of the annual audit as well as compliance.

The audit committee prepares the resolutions of the Supervisory Board relating to the annual financial statements and the consolidated financial statements. It is primarily responsible for the preliminary examination of the documents relating to the annual financial statements and the consolidated financial statements, as well as the preparation of the statement or its approval and the profit appropriation proposal of the Management Board. Furthermore, the Audit Committee prepares the agreements with the auditor (in particular the appointment of the auditor), the determination of audit priorities and the fee agreement, as well as the engagement of the auditor by the Annual General Meeting. This also includes auditing the necessary independence, whereby the Audit Committee takes appropriate measures to ascertain and monitor the independence of the auditor. Instead of the Supervisory Board full meeting, the Audit Committee decides on agreements with the auditor (particularly issuing the audit mandate, determining the main audit areas and the fee agreement). The Audit Committee also decides on related party transactions instead of the full Supervisory Board meeting. The Audit Committee discusses the principles of compliance, risk assessment, risk management and the appropriateness and functionality of the internal control system with the Management Board. GRI 2-16

The Audit Committee is also responsible for ESG/CSR issues and advises the Management Board on sustainability-related issues.

The following members were members of the Audit Committee in financial year 2023:

- Dr Jochen Scharpe (Chairman)
- Stefan Brendgen
- Thomas Hegel (until the end of the Annual General Meeting held on 14 June 2023)
- Stefan Mohr (since 14 June 2023)

Due to their training, professional experience as CEOs or managing directors of large real estate companies and many years of membership on supervisory committees of large companies, Dr Jochen Scharpe, Stefan Brendgen and Thomas Hegel each has expertise in the field of accounting and are familiar with the sector in which the company operates. The same applies to Stefan Mohr due to his many years as a partner and head of corporate investments at private equity company Activum SG Capital and his previous professional activities for leading German financial institutions. Dr Jochen Scharpe also has expertise in the field of auditing, so that all members of the Committee in the 2023 financial year are qualified as financial experts within the meaning of Section 107 (4) sentence 3 in conjunction with Section 100 (5) of the German Stock Corporation Act.

Nomination Committee

The Nomination Committee proposes suitable candidates to the Supervisory Board for its election proposals at the Annual General Meeting and deals with succession planning in the Supervisory Board.

Members of the Nomination Committee in the 2023 financial year were:

- Thomas Hegel (Chair and member of the Committee until the end of the Annual General Meeting on 14 June 2023)
- Stefan Brendgen (Chair since 14 June 2023)
- Christiane Jansen
- Stefan Mohr (since 14 June 2023)

Remuneration Committee

The Remuneration Committee advises on the employment contracts of the members of the Management Board and prepares resolutions of the Supervisory Board on topics relating to remuneration.

In the 2023 financial year, the Remuneration Committee consisted of the following members:

- Dietmar P. Binkowska (Chair)
- Stefan Brendgen
- Dr Jochen Scharpe

Diversity GRI 405

Instone Real Estate Group SE places great value on diversity, both with regard to its administrative bodies and its employees as a whole, and sees diversity as one of the company's strengths. Diversity is therefore an important element for Instone Real Estate Group SE for sustainable corporate success.

Given this, the Supervisory Board determined in 2018 and confirmed once again in the 2020 financial year that attention will continue to be paid to diversity with regard to the composition of the Management Board in the future. The Supervisory Board has also set a target for the proportion of women on the Management Board and a standard retirement age for Management Board members at the age of 65. In the interests of complementary cooperation within the Supervisory Board, the selection of candidates for the Supervisory Board should also be based on sufficient diversity with regard to different professional backgrounds, specialist knowledge and experience.

According to the self-assessment of the Supervisory Board, the composition of the Supervisory Board and the Management Board as at 31 December 2023 complies with the described diversity concepts. The members of the Management Board have a range of different professional qualifications and, among other things, many years of experience in international corporations, investment banks and consultancies. David Dreyfus, the successor to Dr Foruhar Madjlessi, another member with many years of international experience and specialist expertise in capital markets and corporate finance has been a member of the Management Board since 1 September 2023. Furthermore, none of the members of the Management Board has reached the age of 65. As at 31 December 2023, the Supervisory Board continues to have a diverse membership and the target figure increased by the Supervisory Board for the proportion of women raised by from 20% to at least one third of the members in December 2023 has been or will be met.

Target figures for the proportion of women

The German Stock Corporation Act obliges Instone Real Estate Group SE to set targets for the proportion of women on the Supervisory Board, the Management Board and in the first two levels of management below the Management Board.

Supervisory Board target

In December 2020, the Supervisory Board defined a target figure for the proportion of women on the Supervisory Board, which at the time was set at 20%. The proportion of women on the Supervisory Board in the past financial year has been 20%, thus meeting the target, until the committee was expanded to include another person as from 3 July 2023.

As a result of the expansion of the Supervisory Board by another member, which was made in accordance with the Supervisory Board's election proposal, the proportion of female members – as intended by the Supervisory Board – now amounts to one third. Against this background, as announced, the Supervisory Board has also raised the target figure for female members of the Supervisory Board to at least one third and this target has already been met due to the appointment of Ms Georgi.

Target size for the Management Board

For the Management Board of Instone Real Estate Group SE, the target for the proportion of women set by the Supervisory Board is currently still 0%. This is not least due to the fact that the Supervisory Board, having taken into account the current circumstances, in other words in particular the current term of office of Kruno Crepulja and Andreas Gräf until the end of 2025 and the size of the Management Board, which only has three members, did not consider an early review and, if necessary, setting a higher quota, in other words before the end of the five-year period at the end of 2025 for a new review, to be expedient. Regardless of this, as far as filling the position of CFO, which became vacant in the last financial year, is concerned, the issue of diversity with regard to female candidates has also been taken into account in the requirements profile due to its importance, but ultimately it did not prove possible to fill the position with a female candidate. The Supervisory Board's actual composition has taken account of the overriding principle of filling a position primarily based on qualification and competence, irrespective of gender.

The Supervisory Board remains firmly convinced that diversity is a key component of a successful Management Board team. Therefore, within the scope of its personnel competence, the Supervisory Board ensures—most recently in the context of filling the position of CFO at the beginning of the last financial year—that diversity is taken into account in the composition of the Management Board. The Company has met the target during the period under review.

The target last confirmed in December 2020 for the Management Board is valid for five years until December 2025 according to the guidelines issued by the Supervisory Board The target for female members of the Supervisory Board increased in the past financial year to at least one third of the members and this will also apply for five years, in other words until December 2028. At the latest when these periods have elapsed, the Supervisory Board will review the targets again.

Target for first level of management

For the proportion of women at the first level of management below the Management Board, which consists of the members of the Management Board of Instone Real Estate Development GmbH and Nyoo Real Estate GmbH, the Management Board decided in December 2020 to raise the target figure to 25% (without taking into account double mandates), after the target was previously 0%. As of 31 December 2023, the proportion of women at the first level of management was 20%, which means that the target figure was not reached in the past financial year. Nevertheless, the Instone Group continues to attach great importance to achieving this target.

Target for second level of management

In December 2020, the Management Board decided to set the target at 30% for the proportion of women at the second level of management below the Management Board, which consists of branch managers, commercial managers, division managers and department heads. The proportion of women at the second level of management remained unchanged at 28% as of 31 December 2023 (previous year: 28%), which means that the target has not yet been reached. Nevertheless, the Instone Group is continuing to make progress in meeting this target.

The Management Board has set implementation deadlines of five years, ending in December 2025, for the achievement of the targets at the first and second management levels.

Management development

The Management Board promotes the achievement of goals through long-term staff planning and development. This includes, for example, the targeted support of female employees through training and professional development courses as well as the working time models offered by the Instone Group to promote equal opportunities in order to increase the number of women in management positions. In line with the practice adopted since the IPO, the Management Board has also determined, in accordance with Section A.2 of the GCGC, that diversity should also be respected and promoted for management appointments within the Company. The Management Board believes that diversity includes, but is not limited to, age, gender, international background, education and professional experience. Notwithstanding, the appointment and promotion of senior management positions in the Company and the underlying selection decisions will continue to be substantially based on specific qualifications. The Management Board will therefore continue to select managers based on their professional ability and aptitude for the specific roles in this management role, regardless of their background, gender or other non-performance characteristics.

In addition, the Management Board reports regularly to the Supervisory Board on the appointment and succession planning at levels of management below the Management Board.

Succession planning in the Management Board and the Supervisory Board

Together with the Management Board, the Supervisory Board ensures long-term succession planning for appointments to the Management Board. The long-term succession planning of Instone Real Estate Group SE is based on the corporate strategy, and takes into account the duration of the employment contracts of members of the Management Board and the standard age limit of 65 years laid down by the Supervisory Board for the members of the Management Board. The Supervisory Board has decided to negotiate an extension before the expiry of an employment contract, in principle together with the Management Board, and/or, if necessary, to initiate their succession by another suitable candidate. The Supervisory Board shall draft a job profile for vacant positions on the Management Board or for external candidates for positions to be filled, taking into account the diversity concept of the Company. In doing so, the Supervisory Board shall ensure that the knowledge, skills and experience of the candidates are in line with the requirements of the position to be filled and that they are balanced across the Management Board as a whole.

Succession planning in the Supervisory Board is the responsibility of the Nomination Committee of the Supervisory Board, which identifies suitable candidates in the event of any existing or prospective vacancy on the Supervisory Board taking into account the competence and diversity profile of the Supervisory Board and recommends them to the Supervisory Board as an election proposal for the Annual General Meeting.

Compensation Systems and Remuneration Report

The remuneration report for the 2023 financial year including the auditor's note under Section 162 AktG, the existing remuneration system under Section 87a (1) and (2) sentence 1 AktG and the last remuneration resolution under Section 113 AktG for the members of the Supervisory Board and the Management Board are publicly accessible on the Instone Group website at ↗ http://ir.de.instone-group.de/websites/instonereal/English/5930/verguetung.html. GRI 2-19, 2-20

Annual General Meeting and shareholders

The shareholders of Instone Real Estate Group SE assert their rights at the Annual General Meeting and exercise their voting rights. Each share in the Company grants one vote.

As a rule, the Annual General Meeting takes place annually within the first six months of the financial year. The agenda for the Annual General Meeting and the reports and documents required for the Annual General Meeting are published on the Company's website at ↗ Instone General Meeting.

Fundamental decisions are made at the Annual General Meeting. These include resolutions on the appropriation of any profits, the discharge of the Management Board and Supervisory Boards, the election of Supervisory Board members and the selection of the auditor, amendments to the Articles of Association as well as capital measures. The Annual General Meeting offers the Management Board and the Supervisory Board the opportunity to liaise directly with the shareholders and discuss the further development of the Company.

Instone Real Estate Group SE provides its shareholders with a proxy who is bound to follow shareholders' instructions and who can also be contacted during the Annual General Meeting in order to allow shareholders to personally exercise their rights. The invitation to the Annual General Meeting explains how instructions can be issued prior to the Annual General Meeting. Shareholders also remain free to be represented at the Annual General Meeting by a proxy of their choice.

2023 Annual General Meeting

The 2023 Annual General Meeting of Instone Real Estate Group SE took place in Essen on 14 June 2023 and was held as a general meeting with the shareholders physically present. The shareholders were able to cast their votes at the Annual General Meeting in person, by postal vote, through a Company proxy or through an authorised third party. Those present accounted for 90.3% of the registered share capital (90.42% of the registered capital taking postal votes into account). All agenda items were agreed with a large majority.

Compliance

Compliance is a significant part of successful and responsible corporate governance at the Instone Group.

We are committed to ethical principles and valid legal norms. We have enshrined this as an overarching principle in our compliance management system and employee code of conduct, which is available on our website ↗ Instone Code of Conduct. Our goal is to focus on compliance and find a positive as well as motivational approach to our employees. The Code of Conduct is applicable throughout the Group and was introduced in all affiliated companies where we have direct or indirect controlling influence. A controlling influence is normally assumed if there is a participation in more than 50% of the voting rights.

We also expect our partners, such as customers, suppliers and other contract partners, to comply with certain standards, particularly including compliance with legal requirements and regulations that we have set out in our Code of Conduct for contractual partners, available on our website at ↗ https://instone.de/en/become-a-partner/.

Our central compliance organisation sees itself as a key contributor to an integrity-led corporate governance and culture. It promotes a compliance culture and ensures that this is internalised among managers and employees. GRI 2-27

Compliance management system

The ultimate goal of the Group-wide compliance management system is to prevent and identify breaches of current laws and internal policies and to protect the Instone Group and its employees from inappropriate and unlawful conduct. We have therefore implemented a compliance management system that identifies and reduces risks, and ensures compliance within the Instone Group. To achieve this, we make use of various internal company policies and processes, such as money laundering prevention and business partner compliance, capital market compliance and corruption prevention, as well as training and advising our employees. Other important pillars of our compliance management system are our whistleblower system and our Code of Conduct for our contract partners.

Our Group Compliance Officer is responsible for the Group-wide drafting, development and implementation of the compliance management system and for conducting the training courses. The Compliance Officer is available to employees as contact persons for compliance issues. The effectiveness and appropriateness of the compliance system are reviewed at regular meetings of the compliance committee, and any follow-up needs are identified and carried out. Within the scope of the ongoing development of the compliance management system, and when dealing with legal issues, the Management Board and compliance officer at the Group level can be given legal advice if required.

We regularly conduct compliance and data protection training that provides our employees with information about laws and codes of conduct. Attendance at the training events is mandatory for all Instone Group and is reviewed and documented. In the year under review, the rate of successful completion of training sessions was over 99%. In the year under review, the topics related primarily to anti-corruption, data protection, data security and competition and cartel law. There is a compliance Section on the Instone Group Intranet site so that employees have direct, compact access to any material compliance information (including contact details for compliance, links and guidelines). Information on all current compliance topics is posted here. GRI 205-2, 410, 410-1

Whistleblower system

Despite having the best, wide-ranging prevention measures, illegal acts and breaches of duty may still occur. Employees, customers, contract partners and other third parties may report violations or suspected violations of laws and internal guidelines and regulations by email and via a digital whistleblower portal specially set up for this purpose, via which reports can be passed on anonymously to the Instone Group at the request of the whistleblower. Our employees can also contact their line managers and the Compliance Officer directly at any time with information. GRI 2-16

We check all reports and follow them up consistently. In doing so, we observe the following principles:

- The process is fair,
- Anonymity is protected,
- Investigations are confidential and
- Processes are efficient and protected.

In the 2023 financial year, there was no evidence of compliance breaches at the Instone Group that have proven to be accurate. Nevertheless, Instone Group will carefully investigate and respond to suspected cases of compliance breaches.

Money Laundering Prevention and Business Partner Compliance

The careful selection of business partners, in particular to reduce corruption and fraud risks as well as to prevent money laundering is an essential component of compliance at the Instone Group. The Instone Group has therefore implemented special preventive measures, which are routinely or occasionally carried out in order to detect and counteract such suspicions, including:

- Due diligence of business partners for compliance risks,
- Due diligence around suspected money laundering,
- Checking of potential business partners against sanctions lists and
- Verification of bank details and payment transactions for contract partners.

Prior to the conclusion of any contract (for example with contractors or buyers of our properties), a business partner audit (third party due diligence) must be carried out by the Instone Group on a regular basis. Employees of the Instone Group are obliged to first identify each potential business partner carefully. This is primarily due to those employees who conclude contracts with business partners, such as Purchasing and Project or Sales Management. If an increased compliance risk or money laundering risk is identified as part of this, the Compliance Officer must become involved.

The Instone Group and its employees also comply with the requirements of the German Money Laundering Act (GwG) in order to protect the company from damage (in particular with regard to reputation and standing). In the case of real estate transactions, the certifying notaries are also obliged to carry out an identity check and contribute to preventing money laundering as part of said real estate transactions. If a suspected money laundering risk is identified during the business partner check, the business partner is reviewed more closely. If the suspicion of a money laundering risk is confirmed, the Compliance Officer decides on the further course of action and making a report to the relevant state authorities.

The Instone Group complies with its legal obligations to check new customers, suppliers and service providers for their inclusion on sanctions lists. For example, existing customers and suppliers with whom a long-term relationship exists are regularly checked.

To prevent fraud, our employees are also obliged to check and release bank details, transfers and payments received by a company directive in compliance with the principle of dual control.

Code of Conduct for contractual partners

We also demand compliance with our high standards from our business partners and suppliers. As mentioned above, in our Code of Conduct for contractual partners, they commit to refraining from any kind of corruption or acts that could be construed as such. We also expect and work to ensure that our business partners and suppliers respect these obligations, principles and values, and take all of the measures necessary to prevent and punish active and passive corruption.

Capital Market Compliance

As a listed company and listed in the Prime Standard, the Instone Group is subject to a number of capital market regulations, which are based in particular on the provisions of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), the Securities Trading Act (WpHG) and the Stock Exchange Ordinance for the Frankfurt Stock Exchange. The Instone Group encourages its board members and employees to comply with these obligations by establishing rules of conduct that relate in particular to the following obligations:

- Ban on insider trading and the illegal disclosure of inside information
- Obligation for ad hoc publication
- Ban on market manipulation
- Reporting of business transactions carried out by management staff on their own behalf

The Instone Group has also set up an ad hoc committee to advise the Management Board on specific occasions and to recommend action for dealing with possible insider information. Employees are obliged to report possible insider information to the ad hoc committee without delay and, if they become aware of insider information, are added to insider lists in accordance with legal obligations. Trading in Instone Group shares with knowledge of inside information is banned. Employees are also urged not to conduct any direct or indirect business with Instone Group shares during so-called closed periods within 30 days prior to the publication of the half-year or annual financial statements. They are notified of the start and end of these closed periods by a traffic light system on the Instone Group Intranet.

The members of the Management Board and Supervisory Board of Instone Real Estate Group SE as well as other personnel performing management tasks at Instone Real Estate Group SE, and persons closely related to them are required under Article 19(1) of the Market Abuse Regulation to report transactions in shares of Instone Real Estate Group SE or related financial instruments to the Company without delay and no later than three business days after the date of the transaction. The Company publishes the notifications pursuant to Article 19 (2) of the Market Abuse Regulation without delay and no later than three business days after the transaction. The reports can be found on the Company's website at ↗ Instone Managers Transactions.

Fines

No significant fines were imposed against the Instone Group in the 2023 reporting year due to non-compliance with laws and regulations in the social and economic sphere.

Adequacy and efficacy of the risk management system, ICS and compliance management system

Due to the regular involvement of the Management Board with the risk/compliance management system and the internal control system (ICS) as well as ongoing reports from the internal audit function to the Management Board, the Management Board is not aware of any circumstances that may call the adequacy and efficacy of these systems as a whole into question.[1] With regard to sustainability reporting, the Management Board has taken the necessary measures to continuously increase the maturity level of the related risk/compliance management system and the ICS.

[1] Explanations on the risk management system and ICS can be found in the risk and opportunity report

Preparation

In this document, the terms "we", "us", "our", "Instone Group" and the "Company" refer to Instone Real Estate Group SE and its subsidiaries. Instone Real Estate Group SE has been headquartered at Grugaplatz 2–4, 45131 Essen, Germany since 28 August 2018. It is the top level domestic parent company of the Instone Group.

This report concerns the financial year ending 31 December 2023. Unless stated otherwise, all financial and other information disclosed in this report is as of 31 December 2023.

The recommendations of the German Corporate Governance Code (GCGC) in the version published in the Companies Register on 27 June 2022 provide for information on the internal control system and the risk and opportunity management system, which go beyond the statutory requirements for the management report and are therefore excluded from the content of the management report by the auditor (information not included in the management report). They are distinguished from the information which must be reviewed in terms of content by separate paragraphs and marked by means of a footnote.

In the course of reporting on our corporate responsibility activities, we are guided by recognised standards and reporting initiatives, including the guidelines of the Global Reporting Initiative (GRI) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). To clearly illustrate the contribution made by our products, services and activities to achieve the specific sustainability goal and our added value chain, we have marked the corresponding text passages with the respective GRI and TCFD symbol (illustrative example: GRI, TCFD). This information is also non-management information, which is excluded from the content review by the auditor.

Forward-looking statements

This report contains forward-looking statements. These are statements that are not historical facts or events, and are not facts or events that exist at the time this report is published. This applies, in particular, to statements in this report that include information about future financial viability, plans and expectations for growth and profitability, and the business environment to which the Instone Group is exposed. Words such as "forecast," "predict," "plan," "intend," "seek," "expect," or "target" indicate that this is a forward-looking statement.

The forward-looking statements in this report are subject to risks and uncertainties as they relate to future events. They are based on the best judgement of the Company's current estimates and assumptions. These forward-looking statements are based on assumptions and other factors and are subject to uncertainties, the occurrence or non-occurrence of which may cause the actual results, including the net assets, financial position and results of operations of the Instone Group, to be materially different or more negative than those expressly or implicitly assumed or described in these statements. These statements can be found in various parts of this report, in particular in the "Outlook" section, as well as in places where statements are made regarding intentions, opinions or current expectations of the Company regarding its future financial position or operating results, plans, liquidity, business prospects, growth, strategy and profitability, as well as the economic and regulatory environment in which the Instone Group operates.

In view of these uncertainties and assumptions, the future events mentioned in this report may not occur. Furthermore, the forward-looking statements and forecasts in this report which are based on reports prepared by third parties may prove to be incorrect. Actual results and events may differ substantially from those expressed in these statements, including but not limited to the following: Changes in the general economic situation in Germany, including changes to the unemployment rate, consumer prices, wages and salaries etc.; demographic change, especially in Germany; changes affecting interest rates; changes to the competitive environment, for example changes to residential construction activity; accidents, terrorist attacks, natural disasters, fires or environmental damage; the impossibility of finding and retaining qualified personnel; political changes; changes in corporate taxation, in particular, land transfer tax; changes in laws and regulations, in particular in the field of construction planning law or in broker and developer regulations and in environmental law.

Furthermore, it should be noted that all forward-looking statements are made only as of the date of this report and that the Company accepts no obligation to update such statements or adapt them to current events or trends, except as required by law. More details of certain factors that could affect the actual development of the matters described in the forward-looking statements of the Company are included in the "Outlook" section of this report page 174.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement GRI 201, 201-1

Consolidated income statement

TABLE 046

In thousands of euros

	Note	2023	2022
Revenue	1	514,255	567,513
Changes in inventories		167,614	123,550
One-time expenses in connection with the valuation of inventories		-17,695	0
		664,174	**691,063**
Other operating income	2	25,613	17,894
Cost of materials	3	-544,550	-551,170
Staff costs	4	-51,729	-48,670
Other operating expenses	5	-36,511	-31,611
Depreciation and amortisation	6	-4,971	-4,780
Consolidated earnings from operating activities		**52,027**	**72,727**
Share of results of joint ventures	7	8,114	3,851
Other results from investments	7	-2	-10
Finance income	8	7,410	2,208
Finance costs	8	-34,547	-21,384
Other financial result	8	47	40
Consolidated earnings before tax (EBT)		**33,049**	**57,432**
Income taxes	9	-14,079	-17,661
Consolidated earnings after tax (EAT)		**18,970**	**39,771**
Attributable to:			
Owners of the Company		20,114	40,586
Non-controlling interests		-1,144	-814
Weighted average number of shares (in units)		43,349,594	45,890,036
Basic and diluted earnings per share (in €)	10	**0.46**	**0.88**

Consolidated statement of comprehensive income GRI 201-1

Consolidated statement of comprehensive income

TABLE 047

in thousands of euros

	2023	2022
Consolidated earnings after tax	**18,970**	**39,771**
Items which are not reclassified into the consolidated earnings in future periods		
Actuarial gains and losses	-763	4,710
Income tax effects	242	-1,490
Income and expenses after tax recognised directly in equity	**-521**	**3,220**
Total comprehensive income for the financial year after tax	**18,449**	**42,991**
Attributable to:		
Owners of the Company	19,593	43,805
Non-controlling interests	-1,144	-814
	18,449	**42,991**

Consolidated statement of financial position

Consolidated statement of financial position

TABLE 048

In thousands of euros

	Note	31/12/2023	31/12/2022
ASSETS			
Non-current assets			
Goodwill	11	6,056	6,056
Intangible assets	12	232	940
Right of use assets	13	11,320	7,580
Property, plant and equipment	14	1,044	1,721
Interests in joint ventures	15	51,715	43,754
Other investments	16	390	340
Financial receivables	18	10,296	18,993
Other receivables		0	311
Deferred tax	28	301	3,078
		81,354	**82,774**
Current assets			
Inventories	17	1,085,840	967,253
Right of use assets	13	3,027	3,031
Financial receivables	18	23,309	663
Contract assets	19	177,069	333,585
Trade receivables	20	6,467	2,778
Other receivables and other assets	21	74,599	133,949
Income tax assets	22	4,302	710
Cash and cash equivalents	23	383,605	255,592
		1,758,219	**1,697,561**
TOTAL ASSETS		**1,839,573**	**1,780,335**

Consolidated statement of financial position (continued)

Consolidated statement of financial position

TABLE 048

In thousands of euros

	Note	31/12/2023	31/12/2022
EQUITY AND LIABILITIES			
Equity	24		
Share capital		46,988	46,988
Capital reserves		358,983	358,983
Consolidated retained equity		199,847	198,123
Accumulated reserves recognised in other comprehensive income		1,234	1,755
Treasury shares at acquisition costs		-36,697	-32,139
Equity attributable to shareholders		570,355	573,710
Non-controlling interests		5,621	-753
		575,976	**572,957**
Non-current liabilities			
Provisions for pensions and similar obligations	25	997	128
Other provisions	26	3,409	3,342
Financial liabilities	27	396,550	292,025
Liabilities from net assets attributable to non-controlling interests	29	13	18
Leasing liabilities	30	10,595	7,359
Other liabilities	33	37,843	0
Deferred tax	28	44,067	50,314
		493,474	**353,185**
Current liabilities			
Other provisions	26	24,267	21,929
Financial liabilities	27	136,050	228,622
Leasing liabilities	30	4,153	3,581
Contract liabilities	31	22,134	25,878
Trade payables	32	142,183	150,450
Other liabilities	33	431,893	393,559
Income tax liabilities	34	9,443	30,175
		770,122	**854,193**
TOTAL EQUITY AND LIABILITIES		**1,839,573**	**1,780,335**

Consolidated statement of cash flows GRI 201-1

Consolidated statement of cash flows

TABLE 049

In thousands of euros

	2023	2022
Consolidated earnings after tax	**18,970**	**39,771**
(+) Depreciation and amortisation/(-) reversal of impairments of property, plant and equipment	4,971	4,780
(+) Profit/(-) Loss on disposals of property, plant and equipment	1	72
(+) Increase/(-) Decrease in provisions	5,959	-4,569
(+) Current income tax income/(-) current income tax expense	20,013	15,413
(+) Deferred income tax income/(-) deferred income tax expense	-5,934	2,248
(+) Expense/(-) income from interests in joint ventures	-8,114	-3,851
(+/-) Change in net assets attributable to non-controlling interests	-6	10
(+) Interest expenses/(-) interest income	27,090	19,135
(+) Proceeds from public grants	989	0
(+) Other non-cash income/(-) Expenses	17,695	0
(+/-) Change in net working capital[1]	70,379	1,623
(+) Income tax reimbursements/(-) income tax payments	-44,337	-4,462
= Cash flow from operations	**107,677**	**70,170**
(-) Outflows for investments in intangible assets	0	-12
(+) Proceeds from disposals of property, plant and equipment	0	-67
(-) Outflows for investments in property, plant and equipment	-63	-324
(+) Proceeds from disposals of investments	15,744	11,306
(-) Outflows for investments in financial assets	-10,279	-12,303
(+) Proceeds from disposals of unconsolidated companies and other companies	566	152
(-) Outflows for investments in unconsolidated companies and other companies	0	-9,516
(+) Proceeds due to financial investments within the scope of current financial planning	0	80,000
(-) Outflows due to financial investments within the scope of current financial planning	0	-60,000
(+) Interest received	5,577	-230
(+) Dividends received	0	438
= Cash flow from investing activities	**11,545**	**9,444**

Consolidated statement of cash flows (continued)

Consolidated statement of cash flows

TABLE 049

In thousands of euros

	2023	2022
(-) Acquisition of treasury shares	-4,548	-32,325
(+) Issuing of treasury shares and other transactions	0	234
(+) Proceeds from loans and borrowings	-10	-271
(-) Dividends paid	327,253	252,594
(-) Repayments of loans and borrowings	-258,667	-123,253
(-) Payments from lessees to repay liabilities from lease agreements	-3,969	-3,747
(-) Interest paid	-35,118	-19,471
(-) Dividends paid	-15,163	-28,750
= Cash flow from financing activities	**9,777**	**45,010**
Cash and cash equivalents at the beginning of the period	255,592	130,969
(+/-) Cash change in cash and cash equivalents	128,999	124,624
(+/-) Exchange rate, scope of consolidation and valuation-related changes in cash and cash equivalents	-987	0
= Cash and cash equivalents at the end of the period	**383,605**	**255,592**

[1] Net working capital is made up of inventories, contract assets and trade receivables, other receivables less contract liabilities and trade payables and other liabilities.

Consolidated statement of changes in equity

Consolidated statement of changes in equity

TABLE 050

In thousands of euros

	Note	Total	Share capital	Capital reserves	Consolidated retained equity	Changes to accumulated equity recognised in other comprehensive income	Treasury shares at acquisition cost	Equity attributable to shareholders	Non-controlling interests
As at: 1 January 2022		**590,945**	**46,988**	**358,983**	**186,378**	**-1,465**	**0**	**590,884**	**61**
Consolidated earnings after tax		39,771	0	0	40,586	0	0	40,586	-814
Changes in actuarial gains and losses		3,220	0	0	0	3,220	0	3,220	0
Total comprehensive income		**42,991**	**0**	**0**	**40,586**	**3,220**	**0**	**43,805**	**-814**
Acquisition of treasury shares		-32,325	0	0	0	0	-32,325	-32,325	0
Issuing of treasury shares and other transactions		280	0	0	-91	0	371	280	0
Transaction costs net of tax effect		-185	0	0	0	0	-185	-185	0
Dividend payments		-28,750	0	0	-28,750	0	0	-28,750	0
		-60,980	**0**	**0**	**-28,841**	**0**	**-32,139**	**-60,980**	**0**
As at: 31 December 2022	24	**572,957**	**46,988**	**358,983**	**198,123**	**1,755**	**-32,139**	**573,710**	**-753**
As at: 1 January 2023		**572,957**	**46,988**	**358,983**	**198,123**	**1,755**	**-32,139**	**573,710**	**-753**
Consolidated earnings after tax		18,970	0	0	20,114	0	0	20,114	-1,144
Changes in actuarial gains and losses		-521	0	0	0	-521	0	-521	0
Total comprehensive income		**18,449**	**0**	**0**	**20,114**	**-521**	**0**	**19,593**	**-1,144**
Acquisition of treasury shares		-4,548	0	0	0	0	-4,548	-4,548	0
Transaction costs net of tax effect		-10	0	0	0	0	-10	-10	0
Changes to the scope of consolidation		2,705	0	0	0	0	0	0	2,705
Dividend payments		-15,163	0	0	-15,163	0	0	-15,163	0
Other changes		1,587	0	0	-3,226	0	0	-3,226	4,813
		-15,430	**0**	**0**	**-18,389**	**0**	**-4,558**	**-22,948**	**7,518**
As at: 31 December 2023	24	**575,976**	**46,988**	**358,983**	**199,847**	**1,234**	**-36,697**	**570,355**	**5,621**

Notes to the consolidated financial statements

Basis of the consolidated financial statements

General information about the Company

As of 28 August 2018, Instone Real Estate Group SE (hereinafter referred to as the "Company") is domiciled in Essen, Germany, and its head office is located at Grugaplatz 2–4, 45131 Essen, Germany. It is the ultimate parent company of Instone Real Estate Group SE (hereinafter also referred to as "Instone Group"). The Company is registered under the record number HRB 32658 in the Commercial Register of the Local Court of Essen.

The Company holds interests in subsidiaries whose principal activities are the acquisition, development, construction, leasing, management and sale or other use of land and buildings, as well as holding interests in other companies active in the sector.

The consolidated financial statements and the combined management report were approved by the Management Board of Instone Real Estate Group SE on 8 March 2024.

Basis for the preparation of the consolidated financial statements GRI 2-4

The consolidated financial statements of the Instone Group as of 31 December 2023 were prepared on the reporting date on the basis of Section 315e(1) HGB in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the related Interpretations (IFRIC) of the IFRS Interpretations Committee (IFRS IC) as they apply in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in the European Union.

Various items of the consolidated statement of financial position and the consolidated income statement are combined into one item for a better overview. These items are shown and explained separately in the Notes. The consolidated income statement is prepared according to the nature of expense method.

The consolidated financial statements are prepared in euros, which is the functional currency and the reporting currency of the Group. All amounts are expressed in thousands of euros (€ thousand) unless stated otherwise. Commercial rounding may lead to immaterial rounding differences in the totals.

In the course of reporting on our corporate responsibility activities, we are guided by recognised standards and reporting initiatives, including the guidelines of the Global Reporting Initiative (GRI) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In order to clearly illustrate the contribution made by our products, services and activities to the respective sustainability goal and our value chain, we have marked the corresponding text passages with the respective GRI and TCFD symbol (illustrative example: GRI, TCFD). The references contain information that is not included in the notes, which is excluded from the content review by the auditor.

The subsidiary financial statements included were prepared on the reporting date of the financial statements of Instone Real Estate Group SE.

Accounting standards to be applied for the first time in the current financial year GRI 2-4

In recent years, the International Accounting Standards Board (IASB) has made various changes to existing IFRS and published new IFRS as well as Interpretations of the IFRS Interpretations Committee (IFRS IC). The aim is to clarify inconsistencies and formulations. The following standards that were to be applied from financial years beginning on or after 31 December 2023 had no impact on these consolidated financial statements, except for any additional disclosures in the Notes:

- IFRS 17
- Amendments to IAS 1
- Amendments to IAS 8
- Amendments to IAS 12
- Annual Improvements to IFRSs, 2018–2020 cycle

Accounting standards and interpretations already published but not yet implemented

In addition to the above-mentioned mandatory IFRSs, the IASB has published further amended IASs and IFRSs, but these only need to be applied at a later date. Several of these standards have already been transposed into EU law ("endorsement"). Voluntary early application of these standards is expressly permitted or recommended. The Instone Group does not make use of this option. These standards will be implemented in the consolidated financial statements of the time of mandatory adoption.

Already incorporated into EU law (first-time adoption date in brackets):

- Amendments to IFRS 16 (1 January 2024)
- Amendments to IAS 1 (1 January 2024)

Not yet incorporated into EU law (first-time adoption date in brackets):

- Amendments to IAS 7 (1 January 2024)
- Amendments to IAS 21 (1 January 2025)

With the exception of new or modified notes, the new and amended standards are not expected to have a material impact on the consolidated financial statements.

Scope of consolidation GRI 2-4

The equity investments of Instone Real Estate Group SE include subsidiaries, joint ventures and financial interests.

In addition to Instone Real Estate Group SE, the consolidated financial statements of the Instone Group include all subsidiaries controlled by Instone Real Estate Group SE according to the acquisition method. A control relationship exists if the Instone Group as an investor has the continuing opportunity to determine the relevant activities of the subsidiary. Significant activities are activities that significantly affect returns. Furthermore, Instone Real Estate Group SE must have an interest in the form of fluctuating returns and be able to influence them with the options and rights available to the Company for its own benefit. As a rule, a controlling relationship exists if the majority of the voting rights are held directly or indirectly. In group companies, a controlling relationship can also arise through contractual agreements.

Shares in joint ventures and associated companies are recognised using the equity method. A joint venture is established if the Instone Group jointly conducts activities together with third parties on the basis of a contractual obligation. Decisions on relevant activities are taken unanimously between the partners. The partners have rights to the net assets of the joint venture. An associated company exists if the Instone Group can exert significant influence without being able to control that company.

As of 31 December 2023, a total of 13 (previous year: 17) domestic and two (previous year: two) European foreign subsidiaries, in addition to Instone Real Estate Group SE, have been included and fully consolidated in the current consolidated financial statements. In the 2023 financial year, three companies were eliminated from the scope of consolidation due to mergers.

Due to a loss of control, Projekt Am Sonnenberg Wiesbaden GmbH was deconsolidated in the reporting year. The shares of the joint venture are included in the consolidated financial statements using the equity method. The profit of €2,815 thousand resulting from the initial valuation of the at-equity investment is recognised as other operating income. This deconsolidation has meant that a short-term loan receivable in the amount of €19,833 thousand is reported. At the same time, the accounting recognition of the project and the corresponding project financial liability is no longer required in the year under review due to the loss of control.

On 31 December 2023, ten joint ventures (previous year: eight) were valued using the equity method. In the previous year, an associated company was valued using the equity method. The measurement using the equity method was based on the latest available annual financial statements.

In total, six subsidiaries (previous year: six) had a low business volume or no business operation and were not consolidated on grounds of materiality. They are recognised at acquisition cost under other investments.

Due to their overall minor importance, six companies (previous year: five) were not included in the consolidated financial statements using the equity method. These companies are of minor importance both individually and as a whole for the presentation of the results of operations, net assets and financial position of the Instone Group.

A detailed overview of all shares directly or indirectly held by Instone Real Estate Group SE is provided in the list of shareholdings. page 253 et seq..

Business combinations GRI 2-4

Business combinations are recognised at acquisition cost as soon as control is transferred to the Instone Group.

The consideration paid for the acquisition is measured at fair value. The same applies to the acquired identifiable net assets and debts. The resulting goodwill is subjected to an impairment test annually. All profits from acquisitions at prices below the market value are posted directly to income. Transaction costs are recognised when they arise, except when issuing bonds or equity securities.

The consideration paid does not include the amounts required to settle past relationship receivables. These amounts are always recognised in the income statement. Contingent considerations are recognised at their fair value at the acquisition date. If an obligation to make a contingent consideration that meets the requirements of the definition of a financial instrument is classified as equity and it will not be revalued and recognised in equity. In other respects, a contingent consideration is valued at the fair value as of the respective reporting date. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisition of non-controlling interests

Non-controlling interests are measured on the basis of their share, which at the time of acquisition is equal to the identifiable net assets of the acquirer. Changes in the Instone Group's investments in a subsidiary that do not result in a loss of control are treated as equity transactions.

Principles of consolidation

The financial statements of the companies included in the scope of consolidation are prepared using standardised accounting principles. Inter-company balances, business transactions, income and expenses as well as profits and losses from intra-Group transactions are eliminated in full. Deferred tax is deferred for temporary differences from consolidation measures. Consolidation adjustments are performed on impairment losses recorded for Group companies in their separate financial statements.

The same consolidation principles apply to shares in equity-accounted investees. These include the joint ventures of the Instone Group.

The financial statements of all equity-accounted affiliated companies are prepared in accordance with standardised Group accounting principles.

Foreign currency translation

All fully consolidated companies and equity-accounted affiliated companies prepare their separate financial statements in accordance with standardised Group accounting principles.

Accounting principles

Assets and liabilities are recognised according to the historical cost principle. This excludes derivative financial instruments, securities and shares in associates which are recognised at fair value.

Goodwill from the acquisition of subsidiaries is recognised at cost and is not subject to scheduled depreciation, but is instead subject to an impairment test in accordance with IAS 36 once a year and, in addition, a further test if there exist indicators that point to a potential impairment. The goodwill accounted for in the Bavaria North branch as a cash-generating unit, is classified as an intangible asset with an indefinite useful life, as it has neither a product life cycle nor is it subject to technical, technological or commercial wear or other restrictions.

The annual impairment test of goodwill is carried out at the Instone Group on 31 December of the financial year. As part of the impairment tests, the recoverable amount of a branch is compared with the carrying amount. The recoverable amount of the cash-generating unit is determined on the basis of the individual value in use of the allocated project developments. This corresponds to the present value of future cash flows that are expected to be achieved from the group of cash-generating units. The value in use is calculated on the basis of a project valuation model (discounted cash flow method). The determination is based on project-based cash flow plans for the next four years, which are generally based on the project planning approved by the Management Board and valid at the time the impairment test is carried out for the development period. There was no assumption of cash flows beyond the planning period of the projects. Experience and expectations regarding future market development are included in this planning. The cost of capital rates are based on the concept of weighted average cost of capital (WACC). A post-tax calculation of the value in use is carried out by discounting the cash flows at a cost of capital rate calculated separately for each cash-generating unit after tax. A perpetuity with a growth rate of 2.0% has been assumed.

Purchased **intangible assets** are measured at amortised cost. These include software for commercial and technical applications only. Intangible assets are generally amortised on a straight-line basis over a period of three to five years. Internally generated intangible assets include in-house software and are measured at production cost less scheduled depreciation and amortisation over a useful life of three years. The useful life and depreciation methods are reviewed every year.

Property, plant and equipment are recognised at amortised costs. These costs only include costs that are directly attributable to an item in property, plant and equipment. Property, plant and equipment is generally depreciated on a straight-line basis over a period of three to eight years. The useful life and depreciation methods are reviewed every year.

Impairment losses are recognised for tangible and intangible assets if their recoverable amount falls below their carrying amount. If the reason for an earlier loss in value no longer exists, the asset is reversed at amortised cost.

Leases are recognised in accordance with the provisions of IFRS 16. At the time of provision of the leased property, the right of use is recognised as an asset and the associated payment obligation is recognised as a leasing liability in the statement of financial position. The right of use is amortised on a straight-line basis over the shorter of the term of the lease and the economic useful life of the leased asset. Payment obligations are discounted using the appropriate marginal cost of capital rate. Discounting is generally calculated using term and currency-specific marginal borrowing cost of capital rates, unless the interest rate underlying the lease payments is available. Each lease payment is divided into repayments and interest expenses. Interest expenses are recognised in profit or loss over the term of the lease.

This accounting does not include short-term leases with a term of no longer than twelve months and leases where the asset underlying the lease agreement is of low value The value limit is €5 thousand. Such agreements are recognised in profit or loss at the time of payment. In addition, rights of use of intangible assets are excluded from the scope of application. These are separated in contracts that include lease components and non-lease components, except in the case of insignificant asset classes.

The Instone Group also generates a small amount of income from leases through the acquisition of leased existing real estate that is intended for demolition or redevelopment. No specific long-term income is expected from these leases, as the aim of the Instone Group is to terminate the leases.

Shares accounted for using the equity method are valued at acquisition cost and are recognised pro rata to the net assets in subsequent periods. The full carrying amount is tested annually for impairment; withdrawals and other changes in equity increase or reduce the carrying amount of the investment. Interests accounted for using the equity method are then impaired if their recoverable amount falls below their carrying amount.

Other investments include investments and securities that fall exclusively in the valuation category "Fair value through profit and loss". They are measured at fair value.

Other financial assets include financial receivables, trade receivables and other receivables and are measured at amortised cost using the effective interest method (taking into account factors such as surcharges and rebates). Non-interest-bearing or low-interest loans are initially recognised at their discounted amount using a current market interest rate and subsequently carried forward using the effective interest method. Impairment losses are recognised if there is an expected loss on the basis of the credit risk. The Instone Group uses the simplified value reduction model of IFRS 9 on all trade receivables and contract assets and therefore recognises the expected losses over the total term.

Deferred tax liabilities arise due to temporary differences between the IFRS and tax statements of financial position of the various companies and as a result of the consolidation.

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 must be capitalised if it can be assumed with sufficient certainty that the affiliated economic benefits can be claimed. Their amount is calculated on the basis of the tax rates which apply or are expected to apply at the time of adoption in the different countries. The German trade tax rates applicable to the various companies are taken as a basis within the Group. 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. Deferred tax assets and liabilities are offset against each other for each company or group of companies.

Inventories are assets that are in production (work-in-progress) and for which no sales contract has yet been concluded. They are measured at acquisition and production cost. Acquisition and production cost includes the complete production-related costs. Borrowing costs for inventories that are part of the qualifying assets are capitalised as cost components. If the recoverable amount is lower than the capitalised costs on a specific reporting date, the lower recoverable amount is used. If the net realisable value of inventories increases as a result, the resulting gain must be recognised. This is done by increasing the changes in inventories. For the purpose of commercial presentation, the inventories from the individual larger project development measures are split into several sub-project development measures. This split has no impact on the measurement. Within the Group, the respective overall project is recognised as a special measure in the current assets. The risks arising from individual sub-project units can be compensated by opportunities from other sub-projects. An impairment requirement beyond the carrying amount is taken into account by recognising a provision for contingent losses.

Planning costs included in acquisition and production cost are recognised directly as an expense in the event of significant rescheduling that constitutes a planning error.

Receivables and payables from individually negotiated customer contracts are presented under **contract assets** and **contract liabilities**. These receivables and liabilities are accounted for and measured in accordance with IFRS 15 "Revenue from Contracts with Customers".

The Company's customer contracts meet the criteria for identifying a contract under IFRS 15. For measurement purposes, the respective potentially separable performance obligations in the respective contracts are combined into one performance obligation as there is no individual benefit for the customer from separate performance obligations and the contracts do not provide for the transfer of separate benefit obligations. Subsequently agreed special requests of the customer are also added to the single performance obligation.

The contracts are generally regarded as fixed price contracts. Subsequent special requests are added to the fixed price. If the sale of several residential units in a contract is combined in multi-level marketing, a separate fixed price is agreed in the contract for each residential unit. In the case of investor distribution, contracts are always concluded with fixed prices listed separately if the performance obligation of the contract involves several buildings with separate construction phases. In addition to the generally agreed fixed price, the contracts involving investor distribution contain, in some cases, an adjustment clause at a fixed price on the basis of the constructed living space after final completion. In other cases, the purchase price for an investor contract can be based on the construction cost index. The contracts for the sale of residential real estate are generally valued according to revenue recognition over time. In the case of contracts in individual sales, there is usually a bilateral right of withdrawal up to a marketing quota of 30% of the residential units of a construction phase so that revenue recognition over a period of time only begins after this quota has been reached. Otherwise, in the case of contracts in the area of structured sales or investor distribution, the revenue recognition over time begins directly upon effectiveness of the contract. The agreed fixed price is generally accepted as a basis for the expected revenues for all contracts, as the adjustment to the constructed living space is not clearly identifiable before completion in the case of investor contracts. Performance progress is determined according to the input-oriented cost-to-cost method on the basis of the performance status of the compliance costs. For the calculation of the costs, a separate project account is kept for each phase of construction in which the costs are recorded and compared with the planned costs. In the case of contracts in individual sales and structure sales, the marketing quota of the construction section is included in the measurement in addition to the performance progress. The unsold portion of the construction stage is valued as inventories in accordance with IAS 2.

Contracts with individual and structured sales are generally concluded with an instalment payment plan in accordance with the Broker and Developer Regulations (Makler- und Bauträgerverordnung; MaBV). As a rule, for contracts involving investor distribution, instalment payment plans are also agreed based on the MaBV regulations.

In contract assets and contract liabilities, the advance payments received from customers against the contracts concluded are netted with the receivables from the performance of the contract. As a general rule, the settlement receivables exceed the advance payments received for the contract and the net value is recognised as a contract asset. In individual cases, advance payments received may exceed the settlement receivables so that the netted value is shown as a contract liability.

The additional contract costs incurred are also capitalised in the "Contract assets" item in the statement of financial position. From the beginning of revenue recognition, the sales commissions incurred and capitalised so far are amortised in the income statement under cost of materials. Depreciation is measured at the fulfilment level so that contract costs remain capitalised on the part not yet fulfilled.

Receivables and liabilities arising from customer contracts are realised in one single business cycle of the Instone Group. Consequently, they are classified as current assets or liabilities, even if the realisation of the entire construction contract takes more than one year.

As a general rule, the contracts with customers of Instone Group do not provide for redemption obligations and guarantees beyond the statutory framework. In individual cases, contracts with corresponding rights of withdrawal are concluded.

Government grants are recognised at fair value at the time when there is sufficient certainty that the conditions associated with the grant will be met and that the grant will be received. In the statement of financial position, receivables from these grants are shown under Other receivables. The grants are presented as current assets because the receipt and use of the grants are linked to the contract assets and inventories, which are also presented as current. Liabilities from government grants are presented under Other liabilities. Grants for units already sold are collected in accordance with the progress of construction and recognised in the income statement in the periods in which the corresponding expenses, which are to be compensated by the government grant, are recognised as expenses. Income grants from KfW funding programmes are recognised in the Instone Group as government grants. They are presented in the income statement under Other operating income.

Loans that include government grants in the form of partial debt relief and discounted interest rates are carried as financial liabilities at fair value and subsequently carried forward at amortised cost. At the time of disbursement of a loan that includes government grants, the amount of funding from the loan is reclassified to Other liabilities and collected in accordance with the progress of construction of the sold units.

If it is not probable that the requirements associated with the grant will be met, the balance sheet items associated with the grants will be reversed and recognised in profit or loss.

Liquid funds (cash and cash equivalents) exist in the form of bank balances. In the previous year, they also existed in the form of cash on hand. They also include all capital investments with a residual maturity at the acquisition date of up to three months. Cash and cash equivalents are valued at their nominal value.

Treasury shares are deducted from equity at the value of the consideration paid, including directly attributable incidental costs. If these units are issued again, the difference between the acquisition cost and the issue price is posted to the capital reserve in the event of increased proceeds and deducted from the revenue reserves in the event of reduced proceeds. Acquisition cost is determined using the average cost method as the consumption tracking method.

Provisions are made for all legal and constructive liabilities to third parties existing on the closing date from transactions concluded in the past that are likely to result in the disposal of resources which can be reliably estimated.

Provisions are recognised at their anticipated settlement value and are not offset against reimbursement claims. All non-current provisions are recognised at their anticipated settlement value and discounted to the reporting date of the annual financial statements. Furthermore, all cost increases that count towards the settlement date are taken into account when calculating this amount.

Provisions for pensions and similar obligations are recognised for defined benefit plans. These include obligations of the Company with respect to current and future benefits to eligible active 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 and pension increases expected in the future. The calculation is based on actuarial reports using biometric calculation methods (primarily the "Richttafeln 2018 G" (Mortality Tables) of Klaus Heubeck).

The provision is calculated on the basis of the actuarial present value of the obligation and the fair value of the plan assets required to settle the pension obligation. The service cost is included in staff costs. The net interest income is part of the finance income. Gains and losses from the revaluation of net liabilities or net assets are recognised in full in the period in which they arise. They are presented in equity, are not recognised in profit or loss and are not presented in the consolidated income statement. In subsequent years they are also not shown in the profits and losses.

The Instone Group makes no further commitments for defined contribution plans that would exceed the contributions paid to Special Funds. The contributions are recorded as staff costs.

All **other provisions** take into account all identifiable risks. They are recognised at the amount required on the basis of prudent business judgement to meet future payment obligations of the Instone Group. In this context, the amount that appears most likely is used, taking into account the individual case.

Share-based remuneration is accounted for in accordance with the provisions of IFRS 2. These provisions cover the non-current share-based compensation programmes with cash settlement and the issue of employee shares. Liabilities from non-current share-based incentive plans are measured at their fair value and presented under personnel provisions.

Non-current loans recognised in financial liabilities are carried at amortised cost. Interest-bearing loans at normal market rates are recognised at their face value.

Non-derivative **financial liabilities** (including trade payables) are carried at amortised cost using the effective interest rate method in accordance with IFRS 9. Initial measurement is at fair value including transaction costs.

Liabilities from net assets attributable to non-controlling interests relate to the limited partner share of minority shareholders. Upon being acquired by the Instone Group, they are recognised in other comprehensive income as liabilities measured at the present value of the repayment amount. Subsequent measurement is through profit and loss.

Income tax liabilities include obligations to pay current income tax. Income tax liabilities are offset against the corresponding tax refund claims if they exist in the same jurisdiction and are identical in terms of their type and due date.

Contingent liabilities are potential obligations to third parties arising from events that have already taken place and that cannot be fully controlled by the Company, or existing obligations to third parties that are unlikely to lead to an outflow of resources or whose amount cannot be estimated with sufficient reliability. Contingent liabilities are not generally shown in the statement of financial position.

Earnings per share are calculated by dividing the net income attributable to the shareholders of the Instone Group by the weighted average number of shares outstanding.

Estimates and assumptions

The preparation of the consolidated financial statements requires estimates and assumptions that may affect the application of the Instone Group's accounting policies, as well as 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.

Estimates are particularly required for the measurement of inventories and contract assets, particularly the estimate of the total costs and the sales revenues, the allocation of purchase prices, the effectiveness of sales contracts, the granting of pending approvals, the recognition and measurement of deferred tax assets, the allocation of trade payables and contract liabilities, the recognition of provisions for pensions and other provisions.

Segment reporting

Segment reporting in accordance with IFRS 8 is based on the management approach and thus corresponds to the management and reporting system that the Instone Group uses for its segments. The Instone Group operates in only one operating segment and one geographical segment. It generates its revenue and holds its assets mainly in Germany. In the 2023 financial year, the Instone Group generated revenue with one customer representing 14.42% (previous year: 16.38%) of the reported total revenue. This was equivalent to €74,170 thousand (previous year: €92,978 thousand). Due to the homogeneity of the services provided to this customer and the other customers, only one operating segment is presented, as in the previous years.

However, the internal reporting for the single operating segment differs from the figures in IFRS accounting. In its internal reporting, the Instone Group focuses in particular on the development of housing projects. For this reason, the Instone Group conducts segment reporting for this one operating segment.

Internal corporate governance for this segment is based in particular on the internal reporting system for the presentation of key developments relating to real estate business and financial business key performance indicators, supplemented by an examination of key project milestones and liquidity development.

The Instone Group manages its segment through the adjusted results of operations using key performance indicators of adjusted revenue, adjusted gross profit and adjusted earnings after interest and tax.

Adjusted revenue

The performance of the operating segment is reported via adjusted revenue on the basis of revenue recognition at a point in time or over time according to IFRS. Adjusted revenue is calculated by adding the revenue recognition from share deals in the same way as from asset deals, without the effects from purchase price allocations.

Adjusted gross profit

The adjusted gross profit is used to analyse the project-based company performance and is determined on the basis of the adjusted revenue less the cost of materials, changes in inventories, other operating income after subtracting the cost of materials, indirect distribution costs and capitalised interest, but excluding effects from purchase price allocations, share deals and non recurring effects.

Adjusted earnings after tax

Adjusted earnings after tax is calculated on the basis of adjusted gross profit less platform costs, consisting of staff costs, other operating income and expenses, depreciation and amortisation, investment and other income, financial result and income taxes, but is also adjusted for the effects from purchase price allocations and share deals, as well as any non-recurring effects, where applicable. Since the 2020 financial year, the results of joint ventures are included in adjusted earnings before interest and tax, as future earnings of project companies to be recorded under this item are to be allocated to operating earnings.

The effects of the adjusted results of operations are derived from the following:

Share deal effects

The project companies Westville 2 GmbH, Westville 3 GmbH, Westville 4 GmbH and Westville 5 GmbH are conceived as asset management companies under German commercial law and constitute one major project in Frankfurt am Main. The Instone Group has already sold these project companies in the form of a share deal with the obligation to build a residential complex. In the adjusted results of operations, the overall "Westville" project is managed in the same way as the other projects in the Instone Group, with revenue recognition over time in accordance with IFRS 15. These companies are valued and included in the consolidated financial statements in accordance with IAS 2. The effects from this different valuation are reflected in the revenue of €99,103 thousand (previous year: €49,562 thousand), project costs of €88,005 thousand (previous year: €50,640 thousand) and income taxes of €1,904 thousand (previous year: €185 thousand).

Effects from purchase price allocations

Due to the first-time consolidation of Instone Real Estate Development GmbH in 2014 and Instone Real Estate Leipzig GmbH in 2015 as well as the business activities of S&P Stadtbau GmbH in 2019, as of 31 December 2023 inventories and contract assets still included writeups of €11,495 thousand (previous year: €17,098 thousand) from purchase price allocations. The ongoing amortisation of these purchase price allocations on the basis of the progressive implementation of the projects included in these initial consolidations is adjusted for internal reporting. The adjustment for the amortisation of purchase price allocations was attributable as follows: €2,593 thousand (previous year: €3,932 thousand) to revenue, €-3,010 thousand (previous year: €-10,328 thousand) to changes in inventories and reduced to €1,635 thousand (previous year: €-4,512 thousand) to income taxes. Based on current estimates, the Instone Group expects these effects to expire in 2025.

Reclassifications and non-recurring effects

In the year under review, indirect sales expenses amounting to €2,399 thousand (previous year: €2,811 thousand) were allocated to project costs.

In the year under review, one-time expenses in connection with the valuation of inventories to €-17,695 thousand were recognised. As these are unusual in their amount and cannot be regarded as recurring, they have been adjusted as a special effect.

In addition, other operating expenses in the amount of €-3,802 thousand were adjusted as non-recurring expenses. In the financial year, other operating income after subtracting the cost of materials (income opposed by a directly attributable item in cost of materials) in the amount of €15,105 thousand (previous year: €10,176 thousand) was reclassified to project costs. The adjustment of the capitalised interest in the changes in inventories of €12,228 thousand (previous year: €3,231 thousand) burdened the project costs.

In the following table, the differences arising from the valuation of the individual data are carried over from the adjusted results of operations to the consolidated reporting:

Reconciliation of adjusted results of operations in 2023

TABLE 051

In thousands of euros

	Adjusted results of operations	Share deal effects	Non recurring effects	Reclassifications	Effects from PPA	Reported results of operations
Revenue	**615,952**	**-99,103**	**0**	**0**	**-2,593**	**514,255**
Project costs	**-461,453**	**88,005**	**-17,695**	**-479**	**-3,010**	**-394,631**
Cost of materials	-531,843	0	0	-12,706	0	-544,550
Changes in inventories	70,391	88,005	0	12,228	-3,010	167,614
One-time expenses in connection with the valuation of inventories	0	0	-17,695	0	0	-17,695
Gross profit	**154,499**	**-11,098**	**-17,695**	**-479**	**-5,603**	**119,624**
Platform costs	**-76,502**	**0**	**-3,802**	**12,706**	**0**	**-67,597**
Staff costs	-51,729	0	0	0	0	-51,729
Other operating income	10,508	0	0	15,105	0	25,613
Other operating expenses	-30,310	0	-3,802	-2,399	0	-36,511
Depreciation and amortisation	-4,971	0	0	0	0	-4,971
Share of results of joint ventures	8,114	0	0	0	0	8,114
EBIT	**86,111**	**-11,098**	**-21,497**	**12,228**	**-5,603**	**60,141**
Other results from investments	-2	0	0	0	0	-2
Financial result	-14,862	0	0	-12,228	0	-27,090
EBT	**71,247**	**-11,098**	**-21,497**	**0**	**-5,603**	**33,049**
Tax	-23,051	1,904	5,433	0	1,635	-14,079
EAT	**48,196**	**-9,194**	**-16,064**	**0**	**-3,968**	**18,970**

Reconciliation of adjusted results of operations in 2022

TABLE 052

In thousands of euros

	Adjusted results of operations	Share deal effects	Non recurring effects	Reclassifications	Effects from PPA	Reported results of operations
Revenue	**621,007**	**-49,562**	**0**	**0**	**-3,932**	**567,513**
Project costs	**-463,798**	**50,640**	**0**	**-4,133**	**-10,328**	**-427,620**
Cost of materials	-543,805	0	0	-7,365	0	-551,170
Changes in inventories	80,007	50,640	0	3,231	-10,328	123,550
Gross profit	**157,209**	**1,078**	**0**	**-4,133**	**-14,260**	**139,894**
Platform costs	**-72,466**	**0**	**-2,066**	**7,365**	**0**	**-67,167**
Staff costs	-48,670	0	0	0	0	-48,670
Other operating income	7,718	0	0	10,176	0	17,894
Other operating expenses	-26,734	0	-2,066	-2,811	0	-31,611
Depreciation and amortisation	-4,780	0	0	0	0	-4,780
Share of results of joint ventures	3,851	0	0	0	0	3,851
EBIT	**88,594**	**1,078**	**-2,066**	**3,231**	**-14,260**	**76,578**
Other results from investments	-10	0	0	0	0	-10
Financial result	-15,904	0	0	-3,231	0	-19,135
EBT	**72,680**	**1,078**	**-2,066**	**0**	**-14,260**	**57,432**
Tax	-22,641	-185	654	0	4,512	-17,661
EAT	**50,038**	**893**	**-1,412**	**0**	**-9,748**	**39,771**

Notes to the consolidated income statement

1 Revenue

Revenue is spread across the following regions:

Revenue by region TABLE 053

In thousands of euros

	2023	2022
Germany	514,192	567,377
Rest of Europe	64	137
	514,255	**567,513**

The composition of revenue by revenue type is shown in the following table:

Revenue by revenue type TABLE 054

In thousands of euros

	2023	2022
Revenue from building contracts		
Revenue recognised over time	503,496	558,948
Revenue recognised at a point in time	5,897	1,286
	509,394	**560,234**
Income from leases	4,539	6,997
Other services	323	282
	514,255	**567,513**

The total amount of unfulfilled or partly unfulfilled performance obligations as of the reporting date is €442,278 thousand (previous year: €788,589 thousand).

The cycle of contract assets and contract liabilities – similar to the duration of construction work – is on average three years (previous year: three years).

2 Other operating income

Other operating income is broken down as follows:

Other operating income TABLE 055

In thousands of euros

	2023	2022
Income from government grants	13,407	7,313
Income from released liabilities	4,590	3,880
Income from the reversal of provisions	3,327	6,026
Income from the deconsolidation effect of the project Am Sonnenberg Wiesbaden GmbH.	2,815	0
Remaining other operating income	1,475	676
	25,613	**17,894**

Other operating income includes 13,407 thousand (previous year: €7,313 thousand). There are no unfulfilled conditions or other performance uncertainties related to these grants. Other remaining other income mainly includes cost allocations to subcontractors and items that are not included elsewhere. Income from liabilities released for sale results from expenses accrued in the previous year, which are no longer likely to occur in the financial year.

3 Cost of materials GRI 201-1

Cost of materials TABLE 056

In thousands of euros

	2023	2022
Cost of raw materials, consumables and supplies	-35,843	-66,784
Expenses for purchased services	-508,706	-484,385
	-544,550	**-551,170**

4 Staff costs GRI 201-1

Staff costs TABLE 057

In thousands of euros

	2023	2022
Wages and salaries	-45,221	-42,109
Social security contributions and expenses for pensions	-6,508	-6,561
	-51,729	**-48,670**

The contributions paid by the employer to the state-administered pension fund in the financial year amounted to €2,804 thousand (previous year: €2,871 thousand).

Pension expenses amounted to €135 thousand (previous year: €333 thousand). They relate to pension entitlements earned in the financial year from defined benefit plans and payments to defined contribution plans. GRI 201-3

The average number of employees can be broken down as follows:

Employees TABLE 058

Number (average)

	2023	2022
Berlin	33	31
Essen	93	115
Frankfurt a. M.	63	62
Hamburg	29	30
Cologne	87	85
Leipzig	38	38
Munich	18	17
Nuremberg	31	32
Stuttgart	33	34
	425	**444**

5 Other operating expenses GRI 201-1

Other operating expenses are broken down as follows:

Other operating expenses TABLE 059

In thousands of euros

	2023	2022
Change in warranty and other provisions	-7,170	-2,061
Consulting/analysis expenses	-5,765	-8,404
Other taxes	-3,048	-3,025
Restructuring and adjustment costs	-3,009	-640
Court costs, solicitors' and notaries' fees	-2,569	-2,378
Other selling expenses	-2,399	-2,811
Leasing expenses including ancillary costs	-1,779	-1,540
Costs for EDP and IT	-1,772	-2,733
Travel costs	-1,378	-1,362
Insurances	-1,050	-1,243
Auditing expenses	-1,035	-606
Supervisory Board bonus	-593	-602
Costs of postal/payment transactions, telecommunications costs	-506	-468
Sundry other operating expenses	-4,437	-3,737
	-36,511	**-31,611**

Other operating expenses include, among other things, recruitment costs, contributions to associations, office supplies and other expenses that are not recognised elsewhere.

6 Depreciation and impairment

As in the previous year, there was no impairment on goodwill, intangible assets or property, plant and equipment.

The depreciation and amortisation of the right of use assets is divided into the following classes: Real estate €2,056 thousand (previous year: €2,110 thousand), passenger cars €1,217 thousand (previous year: €1,075 thousand) and other €252 thousand (previous year: €204 thousand).

Depreciation and amortisation TABLE 060

In thousands of euros

	2023	2022
Right of use assets	-3,525	-3,388
Property, plant and equipment	-738	-873
Intangible assets	-707	-519
	-4,971	**-4,780**

7 Results from investments

The income from at-equity consolidated investments and other investment income resulted as follows:

Results from investments TABLE 061

In thousands of euros

	2023	2022
Valuation result of investments accounted for at equity		
beeboard GmbH	-191	-130
FHP Friedenauer Höhe Dritte GmbH & Co. KG	1,554	-43
FHP Friedenauer Höhe Erste GmbH & Co. KG	1,527	1,722
FHP Friedenauer Höhe Sechste GmbH & Co. KG	2,521	-107
FHP Friedenauer Höhe Vierte GmbH & Co. KG	1,306	1,513
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	22	-50
Twelve GmbH & Co. KG	1,201	1,098
Wohnpark Gießener Straße GmbH & Co. KG	-4	-167
Wohnpark Heusenstamm GmbH & Co. KG	179	14
	8,114	**3,851**
Other results from investments		
Change in net assets attributable to non-controlling interests	6	-13
Other income from investments	-8	3
	-2	**-10**

8 Financial result

Financial result TABLE 062

In thousands of euros

	2023	2022
Finance income		
Interest and similar income	7,410	2,208
	7,410	**2,208**
Finance costs		
Interest and similar expenses	-34,587	-21,254
of which interest expenses from leases	-354	-313
Interest shares in allocations to provisions	40	-129
of which, net interest expenses from pension obligations	0	-101
	-34,547	**-21,384**
Other financial result		
Income from non-current securities	47	40
	47	**40**

The finance income consists mainly of interest income for cash investments and loans. Financial expenses consist mainly of interest expenses for cash investments and other loans.

In this financial year, interest income of €7,410 thousand (previous year: €2,208 thousand) was reported for financial instruments that were not recognised at fair value through profit and loss; interest expenses for these financial instruments amounted to €-33,883 thousand (previous year: €-20,942 thousand).

The net interest expense from pension obligations of €0 thousand (previous year: €-101 thousand) includes the interest imputed annually to the net present value of the pension obligations in the amount of €-367 thousand (previous year: €-267 thousand). These amounts are recognised in interest income from plan assets amounting to €367 thousand (previous year: €166 thousand).
GRI 201-3

9 Income taxes

Income taxes[1]

TABLE 063

In thousands of euros

	2023	2022
Current income tax		
German trade tax	-9,346	-8,322
Corporation tax	-10,667	-7,091
	-20,013	**-15,413**
of which from previous years	-3,362	650
of which from the current year	-16,651	-16,062
Deferred income taxes		
from temporary differences	6,088	-2,722
from loss and interest carry-forwards	-154	474
	5,934	**-2,248**
	-14,079	**-17,661**

[1] Previous year adjusted.

The change in deferred tax liabilities recognised in other comprehensive income was €-242 thousand (previous year: €1,490 thousand). The change in current tax liabilities recognised in other comprehensive income amounted to €6 thousand (previous year: €86 thousand).

For temporary differences in the amount of €4,983 thousand (previous year: €7,976 thousand) between the net assets of Group companies recognised in the consolidated financial statements and the tax basis of the interests in these Group companies ("Outside Basis Differences") no deferred tax liability was recorded as no sale of affected investments was intended for an indefinite period.

The reconciliation of notional income tax liabilities to recognised income taxes is as follows:

Tax reconciliation[1]

TABLE 064

In thousands of euros

	2023	2022
Earnings before tax	**33,049**	**57,432**
Theoretical tax expenses 31.728% (previous year: 31.640%)	-10,486	-18,172
Deviation from the expected Group tax rate	113	348
Tax effect from changes in tax rates	-134	433
Use of loss and interest carryforwards, for which no deferred taxes have previously been capitalised	0	101
Income taxes from other periods	-3,874	832
Non-tax-deductible expenses and permanent differences	497	-590
Tax-free income	714	0
Trade tax additions and reductions	-652	-330
Changes in value and non-recognition of deferred taxes	-128	-284
Other effects	-128	0
Effective tax expenses	**-14,079**	**-17,661**
Effective tax rate (in %)	42.60	30.75

[1] Previous year adjusted.

The reconciliation is calculated on the basis of the tax rates applicable or expected to apply at the time of implementation in the different countries. A tax rate for the Instone Group of 31.728% (previous year: 31.640%) has been used as the expected tax rate.

10 Earnings per share

Earnings per share TABLE 065

	2023	2022
Net result for the shareholders of Instone Real Estate Group SE (in thousands of euros)	20,114	40,586
Weighted average number of shares (in units)	43,349,594	45,890,036
Basic and diluted earnings per share (in €)	0.46	0.88

Basic and diluted earnings per share are calculated by dividing the proportion of net consolidated profit attributable to Instone Group shareholders by the weighted average number of outstanding shares. The repurchase of treasury shares and the issue of employee shares have been included in the calculation of the weighted average number of shares.

Notes to the consolidated statement of financial position

11 Goodwill

Goodwill in the amount of €6,056 thousand (previous year: €6,056 thousand) is attributable in full to the Bavaria North branch of Instone Real Estate Development GmbH. Goodwill is not depreciated on schedule, but is subjected to an impairment test in accordance with IAS 36 once a year, and whenever certain indicators point to a potential impairment loss. Goodwill is fully non-tax-deductible.

The goodwill of fully consolidated companies, which was capitalised as part of the initial consolidation, has been allocated to the relevant branch as cash-generating units in order to carry out impairment tests.

The discount rates for the cash-generating unit Bavaria North, which are used as part of the impairment tests, are 8.38% after taxes (previous year: 8.85%) and before tax at 12.23% (previous year: 12.92%).

A comparison of the recoverable amounts of the branch with their carrying amount resulted in a surplus and there is therefore no need for a devaluation for goodwill. A sensitivity analysis of key parameters also did not lead to any deviating results.

12 Intangible assets

As in the previous year, intangible assets are not subject to any limitations on disposal. They include €221 thousand (previous year: €877 thousand) capitalised development costs, the production of which was already completed as of the reporting date, and €11 thousand (previous year: €63 thousand) concessions and industrial property rights.

Intangible assets TABLE 066

In thousands of euros

	2023	2022
Acquisition costs as of 1 January	**1,725**	**1,714**
Additions	0	12
Acquisition costs as of 31 December	**1,725**	**1,725**
Accumulated depreciation as of 1 January	**786**	**267**
Additions	707	519
Accumulated depreciation as of 31 December	**1,493**	**786**
	232	**940**

13 Right of use assets

The right of use assets recognised relate to real estate, inheritable building rights to project development properties, construction site equipment, passenger cars and construction site containers. In the area of real estate, the Instone Group mainly leases offices and other office buildings. In addition, vehicles and other operational and office equipment are leased in the Instone Group.

Right of use assets TABLE 067

In thousands of euros

	2023	2022
Acquisition costs as of 1 January	**19,183**	**15,132**
Additions	7,362	4,742
Disposals	-3,183	-691
Acquisition costs as of 31 December	**23,363**	**19,183**
Accumulated depreciation as of 1 January	**8,572**	**5,756**
Additions	3,525	3,388
Disposals	-3,082	-572
Accumulated depreciation as of 31 December	**9,016**	**8,572**
	14,347	**10,611**

Leasing payments in the amount of €0 thousand (previous year: €140 thousand) from short-term leases and €585 thousand (previous year: €3 thousand) from leases based on low-value contracts are not included in right of use assets, for which the option was utilised in accordance with IFRS 16.5 to recognise these contracts in profit or loss. The right of use assets are divided into the following classes as follows: Real estate €8,220 thousand (previous year: €4,990 thousand), leasehold on project development properties 3,027 thousand (previous year: €3,031 thousand), passenger cars €2,875 thousand (previous year: €2,259 thousand) and other €225 thousand (previous year: €332 thousand).

14 Property, plant and equipment

The development of property, plant and equipment is as follows:

Property, plant and equipment TABLE 068

In thousands of euros

	2023	2022
Acquisition costs as of 1 January	**4,625**	**4,325**
Additions	63	324
Changes to the scope of consolidation	-16	0
Disposals	-2	-24
Acquisition costs as of 31 December	**4,670**	**4,625**
Accumulated depreciation as of 1 January	**2,904**	**2,051**
Additions	738	873
Changes to the scope of consolidation	-16	0
Disposals	0	-20
Accumulated depreciation as of 31 December	**3,626**	**2,904**
	1,044	**1,721**

15 Interests in joint ventures

The summarised financial information about joint ventures is presented below.

Material joint ventures

TABLE 069

In thousands of euros

Financial information on material joint ventures	31/12/2023	31/12/2023 FHP Friedenauer Höhe Erste GmbH & Co. KG	31/12/2023 FHP Friedenauer Höhe Dritte GmbH & Co. KG	31/12/2023 FHP Friedenauer Höhe Sechste GmbH & Co. KG	31/12/2023 FHP Friedenauer Höhe Vierte GmbH & Co. KG	31/12/2023 Wohnpark Heusenstamm GmbH & Co. KG	31/12/2023 Twelve GmbH & Co. KG	31/12/2023 Projekt Am Sonnenberg Wiesbaden GmbH[1]
Non-current assets	7,525	0	0	0	0	3,630	28	3,867
Current assets	434,154	54,443	21,584	34,080	150,234	5,528	130,604	37,681
of which cash and cash equivalents	34,355	20,845	2,080	3,690	1,160	22	5,562	996
Non-current liabilities	279,035	43,824	7,001	11,447	114,997	373	101,392	0
of which financial liabilities (excluding trade payables)	267,806	43,159	4,876	8,035	110,342	0	101,392	0
Current liabilities	80,557	4,826	1,125	1,856	23,354	208	25	49,163
of which financial liabilities (excluding trade payables)	1,089	0	0	0	1,090	0	0	0
Net assets	**82,087**	**7,433**	**15,842**	**25,469**	**16,039**	**8,070**	**29,215**	**-7,614**
Revenue	101,303	15,276	12,168	20,020	51,326	199	2,413	-99
Depreciation and amortisation	-33	0	0	0	0	-33	0	0
Interest income	-520	-481	-22	-18	0	0	0	0
Interest expenses	-10,366	-1,101	-799	-1,325	0	-18	-5,130	-1,994
Income taxes	-548	-164	-286	-456	-809	-2	0	1,170
Profit for the year/total comprehensive income	**14,531**	**2,706**	**2,996**	**4,862**	**3,308**	**357**	**2,396**	**-2,095**
Derivation of the financial information presented on the equity carrying amount in the consolidated financial statements								
Group earnings shares (in %)		56.44	51.85	51.85	39.47	50.10	50.10	51.00
Carrying amount at the beginning of the financial year	33,037	2,668	6,660	10,684	5,025	4,118	13,436	0
Changes in the financial year that do not affect net income	0	0	0	0	0	-253	0	0
Pro rata profit for the year	7,155	1,527	1,554	2,521	1,306	179	1,201	0
Carrying amount at the end of the financial year	**40,192**	**4,195**	**8,213**	**13,205**	**6,330**	**4,043**	**14,637**	**0**

[1] The calculated carrying amount includes accumulated losses of €1,068 thousand.

Material joint ventures[1]

TABLE 070

In thousands of euros

	31/12/2022	31/12/2022	31/12/2022	31/12/2022	31/12/2022	31/12/2022	31/12/2022
Financial information on material joint ventures		**FHP Friedenauer Höhe Erste GmbH & Co. KG**	**FHP Friedenauer Höhe Dritte GmbH & Co. KG**	**FHP Friedenauer Höhe Sechste GmbH & Co. KG**	**FHP Friedenauer Höhe Vierte GmbH & Co. KG**	**Wohnpark Heusenstamm GmbH & Co. KG**	**Twelve GmbH & Co. KG**
Non-current assets	3,732	0	0	0	0	3,705	28
Current assets	320,901	34,059	21,438	34,355	102,833	5,501	122,715
of which cash and cash equivalents	12,980	1,643	3,078	4,983	441	17	2,818
Non-current liabilities	207,306	24,330	7,214	11,466	68,050	404	95,842
of which financial liabilities (excluding trade payables)	196,424	23,817	5,370	8,502	62,892	0	95,842
Current liabilities	31,384	4,822	1,323	2,191	22,383	583	82
of which financial liabilities (excluding trade payables)	1,149	7	9	15	1,090	0	28
Net assets	**85,944**	**4,907**	**12,902**	**20,697**	**12,400**	**8,219**	**26,818**
Revenue	65,416	11,836	3,566	5,878	41,730	206	2,200
Depreciation and amortisation	-33	0	0	0	0	0	0
Interest income	-1,772	756	-935	-1,593	0	-1,593	0
Interest expenses	-5,776	-216	-216	-347	-2,979	-347	-2,011
Income taxes	-425	-345	150	259	-900	259	0
Profit for the year/total comprehensive income	**8,442**	**3,141**	**-380**	**-688**	**4,044**	**-688**	**2,192**
Derivation of the financial information presented on the equity carrying amount in the consolidated financial statements							
Group earnings shares (in %)		54.38	51.62	51.62	40.52	50.10	50.10
Carrying amount on acquisition	29,938	946	6,702	10,791	3,511	4,104	3,883
Changes in the financial year that do not affect	8,455	0	0	0	0	0	8,455
Pro rata profit for the year	4,198	1,722	-43	-107	1,513	14	1,098
Carrying amount at the end of the financial year	**42,590**	**2,668**	**6,660**	**10,684**	**5,025**	**4,118**	**13,436**

[1] Previous year adjusted.

Immaterial joint ventures and associated companies TABLE 071

In thousands of euros

	31/12/2023	31/12/2022
Net assets		
Assets	4,638	4,152
Liabilities	-1,258	-680
	3,380	**3,473**
Earnings		
Revenue	124	9
Profit for the year	-346	-404

16 Other investments

Other investments are broken down as shown below:

Other investments TABLE 072

In thousands of euros

	31/12/2023	31/12/2022
Subsidiaries not included in the consolidated financial statements		
Immobiliengesellschaft CSC Kirchberg S.à r.l.	31	31
Instone Real Estate Beteiligungsgesellschaft mbH	25	0
Instone Real Estate Verwaltungsgesellschaft mbH	25	0
Instone Real Estate Projektverwaltungs GmbH	25	25
Westville Vermietungs GmbH	25	25
Uferpalais Verwaltungsgesellschaft mbH	22	22
Projekt Wilhelmstraße Wiesbaden Verwaltungsgesellschaft mbH	18	18
Kleyer Beteiligungsgesellschaft mbH	112	112
	283	**233**
Other investments		
CONTUR Wohnbauentwicklung GmbH	51	51
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH	30	30
formart Wilma Verwaltungsgesellschaft mbH	13	13
FHP Friedenauer Höhe Verwaltungs GmbH	14	14
	107	**107**
	390	**340**

17 Inventories

Inventories TABLE 073

In thousands of euros

	31/12/2023	31/12/2022
Work-in-progress	1,085,840	967,197
Finished goods	0	56
	1,085,840	**967,253**

In accordance with IAS 2, inventories include assets that are intended for sale in the normal course of business (finished goods) or that are in the process of being produced for sale (work-in-progress).

Work-in-progress is subject to disposal restrictions due to project financing by banks amounting to €421,864 thousand (previous year: €131,059 thousand).

Borrowing costs in the amount of €25,885 thousand (previous year: €13,685 thousand) were capitalised as part of production costs recognised for inventories attributable to project-related financing based on individual agreements with external lenders.

It is expected that inventories of €971,911 thousand (previous year: €847,523 can only be realised after more than twelve months.

The inventories were subject to impairments of €22,272 thousand (previous year: €12,216 thousand) and writedowns of 1,900 thousand. (previous year: €1,770 thousand).

In the financial year, planning costs capitalised as acquisition and production costs were derecognised due to rescheduling in the amount of €17,695 thousand.

18 Financial receivables

The financial receivables are as follows:

Financial receivables TABLE 074

In thousands of euros

	31/12/2023	31/12/2022
Non-current		
Loans to joint ventures/other investments	10,256	18,978
Other loans	40	15
	10,296	**18,993**
Current		
Loans to joint ventures/other investments	19,919	60
Other loans	35	35
Financial receivables from joint ventures/other investments	2,871	105
Other financial receivables	484	463
	23,309	**663**
	33,604	**19,656**

The increase in current financial receivables mainly relates to short-term loans to joint ventures and results primarily from the deconsolidation of Projekt Am Sonnenberg Wiesbaden GmbH.

19 Contract assets

The structure of contract assets is composed as follows:

Contract assets TABLE 075

In thousands of euros

	31/12/2023	31/12/2022
Contract assets	603,248	847,923
Payments received	-430,136	-519,638
	173,112	**328,284**
Capitalised costs to obtain a contract	3,957	5,301
	177,069	**333,585**

The change in contract assets results firstly from the higher number of transfers of residential real estate in the year under report and, secondly, from the reduced volume of sales contracts.

The cycle of contract assets is – equivalent to the project term – an average of three years.

The amortisation of the costs to obtain a contract in the amount of €1,439 thousand (previous year: €2,013 thousand) offsets the fulfilment of the underlying contracts with customers.

20 Trade receivables

Trade receivables amounted to €6,467 thousand as of the reporting date (previous year: €2,778 thousand). This increase is mainly due to withholding during project handovers.

21 Other receivables and other assets

The following table shows other current and non-current receivables and other assets:

Other receivables and other assets TABLE 076

In thousands of euros

	31/12/2023	31/12/2022
Non-current		
Other receivables and other assets	0	311
	0	**311**
Current		
Receivables from government grants	51,626	86,675
Upfront payments on land	14,066	42,416
Receivable tax exemption Hochtief Solutions AG	128	1,235
Processing fees for loans	532	1,208
Deposits given	1,151	937
Other tax assets	1,465	926
Insurance premiums	447	432
Receivables from employees	1	0
Money in transit	4,757	0
Deferred expenses	195	0
Other receivables and other assets	231	119
	74,599	**133,949**

The fall in receivables from public grants as at the reporting date is due to approved grants being reported in a different period for the purposes of accounting that is expected to occur between the start of sales and the start of construction. In addition, conversions of projects due to these changes were corrected according to the corresponding receivables. In addition, the decrease in the success-based income is also due to pledged public grants already being accepted.

It is expected that, other than receivables from government grants and deposits, upfront payments on land and deposits, no other receivables or other assets can be realised after more than twelve months.

22 Income tax assets

Receivables from domestic and foreign tax authorities during the ordinary course of business amounted to €4,302 thousand as of the reporting date (previous year: €710 thousand).

23 Cash and cash equivalents

Cash and cash equivalents TABLE 077

In thousands of euros

	31/12/2023	31/12/2022
Bank balances	383,605	255,584
Cash	0	8
	383,605	**255,592**
of which restricted	119,256	12,600

The restrictions on the disposal of cash and cash equivalents result from project financing not yet completed by banks.

24 Equity

The registered capital of the Company as of 31 December 2023 was €46,988 thousand (previous year: €46,988 thousand) and is fully paid up. It is divided into 46,988,336 no-par-value shares. The imputed 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 (2023 Authorised Capital).

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 In total treasury shares were acquired in the 2023 511,743 financial year at prices of between €7.70 and €9.65.

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.

The capital reserve amounted to 2023 €358,983 thousand as of 31 December (previous year: €358,983 thousand).

Retained earnings/loss carryforwards which were formed as part of Group equity, consist of the income generated by the companies flowing into the consolidated financial statements.

In the financial year, a dividend of €0.35 per share entitled to dividend was paid, with a dividend of €-15,163 thousand.

The accumulated other total comprehensive income from the Company's equity reflects the changes in equity of the actuarial gains and losses from defined benefit plans amounting to €-521 thousand (previous year: €3,220 thousand).

The income tax effects recognised directly in equity can be broken down as follows:

Equity TABLE 078

In thousands of euros

	31/12/2023	31/12/2022
Amount before income taxes	-763	4,710
Income taxes	242	-1,490
	-521	**3,220**

Non-controlling interests

The non-controlling interests of €5,621 thousand (previous year: €-753 thousand) mainly refer to Westville 2 GmbH, Westville 3 GmbH, Westville 4 GmbH, Westville 5 GmbH, KORE GmbH and Projekt Am Sonnenberg Wiesbaden GmbH Shares in Westville 2 GmbH, Westville 3 GmbH, Westville 4 GmbH and Westville 5 GmbH were sold in the reporting year. This led to an increase in the non-controlling interests in the amount of €4,813 thousand. The deconsolidation of Projekt Am Sonnenberg Wiesbaden GmbH led to an increase in the non-controlling interests in the amount of €2,705 thousand, as this offset accumulated losses. In the financial year no dividend (previous year: €0 thousand) was distributed to non-controlling interests. The earnings after tax attributable to non-controlling interests amounts to €-1,144 thousand (previous year: €-814 thousand).

25 Provisions for pensions and similar obligations

The existing pension plans of the Instone Group consist of both defined benefit plans and defined contribution plans. In the case of defined contribution plans, the Company makes payments to a state or private pension scheme, either on a statutory, contractual or voluntary basis. The Company is not legally obliged to make any further payments.

Under the defined benefit plans, the Company is required to pay the promised benefits to existing and former employees. A distinction is made between plans financed by provisions or by external financing.

The pension plan available at the Instone Group consists of a basic pension financed by the Group companies in the form of a modular defined contribution plan and an additional pension component linked to the economic success of the Company. In accordance with IAS 19, the corresponding commitments are recognised as liabilities from defined benefit plans. GRI 201-3

The liabilities from defined benefit plans of the Instone Group are as follows:

Liabilities from defined benefit plans TABLE 079

In thousands of euros

	31/12/2023	31/12/2022
Active employees, not dependent on remuneration	4,569	3,816
Vested claims	3,906	3,636
Ongoing pensions	1,905	1,267
	10,380	**8,720**

The average remaining time in service of the eligible active employees was 11.98 years as of the reporting date (previous year: 13.23 years).

The pension obligations are financed by the purchase of units in mutual funds. The obligations financed by Helaba Pension Trust e.V. account for 85.7% (previous year: 93.2%) of the total insurance coverage; total coverage is 90.4% (previous year: 98.5%). The hedging of defined benefit obligations by plan assets is shown in the following table:

Coverage of the defined benefit obligation by plan assets

TABLE 080

In thousands of euros

	31/12/2023	31/12/2022
Pension obligations covered by funds	9,623	8,021
Deferred compensation covered by funds	757	698
	10,380	**8,720**
Fair value of the fund assets	-9,383	-8,592
	997	**128**

The amount of the pension provisions depends on the actuarial assumptions, which also include estimates. The actuarial assumptions underlying the calculation are shown below.

Defined benefit obligation cash value

TABLE 081

In thousands of euros

	2023	2022
Defined benefit obligation cash value on 1 January	**8,720**	**14,221**
Current service cost	215	405
Interest expense	367	267
Actuarial gains (-)/actuarial losses (+) Due to changes in financial assumptions	1,143	-6,105
Actuarial gains (-)/actuarial losses (+) Due to the change in other assumptions	15	1
Pension payments	-80	-70
Defined benefit obligation cash value as of 31 December	**10,380**	**8,720**

The discount factors are derived from the so-called Mercer Pension Discount Yield Curve (MPDYC) approach, which takes into account the duration of the pension obligations for the Company. The underlying mortality data was taken from the statistics and experience published for each country. The 2018 G mortality tables of Klaus Heubeck were used for this purpose.

The cash value of the defined benefit obligation and the fair value of the plan assets have the following changes:

Plan assets

TABLE 082

In thousands of euros

	2023	2022
Plan assets 1 January	**8,592**	**9,823**
Interest income from plan assets	667	154
Changes in plan assets, not included in net interest income	124	-1,386
Plan assets as of 31 December	**9,383**	**8,592**

Composition of plan assets

TABLE 083

In thousands of euros

	31/12/2023	31/12/2022
Listing in an active market		
Contractual Trust Arrangement (CTA)	8,901	8,125
Deferred compensation	482	465
Current euro balances	0	2
	9,383	**8,592**

Factors

TABLE 084

In %

	31/12/2023	31/12/2022
Discount factor	3.62	4.25
Salary growth rates	3.00	3.00
Pension adjustment: Commitments with adjustment guarantee	1.00	1.00
Pension adjustment: other commitments	2.25	2.25

Sensitivity analysis

The pension obligations of the Instone Group are subject to various risks. The main risks are due to general changes in interest rates and inflation rates. There are no unusual risks associated with the pension obligations.

Interest rate risk: The (mathematical) contributions are converted into benefits within the scope of a defined contribution pension plan using a table of fixed interest rates that are not dependent on actual market interest rates. The Instone Group therefore bears the risk arising from the general capital market interest rates with regard to determining benefits. The pension obligations decreased significantly in the year under review due to the generally higher interest rates in the capital market. The comparatively strong effect results from the relatively long duration of the obligations.

Inflation risk: According to legislation, the benefits of occupational pensions in Germany must be adjusted to inflation trends every three years. The 2000+ pension plan obligations in Germany under occupational pension schemes increase by 1% each year and other occupational pension obligations are only minor; therefore, there is little inflation risk during the retirement phase with regard to non-current pension commitments.

Longevity risk: As a retirement provision is granted for a lifetime, there is a risk that beneficiaries will live longer than originally anticipated, with the Instone Group bearing the corresponding risk. In general, this risk balances out across all beneficiaries and only has an impact if the overall lifetime is longer than originally thought.

The following sensitivity analysis shows the possible impact of the stated risks when changing the actuarial assumptions to the obligations under a defined benefit pension plan:

Sensitivity analysis TABLE 085

In thousands of euros

	31/12/2023		31/12/2022	
	Increase	**Decrease**	Increase	Decrease
Discount factor +0.50%/-0.50%	-923	1,060	-760	870
Pension growth rate +0.25%/-0.25%	175	-168	146	-138
Life expectancy +1.00 year/-1.00 year	281	-290	217	-225

Expenses related to defined benefit pension plan obligations are as follows:

- The current service cost for the following financial year is estimated to be €-215 thousand (previous year: €-405 thousand).
- The contributions to defined contribution plans are expected to rise in financial year 2024 by the same proportion as in financial year 2023.

26 Other provisions

The other provisions are divided as follows:

Other provisions TABLE 086

In thousands of euros

	31/12/2023	31/12/2022
Non-current		
Personnel provisions	3,409	3,336
Remaining other provisions	0	6
	3,409	**3,342**
Current		
Personnel provisions	501	1,023
Warranty obligations	8,432	9,553
Provisions for impending losses	1,118	4,514
Tax provisions	1,703	1,101
Litigation risks	9,310	2,648
Remaining other provisions	3,201	3,089
	24,267	**21,929**
	27,676	**25,270**

The current and non-current provisions relating to employees primarily relate to provisions for special payments on the basis of a long-term incentive system and to early retirement.

Other short-term provisions include, but are not limited to investment risks, compensation for damages and other contingent liabilities.

The provisions for impending losses were made for impending losses arising from construction services obligations to third parties.

The development of other provisions can be seen in the following table:

Development of other provisions TABLE 087

In thousands of euros

	31/12/2023	01/01/2022	Change to the scope of consolidation	Allocation	Liquidation	Rebooking	Consumption
Personnel provisions	3,911	4,358	0	1,084	-610	0	-922
Warranty obligations	8,432	9,553	0	174	-522	-712	-60
Provisions for impending losses	1,118	4,514	-3,355	0	0	0	-42
Litigation risks	9,310	2,648	0	6,737	-667	1,276	-683
Tax provisions	1,703	1,101	0	1,493	-890	0	0
Remaining other provisions	3,201	3,095	0	913	-637	34	-203
	27,676	**25,270**	**-3,355**	**10,400**	**-3,327**	**598**	**-1,911**

The personnel provisions include commitments to employees in connection with long-term incentive plans. These plans are share-based compensation with cash settlement within the meaning of IFRS 2. Provisions of €3,208 thousand (previous year: €3,512 thousand) were recognised for these non-current incentive plans. In the financial year, expenses in the amount of €1,179 thousand (previous year: €1,123 thousand) were incurred in this context.

27 Financial liabilities

Current and non-current loans from banks consisted of fixed and variable interest rate loans issued by various banks. Loans from banks have a term of between one and five years (previous year: between one and vie years). The interest rates, which are mostly variable, range from 1.24% to 3.00% (previous year: Between 1.24% and 3.00%) plus EURIBOR and between 1.15% and 6.51% under fixed-income contracts (previous year: between 1.95% and 4.50%). The increase resulted mainly from the borrowing of company project financing for ongoing projects in the amount of €327,253 thousand, which were offset by repayments in the amount of €258,667 thousand.

The Instone Group's loans from banks are usually not the subject of contractual assurances and are instead secured by land charges.

Financial liabilities TABLE 088

In thousands of euros

	31/12/2023	31/12/2022
Non-current		
To financial institutions from project financing	227,348	109,844
To financial institutions from corporate financing	19,981	15,427
Loans from third parties	149,220	148,910
Liabilities to minority shareholders	0	17,844
	396,550	**292,025**
Current		
To financial institutions from project financing	128,360	213,224
To financial institutions from corporate financing	5,730	13,158
Loans from third parties	1,915	2,196
Liabilities to minority shareholders	45	45
	136,050	**228,622**
	532,600	**520,647**

Financial liabilities 2023

TABLE 089

In thousands of euros

				Non-cash changes		
	31/12/2023	01/01/2023	Cash flow from financing activities	Neutral offsetting	Accrued interest	Amortisation from the valuation using the effective interest method
Loans from banks	381,834	351,653	67,360	-37,843	494	170
Loans from third parties	151,136	151,105	-749	0	624	155
Liabilities to minority shareholders	45	17,889	0	-17,844	0	0
	533,014	**520,647**	**66,611**	**-55,688**	**1,119**	**326**
Liabilities from leases	14,748	10,939	3,809	0	0	0

Financial liabilities 2022

TABLE 090

In thousands of euros

				Non-cash changes		
	31/12/2022	01/01/2022	Cash flow from financing activities	Neutral offsetting	Accrued interest	Amortisation from the valuation using the effective interest method
Loans from banks	351,653	272,433	78,542	0	332	346
Loans from third parties	151,105	101,113	49,043	0	727	222
Liabilities to minority shareholders	17,889	17,004	425	0	460	0
	520,647	**390,550**	**128,010**	**0**	**1,520**	**568**
Liabilities from leases[1]	10,939	9,667	1,272	0	0	0

[1] Previous year adjusted.

28 Deferred tax

Deferred tax liabilities are calculated on the basis of the tax rates applicable or expected to apply at the time of implementation in the various countries and for the different countries. Deferred tax assets and liabilities are offset against each other for each company or group of companies. In other respects, deferred tax liabilities are calculated on the basis of the tax regulations in force or applying on the date of preparation of these financial statements.

Deferred tax assets that are recognised in tax refund claims arising from the expected utilisation of existing tax loss carryforwards in subsequent years and whose realisation appears sufficiently certain amounted to €431 thousand (previous year: €1,364 thousand).

There are tax loss carryforwards from our companies, for which no deferred taxes has been recognised: in Germany in the amount of €2,370 thousand (previous year: €3,080 thousand), in Luxembourg in the amount of €18,434 thousand (previous year: €18,585 thousand) and in Austria €31,738 thousand (previous year: €31,702 thousand). For deductible temporary differences in the amount of €276 thousand (previous year: €0 thousand), no deferred tax assets were recognised in the statement of financial position.

The Instone Group recognises deferred tax assets in the amount of €443 thousand (previous year: €3,087 thousand) for companies that have generated a loss in the current and/or previous financial year. Future use is ensured due to the business model.

As a general rule, these loss carryforwards within the individual countries can be offset against profits in subsequent years. According to our current assessment, we do not expect these loss carryforwards to be used.

Deferred tax assets and liabilities changed as follows:

Deferred tax TABLE 091

In thousands of euros

	31/12/2023		31/12/2022[1]	
	Deferred tax assets	Deferred tax liability	Deferred tax assets	Deferred tax liability
Assets				
Right of use assets	0	3,592	0	2,398
Financial assets	922	8,758	712	15,728
Inventories	46,298	0	87,513	0
Contract assets	0	55,174	0	103,768
Other assets	3,579	20,687	11,880	40,526
Liabilities				
Pension provisions	1,540	1	1,516	14
Leasing liabilities	4,679	0	3,461	0
Liabilities from government grants	16,273	0	25,324	0
Contract liabilities	7,023	0	8,188	0
Other provisions	1,528	9,036	2,723	4,821
Other liabilities	172	28,880	594	23,255
Loss carryforwards	431	0	1,364	0
Gross amount	**82,445**	**126,127**	**143,276**	**190,511**
Impairment provision	-84	0	0	0
Offset	-82,060	-82,060	-140,197	-140,197
Net amount	**301**	**44,067**	**3,078**	**50,314**

[1] Previous year adjusted.

In addition to the deferred taxes recognised in profit or loss, deferred tax assets were recognised in other comprehensive income for actuarial losses in the amount of €242 thousand (previous year: €1,490 thousand).

29 Liabilities from net assets attributable to non-controlling interests

Liabilities from net assets attributable to non-controlling interests of €13 thousand (previous year: €18 thousand) related to non-controlling interests of Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG.

30 Leasing liabilities

Leasing liabilities TABLE 092

In thousands of euros

	31/12/2023	31/12/2022
Due in up to one year	4,153	3,581
Due in one to five years	10,595	4,206
Due in over five years	0	3,153
	14,748	**10,939**

The Instone Group has concluded non-current contracts for commercial real estate and company vehicles as a tenant/lessee. The carrying amounts of the leasing liabilities as of 31 December 2023 amounted to €4,153 thousand (previous year: €3,581 as current liabilities and €10,595 thousand (previous year: €7,359 thousand) as non-current liabilities.

31 Contract liabilities

Contract liabilities TABLE 093

In thousands of euros

	31/12/2023	31/12/2022
Payments received	216,981	129,465
Contract assets	-194,848	-103,587
	22,134	**25,878**

The cycle of contract liabilities is – analogous to the project term – an average of three years.

On contract liabilities in the amount of €25,878 thousand as of 1 January 2023, revenue of €25,878 thousand was generated from contract fulfilment in the financial year.

32 Trade payables

Trade payables amounted to €142,183 thousand as of the reporting date (previous year: €150,450 thousand).

33 Other liabilities

Other liabilities TABLE 094

In thousands of euros

	31/12/2023	31/12/2022
Non-current		
Liabilities from government grants for interest and principal repayment	37,843	0
	37,843	**0**
Current		
Advance payments received on inventories	383,492	302,456
Liabilities from government grants	32,415	79,816
Liabilities from bonuses	11,325	6,718
Liabilities to employees	444	534
Liabilities from other taxes	1,051	432
Liabilities from social security contributions	23	379
Deferred income	84	0
Performance obligation from advance rent payments	0	1,090
Sundry other liabilities	3,059	2,133
	431,893	**393,559**
	469,736	**393,559**

The increase in other non-current liabilities relates in full to interest and repayment subsidy in connection with subsidised loans.

The decrease in liabilities from government grants corresponds to the decrease in other current receivables and assets related to public funding.

34 Income tax liabilities

Liabilities to domestic and foreign financial authorities in the ordinary course of business amounted to €9,443 thousand as of the reporting date (previous year: €30,175 thousand).

Information on the consolidated statement of cash flows

The Group's consolidated statement of cash flows distinguishes between cash flows from operating, investing and financing activities. All non-cash income and expenses and all income from the disposal of assets are eliminated in the calculation of cash flows from operating activities.

As of 31 December 2023, liquid funds consisted entirely of cash and cash equivalents in the amount of €383,605 thousand (previous year: €255,592 thousand), of which €119,256 thousand (previous year: €12,600 thousand) were subject to restrictions on disposal.

The total cash outflows for leases amounted to €3,904 thousand, (previous year: €4,060 thousand), with a repayment share in the amount of €3,550 thousand (previous year: €3,747 thousand) and an interest proportion in the amount of €354 thousand (previous year: €313 thousand).

The non-cash expenses in the amount of €17,695 thousand (previous year: €0 thousand) relate in full to one-off expenses in connection with the valuation of inventories.

Other disclosures

Disclosures about related persons and companies

Key related persons and companies include the material joint ventures. The material transactions with key related persons and companies are shown below:

Dealings with joint ventures GRI 2-15

Relationships with joint ventures/other investments TABLE 095

In thousands of euros

	31/12/2023	31/12/2022
Receivables		
FHP Friedenauer Höhe Dritte GmbH & Co. KG	2,438	2,694
FHP Friedenauer Höhe Erste GmbH & Co. KG	3,263	11,526
FHP Friedenauer Höhe Sechste GmbH & Co. KG	4,017	4,266
FHP Friedenauer Höhe Vierte GmbH & Co. KG	529	524
Projekt Am Sonnenberg Wiesbaden GmbH	22,176	0
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG	4	42
Twelve GmbH & Co. KG	0	28
Wohnpark Heusenstamm GmbH & Co. KG	98	63
	32,526	**19,143**

The financial receivables from the four project companies FHP Friedenauer Höhe Dritte GmbH & Co. KG, FHP Friedenauer Höhe Erste GmbH & Co. KG, FHP Friedenauer Höhe Sechste GmbH & Co. KG and FHP Friedenauer Höhe Vierte GmbH & Co. KG consist of interest-free loans with remaining terms to maturity of betweentwo and four years. The financial receivable from Projekt Am Sonnenberg Wiesbaden GmbH consists of an interest-bearing loan with a remaining term until 30 June 2024.

Dealings with related persons

With the exception of loan relationships with non-consolidated companies, there were no material transactions between Instone Real Estate Group SE, Essen, Germany, or a Group company and persons from the Management or related persons or companies during the reporting period. GRI 2-25

Remuneration of the Management Board

The remuneration of the Management Board members in 2023 comprised the following components:

Fixed 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.

Components under a non-current incentive plan consisting of two components:

One-year variable remuneration (short-term incentive (STI))

- The one-year variable remuneration in the form of an STI plan is based on the economic results or performance of the Instone Group in the underlying financial year and the strategy and sustainability targets set for the individual members of the Management Board.

Multi-year variable remuneration (long-term incentive (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. A possible LTI bonus depends on the achievement of company-related financial targets and non-financial ESG targets and the share price performance, taking into account distributions during the performance period. The contractually agreed base amount – an individually determined base amount for each member of the Management Board on which the calculation is based – is based on the average volume-weighted Instone Group share price over the last three months before the start of the performance period. At the end of the performance period, the Supervisory Board determines whether the targets have been achieved. The total payout factor is determined with due regard to the weighting of the individual targets The payout amount is capped at 300% of the base amount.

Pension plan

→ 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 following amounts were expensed for the members of the Management Board in the financial year:

Total emoluments granted to the Management Board TABLE 096

In thousands of euros

	2023	2022
Benefits due in the short-term		
Fixed remuneration	1,399	1,401
Variable remuneration	1,324	33
Benefits after the end of the employment relationship		
Pension expenses	202	-584
Expenses for share-based remuneration components due in the long-term with cash settlement		
Variable remuneration	780	-199
Total emoluments granted to the Management Board	**3,706**	**652**
Liability recognised as of 31 December for share-based remuneration components due in the long-term with cash settlement	**2,572**	**2,267**

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

Supervisory Board remuneration

The total emoluments granted to the Supervisory Board in financial year 2023 amounted to €645 thousand (previous year: €608 thousand). Of this total, €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.

Transactions with members of the Supervisory Board

No reportable transactions took place with members of the Supervisory Board in the 2023 financial year.

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 (from 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

Members of the Supervisory Board GRI 2-11, 2-15

Stefan Brendgen, freelance management consultant

In addition to his function as Chair of the Supervisory Board of the Company, Stefan 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 Jochen 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

Dietmar P. 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

Thomas 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

Christiane 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 function 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

Stefan 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 function as a member of the Supervisory Board of the Company.

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

Sabine 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 function as a member of the Supervisory Board of the Company.

Auditor's fee

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Dusseldorf branch, has been the group auditor of Instone Real Estate Group SE, Essen/Germany, since the 2018 financial year. The auditor responsible for the audit has been Ms Nicole Meyer since 2023.

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:

Auditor's fee TABLE 097

In thousands of euros

	2023	2022
Annual audit	987	337
of which relating to previous years[1]	172	-282
Other confirmation services	158	272
	1,145	**609**

[1] In the 2022 financial year, income from the liquidation of provisions amounted to 282 thousand million.

The auditors mainly conducted an audit of the annual and consolidated financial statements an audit review pursuant to IDW PS 900, which are presented within the auditing services. In addition, the auditor has provided other audit services; these are audits pursuant to Section 16 MaBV, coordinated investigation procedures (covenant reporting) pursuant to ISRS 4400 (Revised) and coordinated investigation procedures pursuant to ISAE 3000 (Revised).

Use of exemption options in accordance with Section 264(3) HGB

Instone Real Estate Development GmbH, headquartered in Essen, Germany and registered in the Commercial Register of the Essen District Court under HRB 28401, complies with the requirements set out in Section 264(3) HGB and is therefore exempt from the publication and auditing of financial statements and from the preparation and auditing of a management report. Nyoo Real Estate GmbH, headquartered in Essen, Germany and registered in the Commercial Register of the Essen District Court under HRB 30620, complies with the requirements set out in Section 264(3) HGB and is therefore exempt from the publication and auditing of annual financial statements and the preparation and auditing of a management report.

Reporting on financial instruments

Financial instruments include financial assets and liabilities as well as contractual rights and obligations relating to the exchange and transfer of financial assets. There are no derivative financial instruments.

Financial assets mainly comprise cash and cash equivalents, receivables and other financial assets. Most of the financial liabilities are current liabilities which are measured at amortised cost.

The available financial instruments are shown in the statement of financial position. The maximum loss or default risk equals the sum total of financial assets. Any risk identified for financial assets is recognised at its impairment charge.

Risk management

All of the Instone Group's financial activities are conducted on the basis of a Group-wide financial policy. There are also function-specific operational work instructions on topics such as the handling of collateral.

These guidelines contain the principles used to address the different types of financial risks.

Trading, controlling and billing are handled separately by the front and back office. This ensures effective risk management. The monitoring and billing of the external trading activities of the Front Office is carried out by a separate and independent back office. Furthermore, the dual control principle must be maintained at least for all external trading activities. Internal powers to issue instructions are limited in number and amount, reviewed regularly (at least once a year) and adjusted if necessary.

The Instone Group considers the interests of shareholders, promissory note investors and the issuing banks in its financial management. Financial and non-financial covenants arise from the contractual conditions of the promissory note loans, the fixed term loan and the syndicated loan. The covenants include compliance with the leverage, the interest rate, equity and loan to value. The potential financial risks resulting from the contractual conditions were not considered to be material as of the reporting date 31 December 2023. The loans are not secured and the Instone Group complied with all obligations in this regard in the financial year as well as in the previous year. For the subsequent periods, the Instone Group monitors the future development as part of Group-wide financial risk management and also continues to anticipate compliance with the contractual terms. This assessment remains unchanged in light of the economic effects of the coronavirus pandemic.

Management of liquidity risk

The Instone Group uses largely centralised structures for pooling cash and cash equivalents at Group level to avoid, among other things, bottlenecks in cash flow at individual Group company level. The central liquidity position is calculated monthly and using a bottom-up method over a rolling twelve-month period. The liquidity planning is supplemented by monthly stress tests.

The following tables show the contractually agreed residual maturity of non-derivative financial liabilities with agreed repayment periods that apply to the Instone Group. The tables are recorded on the basis of the non-discounted cash flows of the financial liabilities with the date which the Instone Group can be asked to repay. The tables contain the cash flow from interest and principal receivable.

Interest payments for items with variable rates are uniformly translated using the last interest rate in effect before the key date.

The consolidated statement of financial position as of 31 December 2023 includes promissory note loans issued from the years 2019 (nominal value: €5,000 thousand), 2020 (nominal value: €100,000 thousand), 2022 (nominal value: €50,000 thousand) and 2023 (nominal value:€20,000 thousand). These financial liabilities are accounted for at amortised cost using the effective interest rate method. Interest income and interest expenses as well as directly attributable transaction costs are allocated over the relevant subsequent periods through amortisation recognised in profit or loss.

The maximum payments listed in the following tables are compensated by contractually determined revenues in the same period, which are not shown here (e.g. trade receivables). which cover a significant part of the cash flows recognised.

Maturity analysis of financial liabilities

The following table provides an overview of the contractual payments in terms of financial liabilities:

Maturity analysis of financial liabilities in 2023

TABLE 098

In thousands of euros

	Carrying amounts 31/12/2023	Cash outflows 2024	Cash outflows 2025-2027	Cash outflows >2027
Financial liabilities	532,600	136,050	318,453	78,097
Trade payables	142,183	142,183	0	0
Liabilities from net assets attributable to non-controlling interests	13	0	0	13
Leasing liabilities	14,748	4,224	7,802	10,465
	689,543	**282,457**	**326,255**	**88,574**

Maturity analysis of financial liabilities in 2022

TABLE 099

In thousands of euros

	Carrying amounts 31/12/2023	Cash outflows 2023	Cash outflows 2024-2026	Cash outflows >2026
Financial liabilities	520,647	250,333	211,771	110,484
Trade payables	150,450	150,450	0	0
Liabilities from net assets attributable to non-controlling interests	18	0	0	18
Leasing liabilities	10,939	3,604	4,572	10,226
	682,055	**404,386**	**216,343**	**120,729**

The liquidity of the Group is also secured on the basis of available cash, bank balances and unused credit lines.

The following table shows the most important liquidity instruments:

Liquidity instruments TABLE 100

In thousands of euros

	31/12/2023	31/12/2022
Cash and cash equivalents	383,605	255,592
of which cash	0	8
of which, restricted	119,256	12,600
Credit line - unused amount	387,625	483,089
	771,230	**738,682**

Control of default risks

The Instone Group is subject to certain default risks due to its operating activities and specific financing activities.

At the Instone Group, operational risks are managed through the continuous tracking of trade receivables at branch level. Impairment losses are recognised if there is an expected loss on the basis of the credit risk. The Instone Group uses the simplified value reduction model of IFRS 9 on all trade receivables, as well as contract assets and therefore records the expected losses over the total term.

The maximum default risk from financial assets corresponds to their respective carrying amounts stated in the statement of financial position. However, the de facto default risk is lower, as collateral has been provided in favour of the Instone Group. The maximum risk from financial guarantees is equal to the maximum amount that the Instone Group would have to pay. The maximum default risk from loan commitments is equal to the amount of the commitment. We consider it highly unlikely at the time of reporting that these financial guarantees and loan commitments would be used.

The Instone Group accepts collateral to secure the fulfilment of the contract by subcontractors, the warranty provisions of the subcontractors and fee claims. These securities include, but are not limited to, warranty guarantees, contract performance guarantees, advance payments and payment guarantees. The Instone Group has relevant guidelines for the acceptance of collateral. They include, among other things, rules on contract structure, contract implementation and contract management for all contracts. The exact specifications vary and depend, for example, on the country, jurisdiction and current case law. With regard to default risks, the Instone Group checks the creditworthiness of the guaranteeing party for all accepted collateral. The Instone Group engages external experts (such as rating agencies) to assess their creditworthiness as much as possible. The fair value of accepted collateral is not disclosed, as it cannot usually be determined reliably.

The age structure of overdue financial assets is typical for the sector. The receipt of a payment depends on the order acceptance and invoice verification, which often take a relatively long time. Contract assets are not subject to impairment.

The following table shows the overdue and non-overdue, impaired financial assets:

The ongoing changes in the 2023 financial year are based on additions, liquidations and utilisations and amount to €374 thousand (previous year: €966 thousand) meaning that, as at 31 December 2023, there is an impairment loss on trade receivables of €421 thousand (previous year: €849 thousand).

Impairments pursuant to IFRS 9 in 2023

TABLE 101

In thousands of euros

	Carrying amount	Non-overdue	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue
Trade receivables (gross carrying amount)	6,889	4,433	77	101	20	2,258
Impairment provisions	-421	-43	-1	-1	0	-376
Trade receivables (net carrying amount)	**6,467**	**4,390**	**76**	**100**	**20**	**1,882**

Impairments pursuant to IFRS 9 in 2022

TABLE 102

In thousands of euros

	Carrying amount	Non-overdue	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue
Trade receivables (gross carrying amount)	3,627	1,322	460	34	39	1,772
Impairment provisions	-849	-13	-5	0	0	-831
Trade receivables (net carrying amount)	**2,778**	**1,309**	**455**	**34**	**39**	**941**

Control of interest rate risks

The interest rate risk of the Instone Group is mainly related to current and non-current interest bearing financial assets and liabilities due to fluctuations in market interest rates. Depending on the situation in the market, this risk is countered by a mix of fixed income and variable interest rate financial instruments. The risk is not managed separately, as borrowed funds are usually repaid promptly using the payments made by the acquirers.

Changes in market interest rates for non-derivative financial instruments with a fixed interest rate are only recognised in profit or loss if they are measured at fair value. For this reason, all financial instruments recognised at amortised cost are not subject to interest rate risks as defined by IFRS 9.

As part of a sensitivity analysis, we examined the effects of changes in market interest rates on consolidated earnings after tax over a range of 100 basis points. In the financial year, a hypothetical increase or decrease in market interest rates by 100 basis points (provided other variables remain constant) would result in an increase or decrease of consolidated earnings of €2,219 thousand (previous year: decrease in consolidated earnings of €1,742 thousand or increase in consolidated earnings of €910 thousand).

Control of the capital risk

The Instone Group manages its capital with the aim of ensuring that all Group companies continue to operate on a going concern basis. The Instone Group keeps the cost of capital as low as possible. It achieves this by optimising the ratio of equity to debt on an as-needed basis.

The capital structure of the Group consists of current and non-current liabilities less the cash and cash equivalents reported in the statement of financial position and in equity. The capital structure of the Group is reviewed regularly. The risk-adjusted capital costs are also taken into account.

The overall strategy for controlling the capital risk did not change in the financial year compared to the previous year.

Further disclosures on financial instruments

The carrying amounts for individual categories are shown below in accordance with IFRS 7:

Carrying amounts of financial instruments in 2023

TABLE 103

In thousands of euros

	Carrying amount 31/12/2023	Fair value through profit and loss	At amortised costs	Not within the scope of application of IFRS 9
ASSETS				
Financial assets				
Financial receivables				
Non-current	10,296	0	10,296	0
Current	23,309	0	23,309	0
	33,604	**0**	**33,604**	**0**
Other investments	390	390	0	0
Contract assets	177,069	0	0	177,069
Trade receivables	6,467	0	6,467	0
Other receivables and other assets	74,599	0	74,599	0
Cash and cash equivalents	383,605	0	383,605	0
	675,735	**390**	**498,276**	**177,069**
EQUITY AND LIABILITIES				
Financial liabilities				
Financial liabilities				
Non-current	396,550	0	396,550	0
Current	136,050	0	136,050	0
	532,600	**0**	**532,600**	**0**
Contract liabilities	22,134	0	0	22,134
Liabilities from net assets attributable to non-controlling interests	13	0	13	0
Trade payables	142,183	0	142,183	0
Other liabilities				
Non-current	37,843	0	37,843	0
Current	431,893	0	431,893	0
	469,736	**0**	**469,736**	**0**
	1,166,665	**0**	**1,144,532**	**22,134**

Carrying amounts of financial instruments in 2022

TABLE 104

In thousands of euros

	Carrying amount 31/12/2022	Fair value through profit and loss	At amortised costs[1]	Not within the scope of application of IFRS 9
ASSETS				
Financial assets				
Financial receivables				
Non-current	18,993	0	18,993	0
Current	663	0	663	0
	19,656	**0**	**19,656**	**0**
Other investments	340	340	0	0
Contract assets	333,585	0	0	333,585
Trade receivables	2,778	0	2,778	0
Other receivables and other assets	134,259	0	134,259	0
Cash and cash equivalents	255,592	0	255,592	0
	746,211	**340**	**412,286**	**333,585**
EQUITY AND LIABILITIES				
Financial liabilities				
Financial liabilities				
Non-current	292,025	0	292,025	0
Current	228,622	0	228,622	0
	520,647	**0**	**520,647**	**0**
Contract liabilities	25,878	0	0	25,878
Liabilities from net assets attributable to non-controlling interests[1]	18	0	18	0
Trade payables	150,450	0	150,450	0
Other liabilities	393,559	0	393,559	0
	1,090,553	**0**	**1,064,674**	**25,878**

[1] Previous year adjusted.

With the short-term financial instruments accounted for at amortised costs, the carrying amount corresponds to the fair value, due to the short remaining term to maturity. In the case of non-current financial liabilities, the carrying amount of a part corresponds to the fair value due to the variable interest rate. A fair value was determined for the fixed-interest non-current liabilities, which exceeds the carrying amount by €4,272 thousand as of 31 December 2023 (previous year: €-17,493 thousand). Non-current fixed-interest liabilities are assigned to level 2 of the fair value hierarchy. The fair value was determined using a cash value method using company-specific current interest rates derived from the market. Non-current financial receivables are recognised at amortised costs. Their fair value differs from the carrying amount by €73 thousand (previous year: €-506 thousand). These bonds fall under fair value hierarchy level 2 and were determined using a cash value method taking into account current market interest rates.

Net results from financial instruments

The following table shows the net results from financial instruments according to the categories in IFRS 9:

Net results from financial instruments TABLE 105

In thousands of euros

	31/12/2023	31/12/2022
Fair value through profit and loss	-8	0
Assets at amortised cost	8,789	3,576
Liabilities at amortised cost	-34,235	-20,793
	-25,453	**-17,217**

The calculation of net results from financial instruments includes interest income and expenses, impairments and reversals, income and expenses from currency translation, dividend income, capital gains and losses and other changes in the fair value of financial instruments recognised through profit or loss.

The changes in the financial year due to impairment of trade receivables amounted to €-428 thousand in the financial year (previous year: €-976 thousand).

Declaration of Conformity with the German Corporate Governance Code

In December 2023, the Management Board and Supervisory Board of Instone Real Estate Group SE issued the declaration of conformity for the financial year in accordance with Section 161 AktG.

The declaration of conformity was made permanently publicly available to the shareholders by a link on the Company's website under the ↗ Instone Declaration of Conformity.

Other financial obligations

As of 31 December 2023, other financial commitments amounted to €585 thousand (previous year: €143 thousand). The long-term commitments arising from rentals and leases are reported separately in the statement of financial position in accordance with IFRS 16.

Utilisation of profit

The Management Board proposes to use the distributable profit of Instone Real Estate Group SE in the amount of €21,454,886.19 to distribute a total dividend of €14,296,449.75. This corresponds to a dividend of €0.33 per share entitled to dividend. The remaining distributable profit, including the amount attributable to no-par value shares not entitled to a dividend, will be carried forward to the new account.

Events after the reporting date

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

Disclosures on preparation and approval

The Management Board of Instone Real Estate Group SE has prepared the consolidated financial statements on 8 March 2024 and approved them for forwarding to the Supervisory Board. The Supervisory Board has the task of reviewing the consolidated financial statements and deciding on their approval.

Essen, 8 March 2024

The Management Board

Kruno Crepulja David Dreyfus Andreas Gräf

List of shareholdings (Annex to the notes to the consolidated financial statements) GRI 102-45

List of Shareholdings as of 31/12/2023

TABLE 106

	Share of capital in %	Equity in thousands of of euros	Annual result in thousands of euros
I. Subsidiaries included in the consolidated financial statements			
Durst-Bau GmbH, Vienna, Austria	100.0	304	-37
formart Luxemburg S.à r.l., Luxembourg, Luxembourg	100.0	1,213	94
Gartenhöfe GmbH, Leipzig, Germany	100.0	5,705	-449
Instone Real Estate Development GmbH, Essen, Germany[1]	100.0	190,097	0
Instone Real Estate Projekt MarinaBricks GmbH, Erlangen, Germany	100.0	670	-251
Instone Real Estate Projekt Rosenheim GmbH & Co. KG, Nuremberg, Germany	100.0	3,267	4,494
Instone Real Estate Projektbeteiligungs GmbH, Erlangen, Germany	100.0	4	-1,134
KORE GmbH, Dortmund, Germany	85.0	6,484	110
Nyoo Real Estate GmbH, Essen, Germany[1]	100.0	25	0
Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main, Germany	70.0	43	-19
Westville 1 GmbH, Essen, Germany	100.0	7,072	6,910
Westville 2 GmbH, Essen, Germany	89.9	711	-443
Westville 3 GmbH, Essen, Germany	89.9	728	-295
Westville 4 GmbH, Essen, Germany	89.9	938	-21
Westville 5 GmbH, Essen, Germany	89.9	1,003	43

List of Shareholdings as of 31/12/2023

TABLE 106

	Share of capital in %	Equity in thousands of euros	Annual result in thousands of euros
II. Interests in joint ventures			
beeboard GmbH, Cologne, Germany	50.0	3,308	-381
FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin, Germany	50.0	-143	401
FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin, Germany	50.0	-1,771	-365
FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin, Germany	50.0	-985	668
FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin, Germany	50.0	-3,074	-55
Projekt Am Sonnenberg Wiesbaden GmbH, Essen, Germany	51.0	-2,152	-1,410
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG, Frankfurt am Main, Germany	50.0	64	44
Twelve GmbH & Co. KG, Stuttgart, Germany	50.1	29,215	2,396
Wohnpark Gießener Straße GmbH & Co. KG, Frankfurt am Main, Germany	50.0	8	-8
Wohnpark Heusenstamm GmbH & Co. KG, Essen, Germany	50.1	3,670	326
III. Other investments			
BEYOUTOPE GmbH, Hanover, Germany	0.02	239	-6
CONTUR Wohnbauentwicklung GmbH, Cologne, Germany[2]	50.0	-6	-32
FHP Friedenauer Höhe Verwaltungs GmbH, Berlin, Germany	50.0	15	-14
formart Wilma Verwaltungsgesellschaft mbH, Frankfurt a. M., Germany	50.0	52	9
Immobiliengesellschaft CSC Kirchberg S.à r.l., Luxembourg, Luxembourg	100.0	139	54
Instone Real Estate Verwaltungsgesellschaft mbH, Essen, Germany	100.0	25	0
Instone Real Estate Projektverwaltungs GmbH, Essen, Germany	100.0	-56	-27
Instone Real Estate Beteiligungsgesellschaft mbH, Essen, Germany	100.0	25	0
Kleyer Beteiligungsgesellschaft mbH, Frankfurt a. M., Germany	100.0	140	-26
Project Wilhelmstraße Wiesbaden Verwaltung GmbH, Cologne, Germany	70.0	-5	0
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH i.L, Cologne, Germany[3]	50.0	79	51
TG Potsdam Projektentwicklungsgesellschaft mbH i.L, Neubiberg, Germany[4]	10.0	-1,002	-324
Twelve Verwaltungs GmbH, Stuttgart, Germany	100.0	30	2
Uferpalais Verwaltungsgesellschaft mbH, Essen, Germany	70.0	89	93
Westville Vermietungs GmbH (formerly: Instone Real Estate Erste Projekt GmbH), Essen, Germany	100.0	20	-1
Wohnpark Heusenstamm Verwaltungs GmbH, Essen, Germany	100.0	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.

List of Shareholdings as of 31/12/2023

TABLE 107

	Share of capital in %	Equity in thousands of euros	Annual result in thousands of euros
I. Subsidiaries included in the consolidated financial statements			
Durst-Bau GmbH, Vienna, Austria	100.0	341	-56
formart Immobilien GmbH, Essen, Germany[1]	100.0	701	0
formart Luxemburg S.à r.l., Luxembourg, Luxembourg	100.0	1,119	403
Gartenhöfe GmbH, Leipzig, Germany	100.0	6,154	44
Instone Real Estate Development GmbH, Essen, Germany[2]	100.0	153,986	0
Instone Real Estate Landmark GmbH, Leipzig, Germany	100.0	2,637	-914
Instone Real Estate Leipzig GmbH, Leipzig, Germany	100.0	35,311	909
Instone Real Estate Projekt MarinaBricks GmbH, Erlangen, Germany	100.0	921	-305
Instone Real Estate Projekt Rosenheim GmbH & Co. KG, Nuremberg, Germany	100.0	-1,227	-463
Instone Real Estate Projektbeteiligungs GmbH, Erlangen, Germany	100.0	1,138	76
KORE GmbH, Dortmund, Germany	85.0	6,374	52
Nyoo Real Estate GmbH (formerly: Instone Real Estate Property GmbH, Essen, Germany[2]	100.0	25	0
Projekt Am Sonnenberg Wiesbaden GmbH (formerly: Instone Real Estate Erste Projektbeteiligungs GmbH & Co. KG, Essen, Germany	51.0	-743	-655
Projekt Wilhelmstraße Wiesbaden GmbH & Co. KG, Frankfurt am Main, Germany	70.0	62	44
Westville 1 GmbH, Essen, Germany	100.0	162	1
Westville 2 GmbH, Essen, Germany	99.9	77	-350
Westville 3 GmbH, Essen, Germany	99.9	69	-314
Westville 4 GmbH, Essen, Germany	99.9	58	-315
Westville 5 GmbH, Essen, Germany	99.9	80	-304

List of Shareholdings as of 31/12/2023

TABLE 107

	Share of capital in %	Equity in thousands of of euros	Annual result in thousands of euros
II. Interests in joint ventures			
beeboard GmbH, Cologne, Germany	33.3	3,436	-391
FHP Friedenauer Höhe Dritte GmbH & Co. KG, Berlin, Germany	50.0	-543	-133
FHP Friedenauer Höhe Erste GmbH & Co. KG, Berlin, Germany	50.0	-1,407	-989
FHP Friedenauer Höhe Sechste GmbH & Co. KG, Berlin, Germany	50.0	-1,654	-223
FHP Friedenauer Höhe Vierte GmbH & Co. KG, Berlin, Germany	50.0	-3,019	-18
Projektentwicklungsgesellschaft Holbeinviertel mbH & Co. KG, Frankfurt am Main, Germany	50.0	21	-4
Twelve GmbH & Co. KG, Stuttgart, Germany	50.1	26,818	2,192
Wohnpark Gießener Straße GmbH & Co. KG, Frankfurt am Main, Germany	50.0	16	-9
Wohnpark Heusenstamm GmbH & Co. KG, Essen, Germany	50.1	3,344	-233
III. Other investments			
BEYOUTOPE GmbH, Hanover, Germany	0.02	239	-2
CONTUR Wohnbauentwicklung GmbH, Cologne, Germany[3]	50.0	14	-17
FHP Friedenauer Höhe Verwaltungs GmbH, Berlin, Germany	50.0	29	2
formart Wilma Verwaltungsgesellschaft mbH, Frankfurt a. M., Germany	50.0	43	-1
Immobiliengesellschaft CSC Kirchberg S.à r.l., Luxembourg, Luxembourg	100.0	81	3
Instone Real Estate Projektverwaltungs GmbH, Essen, Germany	100.0	-30	-22
Kleyer Beteiligungsgesellschaft mbH, Frankfurt a. M., Germany	100.0	165	34
Project Wilhelmstraße Wiesbaden Verwaltung GmbH, Cologne, Germany	70.0	-5	-6
Projektverwaltungsgesellschaft SEVERINS WOHNEN mbH, Cologne, Germany	50.0	79	51
TG Potsdam Projektentwicklungsgesellschaft mbH i.L, Neubiberg, Germany[4]	10.0	-1,002	-324
Twelve Verwaltungs GmbH, Stuttgart, Germany	50.1	28	5
Uferpalais Verwaltungsgesellschaft mbH, Essen, Germany	70.0	-4	-4
Westville Vermietungs GmbH (formerly: Instone Real Estate Erste Projekt GmbH), Essen, Germany	100.0	21	-1
Wohnpark Heusenstamm Verwaltungs GmbH, Essen, Germany	50.1	24	0

[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.

Independent auditor's report

To Instone Real Estate Group SE, Essen/Germany

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

Audit Opinions

We have audited the consolidated financial statements of Instone Real Estate Group SE, Essen/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2023, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies. We have not audited the contents of the references to texts extraneous to the notes of the consolidated financial statements 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. 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) included in section "Other information" of the combined management report, including the further reporting on corporate governance included therein. Further-more, we have neither audited the contents of the "Sustainability report" included in the combined management report nor the references to texts extraneous to the combined management report marked as unaudited as regards the provisions of the GRI as well as of the TCFD each labelled with the GRI or TCFD symbol, respectively.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2023; our audit opinion on the consolidated financial statements does not cover the references extraneous to the notes of the consolidated financial statements as regards the provisions of the GRI as well as of the TCFD each labelled with the GRI or TCFD symbol, respectively, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated 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 the con-tents 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 the combined management report marked as unaudited as regards the provisions of the GRI as well as of the TCFD each labelled with the GRI or TCFD symbol, respectively.

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

Basis for the Audit Opinions

We conducted our audit of the consolidated 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 Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities 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 consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated 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 consolidated 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 over time revenue recognition including the valuation of contract assets or inventories, 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 consolidated financial statements)

b. auditor's response

Over time revenue recognition including the valuation of contract assets or inventories

a. The consolidated financial statements of Instone Real Estate Group SE, Essen/Germany, as at 31 December 2023 disclosed contract assets of kEUR 177,069, inventories of kEUR 1,085,840 and revenue of kEUR 503,496 arising from the development of residential and multi-family houses, from the creation of concepts for urban quarters, from the reconstruction of heritage-protected properties as well as from governmentally-subsidised housing construction (real estate developer activities) in Germany. In application of the provisions of IFRS 15 on revenue realisation, sold units under development are realised according to over time revenue recognition. In this respect, the service rendered including the proportionate result is disclosed in revenue corresponding to the level of completion. With the exception of reconstruction properties, revenue for these matters is generally recognised as soon as the respective project has reached a marketing level of 30%. The contractually conceded right to withdraw expires for both parties as of this point in time. In the case of reconstruction properties, revenue is recognised when construction activities begin.

   The amount of revenue realised for a construction project as well as the measurement of contract assets and inventories depend on the following parameters:

- Marketing level
- Level of completion as well as actual costs incurred as at the balance sheet date
- Estimation of total income and total costs

While the marketed parts of the construction projects are disclosed under contract assets after balancing with prepayments received or alternatively under contract liabilities, non-marketed parts of construction projects are disclosed under inventories.

Revenue realisation and the measurement of contract assets and inventories is – to an extraordinary extent – based on the executive directors' estimations and assumptions regarding the amount of total costs, deferral of costs as at the balance sheet date as well as the estimation of total revenue of the respective project. The executive directors' estimations subject to judgement have a direct and predominantly significant effect on the amount of revenue realised in the consolidated statement of profit and loss and the amount of contract assets and inventories in the consolidated balance sheet.

Hence, we have deemed this matter to be a key audit matter.

Information on the revenue realisation as well as on the measurement of contract assets and inventories were presented by the executive directors in the section "Basis of the consolidated financial statements" of the notes to the consolidated financial statements.

b. When auditing revenue, contract assets and inventories, we assessed the recognition method applied and – involving internal specialists – assessed the measurement in compliance with the regulations of IFRS 15. During our audit, we have recorded the main processes from project acceptance (acquisition of a property) to project conclusion (construction activities and sale of the individual flats) as well as the procedure on the monthly deferral of costs and examined relevant control procedures on appropriateness and effectiveness. In the case of estimates made by the executive directors, we evaluated the reasonableness of the methods applied, assumptions made and data used. Based on a risk-oriented sample selection, we have conducted site visits of projects and based on which we reviewed the estimations and assumptions made by the executive directors as at the balance sheet date. We verified the deferral of expenses by reference to appropriate evidence based on a random sample selection. In addition, we have examined the plausibility of the deferral entries made as at the balance sheet date. We have assessed the projected total revenue and total expenses by involving internal specialists and their professional and industry expertise. We have assessed relevant disclosures in the notes to the consolidated financial statements regarding completeness and accuracy.

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 there-in, in section "Corporate governance statement" of the combined management report,
- the references in the combined management report and in the consolidated notes to the financial statements marked as unaudited as regards the provisions of the GRI as well as of the TCFD each labelled with the GRI or TCFD symbol, respectively,
- the "Sustainability report" section included in the combined management report,
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- all other parts of the annual report,
- but not the consolidated 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 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 included in section "Corporate governance statement" of the combined management report. Otherwise the executive directors are responsible for the other information.

Our audit opinions on the consolidated 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 consolidated 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 Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated 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 consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 pro-vide sufficient appropriate evidence for the assertions in the combined management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Group's position and, in all material respects, is consistent with the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

- 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 Group’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 consolidated 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 Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group’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 consolidated 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 Consolidated 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 a117d4262c5cd3284d784b2523d5a2bddefdb4b1e8e7d9f3f455924decd121d9, 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 reproductions of the consolidated 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 consolidated 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 Consolidated Financial Statements and of the Combined Management Report" above, we do not ex-press 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 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 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 parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent 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.

Group 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 of 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.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general meeting on 14 June 2023. We were engaged by the supervisory board on 9 November 2023. We have been the group 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 Nicole Meyer.

Dusseldorf/Germany, 11 March 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Rolf Künemann Wirtschaftsprüfer (German Public Auditor)	Signed: Nicole Meyer Wirtschaftsprüferin (German Public Auditor)

LIMITED ASSURANCE REPORT OF THE INDEPENDENT PRACTITIONER REGARDING THE CONSOLIDATED NON-FINANCIAL STATEMENT

To Instone Real Estate Group SE, Essen/Germany

Our Engagement

We have performed a limited assurance engagement on the voluntarily prepared consolidated non-financial statement, which is included in the combined management report for the parent and the group, of Instone Real Estate Group SE, Essen/Germany, (hereafter referred to as "the Company") for the financial year from 1 January to 31 December 2023 (hereafter referred to as "consolidated non-financial statement").

This consolidated non-financial statement comprises the text passages that are marked with the icon ("") and included in the section "Sustainability Report" of Instone Real Estate Group SE's combined management report for the financial year from 1 January to 31 December 2023.

Our engagement did not cover any passages of the section "Sustainability Report" included in Instone Real Estate Group SE's combined management report for the financial year from 1 January to 31 December 2023 that are not marked with the icon ("").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the voluntary preparation of the consolidated non-financial statement in accordance with Sections 315c in conjunction with 289c to 289e German Commercial Code (HGB) and Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as "EU Taxonomy Regulation") and the delegated acts adopted thereon, as well as with their own interpretation of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon, as is presented in section "EU Taxonomy" of the consolidated non-financial statement.

These responsibilities of the executive directors of the Company include the selection and application of appropriate methods regarding the non-financial statement and the use of assumptions and estimates for individual non-financial disclosures which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a consolidated non-financial statement that is free from material misstatement, whether due to fraud (i.e. fraudulent non-financial reporting) or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have laid down their own interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in the section "EU Taxonomy" of the consolidated non-financial statement. They are responsible for the justifiability of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is subject to uncertainties.

The preciseness and completeness of the environmental data in the consolidated non-financial statement is subject to inherent restrictions resulting from the manner in which the data was collected and calculated as well as from assumptions made.

Independence and quality assurance of the German Public Audit Firm

We have observed German professional regulations as well as further professional rules of conduct.

Our firm applies the national statutory rules and professional announcements – particularly of the "Professional Charter for German Public Auditors and German Sworn Auditors" (BS WP/vBP) and of the Quality Management Standards promulgated by the Institut der Wirtschaftsprüfer (IDW) – and accordingly maintains a comprehensive quality management system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

Responsibilities of the Independent Practitioner

Our responsibility is to express a conclusion on the consolidated non-financial statement based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the consolidated non-financial statement has not been prepared, in all material respects, in accordance with Sections 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU Taxonomy" of the consolidated non-financial statement.

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner's professional judgement.

Within the scope of our limited assurance engagement, which we performed between November 2023 and March 2024, we performed, among others, the following procedures and other work:

- Gaining an understanding of the structure of the sustainability organisation and of the stakeholder engagement
- Inquiries of the executive directors as well as relevant employees involved in the preparation of the consolidated non-financial statement regarding the preparation process including precautions and measures taken to prepare the consolidated non-financial statement as well as the disclosures made in the consolidated non-financial statement
- Assessment of the professional derivation and of the assessment of material business transactions in the context of the EU Taxonomy Regulations regarding the appropriateness of the respective reporting
- Identification of the risks of material misstatement within the consolidated non-financial statement
- Analytical assessment of disclosures within the consolidated non-financial statement
- Cross validation of selected disclosures and the corresponding data in the consolidated financial statements as well as in the combined management report
- Assessment and presentation of the disclosures on sustainability
- Assessment of the process to identify taxonomy eligible and taxonomy-aligned economic activities and the corresponding disclosures in the non-financial reporting

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. The legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties due to the immanent risk that undefined legal terms may be interpreted differently.

Practitioner's conclusion

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statement of Instone Real Estate Group SE for the financial year from 1 January to 31 December 2023 does not comply, in all material respects, with Sections 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU Taxonomy" of the consolidated non-financial statement.

This conclusion solely relates to the text passages in the section "Sustainability Report" of Instone Real Estate Group SE's combined management report that are marked with the icon (""). Our conclusion does not relate to any passages of the section "Sustainability Report" of Instone Real Estate Group SE's combined management report for the financial year from 1 January to 31 December 2023 that are not marked with the icon ("").

Restriction of Use

We issue this report as stipulated in the engagement letter agreed with the Company (including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" as of 1 January 2017 promulgated by the Institut der Wirtschaftsprüfer (IDW)). We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and the report is solely designed for informing the Company about the findings of the assurance engagement. Therefore, it may not be suitable for another than the aforementioned purpose. Accordingly, this report is not intended to be used by third parties as a basis for any (asset) decision.

We are solely responsible toward the Company. However, we do not accept or assume liability to third parties. Our conclusion is not modified in this respect.

Dusseldorf/Germany, 11 March 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:
Nicole Meyer
Wirtschaftsprüferin
(German Public Auditor)

Signed:
Sebastian Dingel
Partner

Remuneration Report GRI 2-19, 2-20, 2-21

In accordance with the statutory requirements and the recommendations of the German Corporate Governance Code (GCGC) in the version published in the German Federal Gazette on 27 June 2022, this remuneration report explains the remuneration systems and remuneration for the Management Board and Supervisory Board of Instone Real Estate Group SE. In doing so, it also takes into account the requirements of the German Accounting Standard No. 17 (DRS) and the HGB.

I. Remuneration System for the Members of the Management Board of Instone Real Estate Group SE

The current remuneration system for the members of the Management Board of Instone Real Estate Group SE was approved by the Supervisory Board in the 2021 financial year and submitted to the Annual General Meeting of the Company held on 9 June 2021, which approved the remuneration system described in this number I, which came into force as from 1 July 2021, with 98.27% voting to approve it. The complete remuneration system is available at ↗ http://ir.de.instone-group.de/websites/instonereal/English/5930/verguetung.html.

The remuneration system is geared toward sustainable and long-term corporate development. Transparency and traceability of the remuneration system and the individual remuneration of the Management Board members are key components of good corporate governance at Instone Real Estate Group SE.

The remuneration system applies for a maximum period of four years to all new contract of employment concluded with members of the Management Board and for contract extensions and adjustments from 1 July 2021. Therefore, the employment contracts of members of the Management Board in place on the date on which the remuneration system came into force have been revised with effect from 1 July 2021 in accordance with the provisions and regulations of the new remuneration system. Remuneration claims established before 1 July 2021, including those relating to variable remuneration, therefore continue to be based on the contractual provisions on which they were based at the time.

The main components of the remuneration system are as follows:

TABLE 108

Remuneration component	Component	Weighting/Description
Non-performance related emoluments **(Approx. 40% of target remuneration)**	Basic remuneration	Payable annually in twelve equal instalments at the end of each month
	Fringe benefits	Include, for example, use of a company car, accident insurance premiums and reimbursement of other expenses for board activities
Short-term performance-based emoluments – short-term incentive (STI) **(Approx. 25% of target remuneration)**	Financial objective: EAT (adjusted)	37.5% of the STI bonus base amount as measured by the economic performance in the underlying financial year
	Financial objective: Volume of sales contracts	37.5% of the STI bonus base amount as measured by performance in the underlying financial year
	Strategy and sustainability goals (Number: two to four)	25% of the STI bonus base amount as measured by the target achievement in the underlying financial year
	Payment	In each case, based on the targets set by the Supervisory Board in the month following the audited annual financial statements
Long-term performance-based emoluments – long-term incentive (LTI) **(Approx. 35% of target remuneration)**	Performance share plan (financial targets and non-financial ESG target)	Virtual stock tranche paid out after the end of a three-year performance period based on the achievement of the targets set by the Supervisory Board in advance and set out below
	Financial objective: Relative TSR (Instone Group share price development including dividends)	20% of the LTI bonus base amount as measured by comparing the Total Shareholder Return of the Instone Group (Instone Group share price performance including dividends) during the three-year performance period for the development of the SDAX (Performance Index)
	Financial objective: Earnings per share (EPS target)	50% of the LTI bonus base amount as measured by the development of adjusted earnings per share during the three-year performance period
	Non-financial ESG target	30% of the LTI bonus base amount as measured by the Target achievement during the three-year performance period
	Payment	At the end of a total of three years in euros in the month following the adoption of the annual financial statements, for each tranche based on the development of the Instone Group share price during the three-year performance period, including dividends (total shareholder return approach)
Caps/maximum remuneration	STI cap	200% of the STI bonus base amount
	Maximum LTI payout factor	300% of LTI target achievement
	LTI cap limit	300% of the LTI bonus base amount
	Maximum remuneration	€3.1 million for Chair of the Management Board (CEO) €2.35 million each for other members of the Management Board
Shareholding obligation/ Share Ownership Guideline	Minimum holding position of the members of the Management Board in Instone Group shares	Obligation to hold Instone Group shares in the equivalent of a non-performance-related basic salary (gross) for the entire term of the contract. The equivalent value is based on the purchase price of the shares. If the shareholding obligation is not met at the start of the term of the contract, it must be achieved during the term of the contract by means of appropriate purchases.
Malus/clawback regulations		Retention and/or recovery of variable remuneration components in the event of a violation of statutory or contractual obligations or internal codes of conduct

A. Contribution of remuneration to supporting the business strategy and the long-term development of the company

The calculation of the remuneration is mainly based on the size and complexity of the Instone Group, its economic situation and financial position, and its success and future prospects. Other material criteria for setting the remuneration include the duties and personal performance of the individual members of the Management Board. The remuneration system defines remuneration that is competitive in national and international comparison, which creates added value for customers, employees, shareholders and other stakeholders by defining performance criteria relating in particular to the long-term and sustainable success of the company and linking them with challenging targets. These targets set by the Supervisory Board for variable remuneration are in line with the corporate strategy and ensure the synchronisation of the remuneration of the Management Board and the long-term development of the company through a link with corporate planning.

B. Procedures for Determining and Implementing the Remuneration of the Management Board and for Reviewing the Remuneration System

Responsibility for preparing the remuneration system, setting the actual total emoluments of the individual members of the Management Board and the regular review of the remuneration system lies with the Supervisory Board of Instone Real Estate Group SE. The Supervisory Board has set up a remuneration committee, which is responsible, in particular, for advising on the contracts of employment of the members of the Management Board and for preparing the relevant resolutions as well as preparing setting the targets for the variable remuneration components and their assessment by the Supervisory Board. The Supervisory Board reviews the remuneration system at regular intervals on the basis of the preparations and recommendations of the remuneration committee. If the Supervisory Board determines that action must be taken, it decides on any changes deemed necessary and the remuneration system is presented to the Annual General Meeting again for approval if required.

The Supervisory Board may call on external consultants to help it fulfil its duties and they must be independent of the Management Board and Instone Real Estate Group SE and has in fact done so for the preparation of the current remuneration system. The rules of procedure of the Supervisory Board contain provisions for dealing with potential conflicts of interest in the Supervisory Board , which include disclosure of potential conflicts of interest to the Chair of the Supervisory Board, a ban on participating and voting in the event of identified conflicts of interest and also apply to remuneration matters.

The Annual General Meeting shall decide on the remuneration system in the event of any significant change to the remuneration system but at least every four years. If the Annual General Meeting has not approved the remuneration system, a revised remuneration system must be submitted for approval to the next Annual General Meeting at the latest.

C. Determination and Appropriateness of Remuneration

In keeping with the remuneration system, the Supervisory Board has set the total target remuneration and relevant upper remuneration limits (caps) for each member of the Management Board. The remuneration is proportionate to the duties and performance of the Management Board member and to the situation of the Instone Group, will not exceed the usual remuneration without special reasons and is geared toward the long-term and sustainable development of the Instone Group. The appropriateness of the remuneration is regularly reviewed by the Supervisory Board. Both external and internal comparison analyses are carried out for this purpose.

Consideration of Employee Remuneration and Employment Conditions and Peer Group Comparison

The internal analysis was carried out as part of the preparation of the current remuneration system in the form of a vertical comparison of the remuneration and employment conditions of employees. The remuneration levels of the members of the Management Board were set in relation to the remuneration levels of the senior management and the workforce as a whole. These two employee groups were defined by the Supervisory Board. The senior management includes the managing directors of the subsidiaries and the workforce as a whole is made up of the full-time employees of the Instone Group in Germany (including senior management). The results of the vertical comparison were taken into account in determining the remuneration system and future adjustments to the remuneration level of the Management Board – including its development over time.

To develop the remuneration system and check the appropriateness of the remuneration conditions, the Supervisory Board also carried out an external comparative analysis of remuneration levels using two peer groups (industry and growth peer groups). The members of the industry peer group were selected on the basis of six criteria (company size, sector, in other words direct competitors or companies in other sectors with comparable characteristics – in particular real estate, land, legal form, equity market basis and relevant labour markets) on the premise that they are as comparable as possible with Instone Real Estate Group SE. Due to the considerable growth of the Instone Group since the IPO, a second growth peer group was also formed, which is comparable with Instone Real Estate Group SE in terms of sales growth rates, company size and region.

D. Remuneration Components

The total remuneration of the individual members of the Management Board consists of various components. In terms of structure, the remuneration components for all members of the Management Board are regulated in the same way using estimates, since the amount of fringe benefits in particular may vary as part of the performance-independent remuneration:

TABLE 109

Annual target remuneration	100%
– of which **non-performance related** emoluments	approx. 40%
– of which **performance-based** emoluments – **short-term (STI)**	approx. 25%
– of which **performance-based** emoluments – **long-term (LTI)**	approx. 35%

The remuneration of the Management Board consists of non-performance-related salary and benefits in kind, performance-related (variable) remuneration and (in the case of two Management Board members) pension commitments agreed before their appointment to the Management Board, for which the additions by the Company up to 2020 correspond to an annual pension benefit from the age of 65, which is expected to be between 3% and 5% of the current annual basic remuneration that is independent of the performance of the company. Variable remuneration is based on a multi-year assessment basis in order to create incentives for sustainable and long-term corporate development. The remuneration system explicitly stipulates that both positive and negative developments are taken into account. The Supervisory Board also sets a maximum amount (cap) for each variable remuneration component. Management Board remuneration is highly performance-related, with a particular focus on long-term variable remuneration.

Thus, the STI bonus amounts to approximately 62.5% for achieving 100% of the targets and approximately 125% of the non-performance related emoluments for achieving the maximum targets. Due to its even stronger weighting, the LTI bonus is approximately 87.5% for achieving 100% of the targets and approximately 262.5% of the non-performance related emoluments for achieving the maximum targets.

In principle, this remuneration covers all activities for the Company and for those activities with the Company under Sections 15 et seqq. German Stock Corporation Act. GRI 2-21

Non-performance related emoluments

The members of Instone Real Estate Group SE's Management Board receive non-performance-related emoluments in the form of a fixed base annual salary (base remuneration) and fringe benefits. The fixed annual base salary is paid in twelve equal instalments at the end of a month, and for the last time for the full month in which the Management Board employment contract ends.

The members of the Management Board also receive non-performance-related fringe benefits. These include, for example, the use of a company car and the payment of premiums for accident insurance with payments at a standard market level and are taken into consideration in the maximum remuneration of the Management Board.

Performance-based emoluments

The performance-based remuneration components consist of a variable remuneration element with a (one-year) short-term incentive [STI] and a variable remuneration element with a multi-year assessment basis (long-term incentive [LTI]). Due to the design of the components, the share of the LTI outweighs the share of the STI in the target remuneration.

If the Management Board member is not entitled to remuneration for the entire financial year underlying the calculation, a corresponding pro rata reduction of this variable remuneration component is made.

Our company

To our shareholders

Combined management report

Consolidated financial statements

Independent auditor's report

Remuneration report

Other information

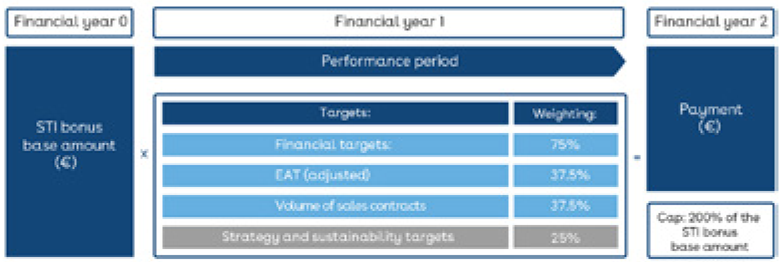
One-Year Variable Remuneration – Short-Term Incentive (STI)

The one-year variable remuneration in the form of the STI is linked to

- the financial result or performance of the Instone Group in the underlying financial year (financial targets) and
- the strategy and sustainability goals defined for the individual members of the Management Board.

Variable compensation – STI

FIGURE 025



The financial targets set out in the STI, which account for a total of 75% of the STI bonus base amount, are made up of earnings after tax (EAT [adjusted]) and the volume of sales contracts, both being weighted identically with 37.5% each. Both the EAT (adjusted) and the volume of sales contracts are key operating financial and management key figures and performance indicators of the Instone Group and are part of the company's forecast. Both financial targets are therefore decisive for the corporate strategy of the Management Board and the long-term development of the Instone Group. In the view of the Supervisory Board, the measurement of short-term variable remuneration on the basis of these key operating financial and management indicators and performance indicators seems appropriate in order to ensure that the Management Board is incentivised to implement the corporate strategy. The EAT (adjusted) result-based key figure is also the benchmark for the dividend policy. The real estate business key performance indicators of the volume of sales contracts includes all sales-related transactions, such as notarised real estate purchase agreements, individual orders from customers and rental income. Both financial targets are derived from the corporate planning prepared by the Management Board and approved by the Supervisory Board and the forecast, and are set uniformly for the Management Board for each bonus year. The EAT (adjusted) and the volume of sales contracts are determined on the basis of the adjusted results of operations on which the financial reporting of Instone Real Estate Group SE is based and which is explained in more detail in the management report on page 133 et seqq..

The linking of the one-year variable remuneration with these key financial and management key figures of the Instone Group serves to ensure profitable and sustainable growth. In addition, the selection of these targets provides incentives for the Management Board to act in accordance with the corporate strategy and the planning approved by the Supervisory Board or to exceed the forecast communicated to the capital market in the best case scenario.

The strategy and sustainability targets relevant for the relevant bonus year are set individually by the Supervisory Board for each bonus year and for each member of the Management Board. The Supervisory Board usually sets two to four targets for each member of the Management Board which serve to implement corporate strategy and long-term corporate development. The strategy and sustainability targets are included in the STI bonus at 25%. This gives the Supervisory Board the opportunity to define central, not necessarily financial targets for the Management Board in the company's interest and to link them to the personal performance of the Management Board members. These targets may include environmental concerns such as CO_2 reduction, customer and employee satisfaction, the value of investor sales or the improvement of corporate financing as well as the promotion and development of the new nyoo product line (affordable housing) or the construction of subsidised housing. To ensure sufficient transparency and traceability of the achievement of objectives, the Supervisory Board ensures that targets are set or criteria defined for the targets, the achievement of which can ideally be determined and measured using quantitative methods. The Supervisory Board can weigh the annual strategy and sustainability targets differently, whereby each individual target must be weighted with a minimum of at least 25% within the strategy and sustainability targets.

An STI bonus base amount in euros is agreed for each member of the Management Board in their contract of employment. The payment amount of this variable compensation component is set depending on the achievement of the targets for which the Supervisory Board sets the target or threshold values to be achieved for each performance period, then as follows:

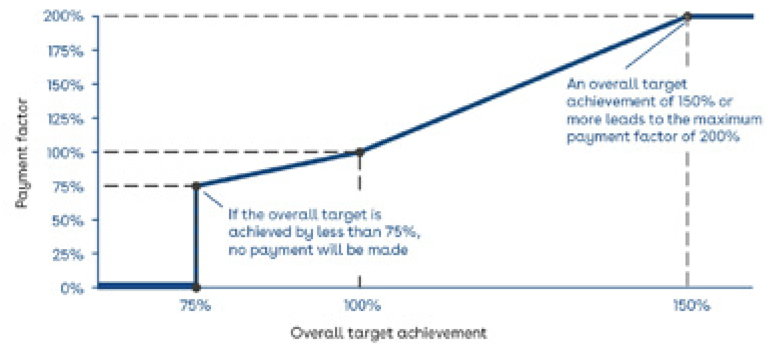
- At the end of the relevant bonus year (performance period), the Supervisory Board defines the target achievement for each individual target and converts the target achievement into an overall target achievement, taking into account the weighting of all the individual targets. The maximum target achievement for each individual STI target is capped at 175%.

- The overall target achievement is assigned to an STI payout factor using the bonus curve shown in figure 026. If the overall target achievement falls below 75% **(lower target limit)**, there is no entitlement to a payment of the STI bonus. Due to the ambitious target setting, above-average performance by the members of the Management Board is disproportionately rewarded: If the overall target achievement is 150% or more **(target cap)**, the STI payout factor is 200%. The STI payout factor for an overall target achievement of between 100% and 150% is calculated on a proportional basis If the overall target achievement is between 75% and 100%, the STI payout factor corresponds to the overall target achievement on a linear basis.

- The STI payout factor is multiplied by the agreed STI bonus base amount and thus results in the payout amount of the STI bonus in euros for the performance period. The payout amount may reach a maximum of 200% of the STI bonus base amount **(cap)**. The payment is made in the month following approval of the audited annual financial statements of the Company.

Below is an example of the overall goal achievement at STI and the resulting STI payout factor:

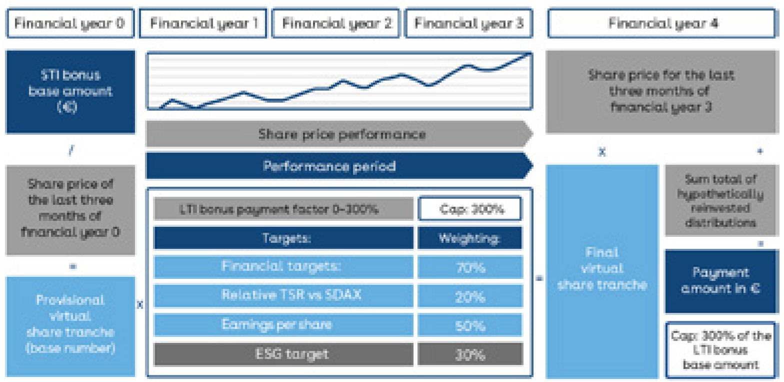
Bonus curve – overall target achievement FIGURE 026



Multi-Year Variable Remuneration (Long-Term Incentive (LTI))

Another component of variable remuneration is that the members of the Management Board are also promised multi-year variable compensation in the form of an LTI bonus on the basis of a share-based virtual performance share plan. By linking the share price of Instone Group shares, incentives are provided for the Management Board to promote the long-term and sustainable development of the Instone Group. In addition, the interests of shareholders and the Management Board are strengthened.

Variable compensation – LTI FIGURE 027



The amount of any LTI bonus depends on

- The amount of the LTI bonus base amount and the average share price used as a basis at the time of the allocation of the virtual share tranche in financial year 0, in other words the financial year before the start of the three-year performance period,
- Achieving financial and non-financial ESG targets during a three-year performance period and
- The share price performance (taking into account dividends) of Instone Real Estate Group SE during the three-year performance period.

The assessment period for the multi-year variable remuneration is therefore a total of three years.

The financial targets set out in the LTI are the development of the adjusted earnings per share **(EPS)** and the total shareholder return (share price performance taking into account dividends) of Instone Real Estate Group SE compared to the SDAX **(relative TSR)** representing a total of 70% of the LTI bonus base amount and weighted at 50% and 20% respectively. Both financial targets are derived from the corporate planning prepared by the Management Board and approved by the Supervisory Board and the forecast, and are set uniformly for the Management Board for each three-year performance period.

The **EPS target** sets a target by which the Management Board is incentivised to increase the long-term profitability of the company on the basis of the multi-year performance period. This creates an incentive to manage the company for profit while at the same time generating sustainable growth in the long-term in the interest of the shareholders. The EPS target is set in the form of an aggregated target value over the performance period. The EPS target is calculated on the basis of the adjusted results of operations on which the financial reporting of Instone Real Estate Group SE is based and which is explained in more detail in the management report on page 133 et seqq..

The **relative TSR** provides an incentive for the Management Board to deliver above-average performance compared to other listed companies. The development of the share price also reflects the increase in the value of the company from the shareholder's point of view. The Supervisory Board considers the SDAX, which consists of companies of a comparable size and in which the Instone Group share was listed until the end of the last financial year, to be an appropriate benchmark. However, since the Instone Group share is currently no longer listed in the SDAX or in the event that the SDAX is subject to significant changes or that other developments occur that no longer make a reference to the SDAX appear appropriate, the Supervisory Board may also choose another suitable share index as a reference value for the remuneration system.

The Supervisory Board also sets a non-financial **ESG** (Environmental, Social and Governance) target, which accounts for 30% of the LTI bonus base amount. The ESG target, which is set uniformly for each annual LTI tranche granted to all members of the Management Board, is intended to encourage the sustainable development of the Instone Group in accordance with the Company's ESG strategy. The Supervisory Board will define a target that is in line with the interests of the company's stakeholders and is geared toward achieving a long-term, three-year target. The measurement of the target achievement is ideally designed to be quantifiable.

An LTI bonus base amount in euros is agreed for each member of the Management Board in their contract of employment. This is divided by the average volume-weighted Instone Group share price of the last three months of the financial year before the start of the performance period to determine a provisional tranche of virtual shares allocated to the relevant Management Board member **(base number)**. The payment amount of this variable compensation component is set depending on the achievement of the targets for which the Supervisory Board sets the target or threshold values to be achieved for each performance period and the share price performance of Instone Group shares, then as follows:

- At the end of the three-year performance period, the Supervisory Board decides the achievement of targets for each individual target.
- The target achievement for each individual target is assigned to an LTI payout factor using the bonus curve shown in figure 029. Taking into account the relevant weighting of the individual target, a total payout factor is formed from the individual LTI payout factors defined in this way. Due to the ambitious target setting, above-average performance by the members of the Management Board is disproportionately rewarded: If the target achievement is 150% or more for an individual target **(upper target limit)**, the relevant LTI payout factor for this

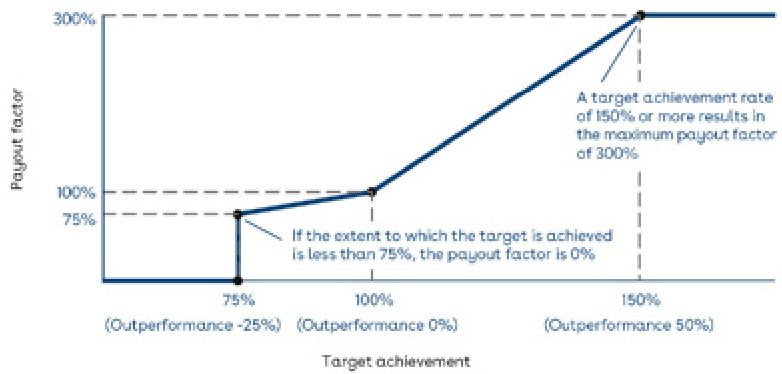
individual target is 300%. The LTI payout factor for a target achievement of between 100% and 150% is calculated on a proportional basis If the target achievement for an individual target is 100% or less, the LTI payout factor corresponds to the relevant target achievement (subject to and up to a **lower target limit** defined by the Supervisory Board).

- To determine the relative TSR, the final price of the Instone Group share is compared to the initial price. For the purpose of smoothing out the initial and final price, the volume-weighted average of the closing prices of the Instone Group share in Xetra trading (or a comparable successor system) of the Frankfurt Stock Exchange over the previous three months is used to determine the initial and final price, including dividend payments, are also used for the final price. assuming reinvestment in Instone Group shares during the performance period. For the calculation of the development of the SDAX (as a performance index), the initial value is the arithmetic mean of the closing balances in the SDAX of the last three months before the beginning of the performance period and the final value is the arithmetic mean of the closing balances of the SDAX over the last three months of the relevant three-year performance period. The target achievement for the relative TSR and the pro rata LTI payout factor is 100% if, at the end of the performance period, the development of the share price (including dividend payments, assuming reinvestment in Instone Group shares during the performance period) of the Instone Group share corresponds to the development of the SDAX. If the target achievement for the relative TSR is less than 75%, this target is considered to have been missed and it is shown in figure 028.

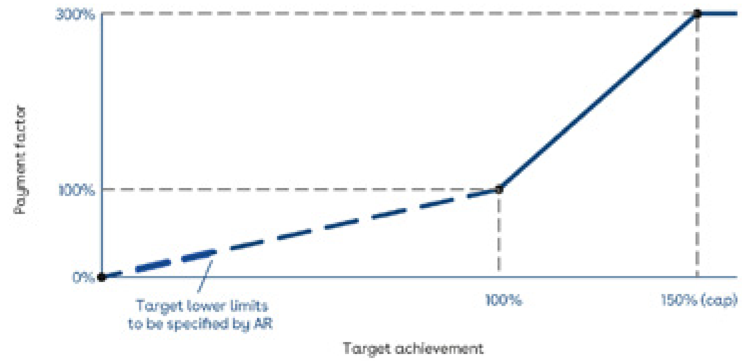
- The base number of virtual shares is multiplied by the total payout factor and the average volume-weighted share price of the last three months prior to the end of the last financial year of the performance period, taking into account dividend payments, assuming reinvestment in Instone Group shares during the performance period (total shareholder return approach), in order to equate the Management Board with a real shareholder. The payment is made after the end of the performance. in the month following approval of the audited annual financial statements of the Company.

The following is an example of the bonus curves for the relative TSR target (see figure above) and for calculating the additional LTI payout factors (EPS target and ESG target) (see figure below):

Bonus curve – relative TSR FIGURE 028



Bonus curve – LTI payout factors FIGURE 029



In the event of an extraordinary development in the share price, the Supervisory Board is entitled to take into account a reasonable longer period before the end of the relevant bonus year for calculating the average closing price. If capital measures lead to a reduction or increase in the number of Instone Group shares (for example, share splits or share consolidation), this effect is taken into account by means of suitable calculations when determining the target achievement and its effect is neutralised.

The payout amount of the LTI bonus is capped at an amount corresponding to 300% of the LTI bonus base amount (LTI cap).

Share Ownership Guideline

To strengthen the long-term development and encourage the investment of the Management Board in Instone Real Estate Group SE, the members of the Management Board are obliged by a Share Ownership Guideline to complete a four-year development phase by acquiring shares in Instone Real Estate Group SE in the amount of a gross annual salary that is independent of their performance and holding them for the entire term of their Management Board contract, starting with their appointment to the Management Board. The equivalent value is based on the purchase price of the shares. The shares already held by a member of the Management Board are added to this figure.

If the relevant Management Board member has acquired shares in the amount of a gross annual salary not dependent on performance, the ownership level must not fall below this threshold by up to 50% for a maximum period of six months.

In this case, the Management Board member is obliged to add to the number of shares held within a period of six months up to the amount of a gross annual salary that is not dependent on performance.

E. Definition of Maximum Remuneration and Temporary Deviations from the Remuneration System

Maximum remuneration

Under Section 87a (1) sentence 2 No. 1 of the German Stock Corporation Act (AktG), the Supervisory Board has set a maximum amount for the total of all remuneration components, including fringe benefits and pension commitments. This amounts to €3.1 million for the Chairman of the Management Board (CEO) and €2.35 million for the other members of the Management Board. The maximum remuneration defined by the Supervisory Board takes into account the findings of the peer group analysis as well as the strongly performance and growth-focused structure of the Management Board remuneration system and is intended to enable the market-based and company-specific development of the Management Board remuneration in the interest of the company.

Temporary Deviations from the Remuneration System

A deviation from the remuneration system is possible on an exceptional basis for the Supervisory Board under the legal provision of Section 87a (2) sentence 2 AktG if exceptional circumstances make a deviation necessary in the interest of the long-term well-being of the company. This requires a Supervisory Board resolution that establishes the need for a deviation in a transparent and justified manner. The components of the remuneration system specifically affected by the deviation and the necessity of the deviation must also be explained to the shareholders in the remuneration report. A deviation may be made if the described requirements are satisfied, in particular from the performance criteria of the variable remuneration, the ratio of the components of the target remuneration and for exceptional fringe benefits.

F. Opportunities for the Company to Reclaim Variable Remuneration Components

The contracts of employment of Management Board members contain provisions that give the Supervisory Board discretion to retain (malus) or recover (clawback) part or all of the variable remuneration components. The requirement for the application of these regulations is grossly negligent and serious violation of statutory or contractual duties or the Company’s internal codes of conduct. In such cases, the Supervisory Board may, at its reasonable discretion, reduce and retain variable remuneration components that have not yet been paid out or demand repayment of variable remuneration components that have already been paid out.

The aforementioned claims shall lapse two years after the end of the assessment period of the relevant variable remuneration component.

G. Remuneration-Related Legal Transactions

Terms and conditions for the termination of remuneration-related legal transactions

The term of the Management Board contracts runs in parallel with the term of appointment of the Management Board member as decided by the Supervisory Board. Each contract of employment has a fixed term and therefore does not contain an ordinary right of termination. The right to extraordinary termination is unaffected.

Compensation for Dismissal

If the employment contract of a member of the Management Board is terminated extraordinarily by the Company for good cause before the end of the term of the LTI bonus (so-called "bad leaver case"), this will result in the expiry of all rights arising from the LTI bonus which is attributable to a period before the expiry of the respective term of three years.

If the contract of employment of a Management Board member ends before the end of the term of the LTI bonus and the other requirements for a "bad leaver case" do not exist at the same time (so-called "good leaver case"), the entitlement to the LTI bonus from performance periods that are already ongoing and, if applicable, pro rata for the upcoming performance period will remain in force.

Special termination rights were agreed with the members of the Management Board in the event of a change of control. The members of the Management Board are entitled to a severance payment if, in addition to a change of control, the basis on which they can run the business suffers a significant adverse effect, in other words if the Management Board member loses their position, the Company is merged, all or a significant portion of the Company's assets are transferred to third party legal entities that do not belong to the Instone Group, a control and/or profit transfer agreement is concluded with the Company as a dependent company, the legal form of the Company is changed and the Management Board member thereby loses the independence granted by the German Stock Corporation Act or the SE-VO or if the decision-making powers of the terminating Management Board member suffer significant adverse effect for no material reason. Under the employment contract of a Management Board member, the conclusion of a control and/or profit transfer agreement with the Company as obligated parties does not qualify as a significant adverse effect in the running of the business under certain conditions. In addition, the members of the Management Board have special termination rights in the event of dismissal due to a loss of confidence at the Annual General Meeting or resignation from office for a material reason.

In the event that a special right of termination is exercised, the terminating member of the Management Board is entitled to a severance payment in the amount of 1.5 gross annual remuneration, whereby this severance payment is reduced pro rata temporis if the remaining term of the employment contract that is less than 1.5 years. No severance claim exists if the appointment ends due to dismissal for a material reason within the meaning of Section 626 BGB or due to good cause within the meaning of Section 84 (3) of the German Stock Corporation Act (AktG), which is not based on the loss of confidence at the Annual General Meeting.

Variable remuneration components shall also be paid out in the event of premature termination of activities on the Management Board on the basis of the assessment bases originally agreed (performance targets, performance periods etc.) and due dates.

Pension commitments

Two members of the Management Board still 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. These two pension agreements were agreed well before the IPO or the appointment of the members entitled to benefits to the Management Board in 2008 and 1987 and will continue to be implemented.

The two members of the Management Board entitled to the pension provision are credited with the pension component for the duration of the pension commitment as part of this company pension provision model in accordance with the pension agreements with them which form the basis. This will be credited from the time they reach the age of 65 with a specific monthly payment amount, and will cumulatively reflect the respective pension entitlement under the company pension scheme. The respective amount of the monthly pension component is calculated on the basis of the monthly non-performance-related cash remuneration of the members of the Management Board entitled to the benefit, multiplied by an age factor, which maps an appropriate interest rate, and another fixed amount to be determined annually. The necessary provisions for the pension components and the resulting pension obligations are calculated annually in actuarial terms. The amount of the credited pension components decreases with the progressive duration of the pension agreements with otherwise unchanged fixed non-performance-related emoluments. GRI 201-3

II. Remuneration of Management Board members in the 2023 financial year

The following part of the remuneration report provides details of the specific application of the remuneration system to the members of the Management Board and the remuneration of the individual members of the Management Board in the 2023 financial year.

The remuneration report for the 2022 financial year was approved by the Annual General Meeting of Instone Real Estate Group SE on 14 June 2023 by more than 92% of the votes cast, so there was no reason to change the remuneration system, to question its implementation or the way in which the remuneration of the Management Board and Supervisory Board is reported.

Total remuneration

The total remuneration granted and owed to the current members of the Management Board for the 2023 financial year within the meaning of Section 162 (1) sentence 1 AktG amounted to a total of €2,190 thousand. Under the explanatory memorandum to Section 162 (1) AktG, the amounts due during the reporting period and already received by the individual member of the Management Board or whose due payment has not yet been made must be stated as the remuneration granted and owed (inflows). The following table shows the total remuneration under these principles, broken down by remuneration components and individually for the current members of the Management Board for the 2023 financial year and the previous year.

Remuneration under Section 162 (1) sentence 1 AktG TABLE 110

In thousands of euros

	Kruno Crepulja		Dr. Foruhar Madjlessi[3]		David Dreyfus[4]		Andreas Gräf	
	CEO		CFO		CFO		COO	
	2023	2022	2023	2022	2023	2022	2023	2022
Non-performance related emoluments	526	525	283	437	148	0	406	406
One-off cushion bonus[1]	0	0	0	0	300	0	0	0
Fringe benefits[2]	30	29	4	5	3	0	15	15
Short-term variable remuneration (STI)	0	351	0	316	0	0	0	309
Long-term variable remuneration (LTI)	195	446	163	0	0	0	117	268
Total	**751**	**1,351**	**450**	**758**	**451**	**0**	**538**	**998**
Maximum remuneration	3,100	3,100	2,350	2,350	2,145	0	2,350	2,350

[1] The one-off cushion bonus is the results of Mr Dreyfus taking up his position on the Management Board and is in compliance with the remuneration system.

[2] Excluding pension costs. These are shown separately below.

[3] Member of the Management Board until 31 July 2023.

[4] Member of the Management Board since 1 September 2023.

The maximum remuneration specified by the Supervisory Board under Section 87a (1) sentence 2 No. 1 AktG for the members of the Management Board was not exceeded in the year under review. There was no repayment or retention of variable remuneration or deviations from the remuneration system.

In the past financial year, no advances were paid to members of the Management Board and no loans were made. The members of the Management Board neither received nor were they promised benefits from third parties with regard to their activities on the Management Board in the 2023 financial year. GRI 2-21

In the past financial year, the company paid a cushion bonus to Management Board member David Dreyfus of €300 thousand, which his Management Board contract of employment includes as compensation for the elimination of an expected bonus payment for the 2023 financial year from his work for his previous employer and was payable by the end of the 2023 financial year.

One-Year Variable Remuneration – Short-Term Incentive (STI)

STI 2022

In the 2022 financial year, the STI's overall target achievement was less than 75%, so that no claim for the STI bonus was made in the 2022 financial year as a result of the failure to meet the required target lower limit. The short-term variable remuneration granted and owed in the 2023 financial year, in other words the variable remuneration for the 2022 financial year STI bonus earned was €0. table 111 below shows the weighting, the agreed target values and the actual value (in each case, as far as these can be quantified), the resulting target achievement together with upper target limits as well as the corresponding STI bonus in euros for the STI targets (i) adjusted EAT, (ii) volume of sales contracts and (iii) strategy and sustainability targets.

The objectives relating to personal strategy and sustainability targets include a uniform target for all members of the Management Board based on employee satisfaction and loyalty. For Mr Crepulja, these also contain a more specific product development-specific objective, for Mr Gräf a more specific objective for expanding the product range and for Dr Madjlessi a more specific objective relating to a strategic initiative. The respective target achievement was assessed by way of an overall evaluation of both targets.

STI financial year 2022 – payment 2023 TABLE 111

Board member	Target	Weighting	STI bonus base amount	Targets set for the 2022 financial year		Information on target achievement: Target upper limit		Target achievement		STI bonus	
		In %	In thousands of euros	Value	In %	Value	In %	Value	In %	Payout factor (in %)	In thousands of euros
Kruno Crepulja	EAT (adjusted)	37.5		€95.0 million	100	€166.3 million	175	€50.0 million	52.6	52.6	
CEO	Volume of sales contracts	37.5		€1,000.0 million	100	€1,750.0 million	175	€292.1 million	29.2	29.2	
	Strategy and sustainability goals[1]	25.0		n/a	100	n/a	175	n/a	100.0	100.0	
	Total	**100.0**	**325**		**100**	**€650 thousand**	**150**		**55.7**	**55.7**	**0.0**
Dr. Foruhar Madjlessi	EAT (adjusted)	37.5		€108.2 million	100	€166.3 million	175	€50.0 million	52.6	52.6	
CFO	Volume of sales contracts	37.5		€1,371.2 million	100	€1,750.0 million	175	€292.1 million	29.2	29.2	
	Strategy and sustainability goals[1]	25.0		n/a	100	n/a	175	n/a	100.0	100.0	
	Total	**100.0**	**270**		**100**	**€540 thousand**	**150**		**49.4**	**49.4**	**0.0**
Andreas Gräf	EAT (adjusted)	37.5		€108.2 million	100	€166.3 million	175	€50.0 million	52.6	52.6	
COO	Volume of sales contracts	37.5		€1,371.2 million	100	€1,750.0 million	175	€292.1 million	29.2	29.2	
	Strategy and sustainability goals[1]	25.0		n/a	100	n/a	175	n/a	100.0	100.0	
	Total	**100.0**	**250**		**100**	**€500 thousand**	**150**		**55.7**	**55.7**	**0.0**

[1] The achievement of targets in terms of the personal targets and the strategy and sustainability goals were evaluated by way of an overall assessment and are therefore not mapped individually for the defined goals (not shown).

Our company

To our shareholders

Combined management report

Consolidated financial statements

Independent auditor's report

‣ Remuneration report

Other information

STI 2023 – payment 2024

For the performance period of the financial year 2023, the Supervisory Board determined the target achievement on 11 March 2024 and converted it into an overall target achievement, taking into account the weighting of the individual targets.

The table shows the weighting, the agreed target values and the actual value (if these can be quantified in each case), the resulting target achievement, the target limits and the payment factors (if applicable).

The objectives for the personal strategy and sustainability targets include uniform cost-cutting targets defined for all members of the Management Board. For Mr Crepulja, these also include a more specific objective relating to a strategic initiative, a more specific objective for Mr Gräf for reviewing and realigning specific sales strategies, for Dr Madjlessi the development of ICS-specific organisational structures and for Mr Dreyfus the successful implementation of these structures. The respective target achievement was assessed by way of an overall evaluation of both targets.

STI financial year 2023 – payment 2024

TABLE 112

Board member	Target	Weighting	STI bonus base amount	Targets set for the 2023 financial year		Information on target achievement				STI bonus	
						Target upper limit		Target achievement			
		In %	in thousands of euros	Value	In %	Value	In %	Value	In %	Payout factor (in %)	In thousands of euros
Kruno Crepulja	EAT (adjusted)	37.5		€45.0 million	100	€78.8 million	175	€48.2 million	107.1	114.2	
CEO	Volume of sales contracts	37.5		€150.0 million	100	€262.5 million	175	€211.4 million	140.9	181.8	
	Strategy and sustainability goals[1]	25.0		n/a	100	n/a	175	n/a	130.0	160.0	
	Total	**100.0**	**325**		**100**	**€650 thousand**	**150**		**125.5**	**151.0**	**490.8**
Dr. Foruhar Madjlessi2	EAT (adjusted)	37.5		€45.0 million	100	€78.8 million	175	€48.2 million	107.1	114.2	
CFO	Volume of sales contracts	37.5		€150.0 million	100	€262.5 million	175	€211.4 million	140.9	181.8	
	Strategy and sustainability goals[1]	25.0		n/a	100	n/a	175	n/a	130.0	160.0	
	Total	**100.0**	**175**		**100**	**€350 thousand**	**150**		**125.5**	**151.0**	**264.3**
David Dreyfus3	EAT (adjusted)	37.5		€45.0 million	100	€78.8 million	175	€48.2 million	107.1	114.2	
CFO	Volume of sales contracts	37.5		€150.0 million	100	€262.5 million	175	€211.4 million	140.9	181.8	
	Strategy and sustainability goals1	25.0		n/a	100	n/a	175	n/a	130.0	160.0	
	Total	**100.0**	**92**		**100**	**€184 thousand**	**150**		**125.5**	**151.0**	**138.9**
Andreas Gräf	EAT (adjusted)	37.5		€45.0 million	100	€78.8 million	175	€48.2 million	107.1	114.2	
COO	Volume of sales contracts	37.5		€150.0 million	100	€262.5 million	175	€211.4 million	140.9	181.8	
	Strategy and sustainability goals[1]	25.0		n/a	100	n/a	175	n/a	130.0	160.0	
	Total	**100.0**	**250**		**100**	**€500 thousand**	**150**		**125.5**	**151.0**	**377.5**

[1] The achievement of targets in terms of the personal targets and the strategy and sustainability goals were evaluated by way of an overall assessment and are therefore not mapped individually for the defined goals (not shown).

[2] Member of the Management Board until 31 July 2023. The STI bonus base amount shown reflects this pro rata temporis.

[3] Member of the Management Board since 1 September 2023. The STI bonus base amount shown reflects this pro rata temporis.

Multi-Year Variable Remuneration (Long-Term Incentive (LTI))

Allocation of LTI 2023–2026 (new)

At the end of the 2023 financial year, the provisional tranche of virtual shares (base number) shown in the table below was allocated to the members of the Management Board on the basis of the parameters set out below for the performance period from 1 January 2024 up to and including 31 December 2026 **(LTI 2023–2026 [new])**.

The targets for the LTI 2023–2026 (new) are set using the existing specifications of the remuneration system (page 270 et seqq. of this remuneration report).

The definition and measurement of the target achievement and the payment of the LTI 2023–2026 (new) will take place after the end of the performance period in the 2026 financial year.

Long-term variable remuneration (LTI) TABLE 113

In thousands of euros

	Kruno Crepulja	Dr. Foruhar Madjlessi[1]	David Dreyfus[2]	Andreas Gräf
	CEO	CFO	CFO	COO
Tranche	LTI 2023–2026	LTI 2023–2026	LTI 2023–2026	LTI 2023–2026
LTI bonus base amount	455.0	245.0	128.0	350.0
Allocation rate (in €)	6.20	6.20	6.20	6.20
Base number (in units)	**73,387.1**	**39,516.1**	**20,698.9**	**56,451.6**
LTI cap limit	1,365.0	735.0	384.0	1,050.0

[1] Member of the Management Board until 31 July 2023. The LTI bonus base amount shown reflects this pro rata temporis.

[2] Member of the Management Board since 1 September 2023. The LTI bonus base amount shown reflects this pro rata temporis.

LTI tranches granted

The LTI tranches granted as of 31 December 2023 are shown in the table below, broken down by individual members of the Management Board.

The LTI tranches have a term of three years and are only paid out at the end of the relevant term at the average closing prices of the Instone Group share determined at that time.

In the case of the LTI tranches referred to as "(old)", which were still granted under the remuneration system until 30 June 2021, the basic number of virtual shares granted is multiplied by the average closing price of the Instone Group share during the last 20 trading days of the relevant term, plus any dividend paid. The payout amount calculated in this way is capped for each virtual share in the LTI tranches (old) at the amount that corresponds to 200% of the initial value determined for the relevant bonus year. For the determination of the LTI initial value at the time the LTI tranches were granted, a planned/actual comparison was made of the adjusted earnings before tax for the bonus year as well as the two previous years and virtual shares were allocated at the average price during the last 20 trading days before the end of the bonus year. During the term of the LTI tranches (old), no performance criteria are applied, so the final payout amount is therefore exclusively dependent on the share price performance of Instone Group shares.

For the LTI tranches referred to as (new), the payment is made using the outline parameters described in I. D. of this remuneration report.

LTI tranches

TABLE 114

In thousands of euros

		Basic number of virtual shares (in units)	Share price for payment (in euros)	LTI bonus (in thousands of euros)	Payment
Kruno Crepulja, CEO	LTI 2020–2023 (old)	14,861.2	8.11	120.5	January 2024
	LTI 2021–2024 (old)	8,654.8	n/a	n/a	January 2025
	LTI 2021–2024 (new)	10,990.3	n/a	n/a	in 2025
	LTI 2022–2025 (new)	57,017.5	n/a	n/a	in 2026
Dr. Foruhar Madjlessi, CFO[1]	LTI 2020–2023 (old)	12,384.3	8.11	100.4	January 2024
	LTI 2021–2024 (old)	7,212.4	n/a	n/a	January 2025
	LTI 2021–2024 (new)	7,669.1	n/a	n/a	in 2025
	LTI 2022–2025 (new)	47,368.4	n/a	n/a	in 2026
David Dreyfus, CFO[2]	LTI 2020–2023 (old)	0.0	n/a	n/a	January 2024
	LTI 2021–2024 (old)	0.0	n/a	n/a	January 2025
	LTI 2021–2024 (new)	0.0	n/a	n/a	in 2025
	LTI 2022–2025 (new)	0.0	n/a	n/a	in 2026
Andreas Gräf, COO	LTI 2020–2023	8,916.7	8.11	72.0	January 2024
	LTI 2021–2024 (old)	5,192.9	n/a	n/a	January 2025
	LTI 2021–2024 (new)	8,454.1	n/a	n/a	in 2025
	LTI 2022–2025 (new)	43,859.7	n/a	n/a	in 2026

[1] Member of the Management Board until 31 July 2023.

[2] David Dreyfus has been a member of the Management Board since 1 September 2023 and will only participate in LTI Tranche 2023–2026.

Pension commitments

The following table shows the contributions (additions) to the pension plan attributed to the individual Management Board members and the corresponding itemised cash values under the IFRSs and HGB.

Pension commitments

TABLE 115

In thousands of euros

		2023	Allocation	2022
Kruno Crepulja (CEO)	German Commercial Code (HGB)	472.6	41.9	430.7
	IFRS	307.1	71.7	235.4
Andreas Gräf (COO)	German Commercial Code (HGB)	435.2	31.2	404.0
	IFRS	300.2	60.8	239.4
	German Commercial Code (HGB)	**907.8**	**73.1**	**713.8**
	IFRS	**607.3**	**132.5**	**767.9**

The pension obligations and the corresponding cash values in individualised form according to IFRS and HGB to former members of the Management Board are shown in the following overview.

Pension commitments of former members of the Management Board

TABLE 116

In thousands of euros

		2023	Allocation	2022
Pension commitments of former members of the Management Board	German Commercial Code (HGB)	1,491.5	12.8	1,478.7
	IFRS	1,083.1	144.0	939.1

Share Ownership Guideline

The share ownership guideline agreed with all members of the Management Board was continued to be satisfied by the Management Board members in the 2023 financial year. Management Board member David Dreyfus has already begun to build up the share position specified in the Management Board remuneration system. The following table shows the shareholding of the members of the Management Board as of 31 December 2023 as reported to the Company:

Shareholding TABLE 117

	Number of shares	Investment in registered capital in %
Kruno Crepulja (CEO)	105,775	0.225
David Dreyfus (CFO)[1]	17,983	0.038
Andreas Gräf (COO)	50,319	0.107

[1] Member of the Management Board since 1 September 2023.

Remuneration decisions by the Supervisory Board in the 2023 financial year

In March 2023, following the resignation of Dr Foruhar Madjlessi from the Management Board, the Supervisory Board concluded a contract of employment with Mr David Dreyfus to succeed Dr Foruhar Madjlessi in the position of CFO of the Company, which contains the appropriate provisions on the remuneration of Mr David Dreyfus for the Management Board.

III. Supervisory Board remuneration

Remuneration system

The remuneration of the Supervisory Board is set out in Section 14 of Instone Real Estate Group SE's Articles of Association and is designed as a purely fixed remuneration.

On 9 June 2021, the Annual General Meeting of Instone Real Estate Group AG approved the proposal to approve the system for the remuneration of the members of the Supervisory Board, together with a resolution to amend the Articles of Association of Instone Real Estate Group SE, with a majority of 99.05% of the votes cast.

According to the remuneration system approved by the Annual General Meeting, Supervisory Board members receive a fixed annual remuneration of €75.0 thousand. The Chairman of the Supervisory Board receives double and the Deputy Chairman one and a half times the remuneration. Members of the Audit Committee receive an additional remuneration in the amount of €15.0 thousand whilst members of the Compensation and Nomination Committees shall each receive an additional €7.5 thousand per financial year. The respective committee chair receives twice the remuneration. Reasonable out-of-pocket expenses are also reimbursed to the members of the Supervisory Board by the Company. In addition, the Company has included the members of the Supervisory Board in a D&O group insurance policy for executive bodies, for which a deductible of the members of the Supervisory Board has not been agreed. No performance-related remuneration or meeting attendance amounts are paid to Supervisory Board members.

Supervisory Board remuneration

TABLE 118

In thousands of euros	Remuneration for 2023 financial year (earned)			Remuneration for 2022 financial year (inflow)		
	Remuneration Role General Committee	Remuneration Role Committees	Remuneration Total	Remuneration Role General Committee	Remuneration Role Committees	Remuneration Total
Stefan Brendgen	150.0	34.1	184.1	150.0	30.0	180.0
Dr. Jochen Scharpe	112.5	37.5	150.0	112.5	40.8	153.3
Dietmar P. Binkowska	75.0	15.0	90.0	75.0	15.0	90.0
Thomas Hegel[1]	33.9	13.6	47.5	75.0	30.0	105.0
Christiane Jansen	75.0	7.5	82.5	75.0	4.2	79.2
Stefan Mohr[2]	41.3	12.4	53.7	–	–	–
Sabine Georgi[3]	37.4	0.0	37.4	–	–	–
Total remuneration	**525.1**	**120.1**	**645.2**	**487.5**	**120.0**	**607.5**

[1] Member of the Supervisory Board until 14 June 2023.
[2] Member of the Supervisory Board since 14 June 2023.
[3] Member of the Supervisory Board since 3 July 2023.

If a member of the Supervisory Board does not belong to the Supervisory Board or to a committee for the entire financial year, their remuneration is reduced pro rata temporis.

Remuneration of the members of the Supervisory Board during the 2023 financial year

The total remuneration of the Supervisory Board in financial year 2023 was €645.2 thousand (previous year: €607.5 thousand). Of which, €525.1 thousand (previous year: €487.5 thousand) was remuneration for work on the General Committee. Remuneration for work in committees amounted to €121.0 thousand (previous year: €120.0 thousand). table 118 above shows the remuneration paid to the members of the Supervisory Board under Section 162 (1) sentence 1 AktG, in other words the remuneration granted and owed for the activity in the 2022 financial year (inflows), paid in the first quarter of 2023, and the remuneration earned for the activities of the Supervisory Board in the financial year 2023 is reported on an individual basis.

As a representative of the company's largest individual shareholder, Mr Stefan Mohr voluntarily waived his remuneration for his work on the company's Supervisory Board and its committees. The other members of the Supervisory Board voluntarily waived 10% of the remuneration they earned in the 2023 financial year.

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. GRI 2-21

V. Vertical comparison

The following table provides a comparison of the annual change in remuneration, the earnings development of the company and the average remuneration of employees on a full-time equivalent basis over the last five financial years under Section 162 (1) sentence 2 No. 2 AktG.

The remuneration of the management board members on which the vertical comparison is based was determined on the basis of remuneration granted/owed under Section 162 (1) AktG. All employees employed in the entire period from 1 January to 31 December are considered to be the relevant comparison group of employees according to the definition in Section 267 (5) HGB of the Instone Group in Germany. The average remuneration for this comparison group was calculated on the basis of remuneration paid, taking into account the employment rate.

Vertical comparison

TABLE 119

Changes in %

Comparison period	2019 vs. 2018[1]	2020 vs. 2019	2021 vs. 2020	2022 vs. 2021	2023 vs. 2022
Management Board members					
Kruno Crepulja	35	0	-14	89	-44
Dr. Foruhar Madjlessi[2]	–	115	-23	21	-41
David Dreyfus[3]	–	–	–	–	–
Andres Gräf	57	0	-11	63	-46
Supervisory Board members					
Stefan Brendgen	-1	0	10	18	2
Dr Jochen Scharpe	14	1	10	14	-2
Marija Korsch[4]	9	-8	5	-	-
Dietmar P. Binkowska[5]	–	3	13	24	0
Thomas Hegel[6,7]	–	9	14	23	0
Christiane Jansen[8]	–	–	–	4	4
Stefan Mohr[9]	–	–	–	–	–
Sabine Georgi[10]	–	–	–	–	–
Average employee remuneration	–	7	0	7	-7
Net income/loss for the year of Instone Real Estate Group SE (under HGB individual financial statement)	-172	-17	369	-50	-33
Adjusted EAT (under IFRS consolidated financial statements)	453	-61	136	-48	-4

[1] Information for the members of the Supervisory Board and the Management Board is extrapolated to the full calendar year 2018, since the appointment as members of the executive bodies was made during the course of the conversion of the company into a stock corporation under Dutch law on 13 February 2018.

[2] Member of the Management Board from 1 January 2019 to 31 July 2023

[3] Member of the Management Board since 1 September 2023.

[4] Board members resigned during the year in 2021. Value extrapolated to the entire calendar year 2021.

[5] Board members joined during the year 2019. Value extrapolated to the entire calendar year 2019.

[6] Board members joined during the year 2019. Value extrapolated to the entire calendar year 2019.

[7] Board members resigned during the year in 2023. Value extrapolated to the entire calendar year 2023.

[8] Board members joined during the year 2021. Value extrapolated to the entire calendar year 2021.

[9] Member of the Supervisory Board since 14 June 2023.

[10] Member of the Supervisory Board since 3 July 2023.

Acknowledgment of the remuneration report

REPORT OF THE INDEPENDENT AUDITOR ON THE AUDIT OF THE REMUNERATION REPORT IN ACCORDANCE WITH SECTION 162 (3) AKTG

To Instone Real Estate Group SE, Essen/Germany

Audit Opinion

We conducted a formal audit of the remuneration report of Instone Real Estate Group SE, Essen/Germany, for the financial year from 1 January to 31 December 2023 to assess whether the disclosures required under Section 162 (1) and (2) German Stock Corporation Act (AktG) have been made in the remuneration report. In accordance with Section 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the disclosures required under Section 162 (1) and (2) AktG have been made, in all material respects, in the accompanying remuneration report. Our audit opinion does not cover the content of the remuneration report.

Basis for the Audit Opinion

We conducted our audit of the remuneration report in accordance with Section 162 (3) AktG and in compliance with the IDW Auditing Standard: Audit of the Remuneration Report pursuant to Section 162 (3) AktG (IDW AuS 870 (09.2023)). Our responsibilities under those requirements and this standard are further described in the "Auditor's Responsibilities" section of our report. Our audit firm has applied the IDW Quality Management Standards. We have fulfilled our professional responsibilities in accordance with the German Public Auditor Act (WPO) and the Professional Charter for German Public Auditors and German Sworn Auditors (BS WP/vBP) including the requirements on independence.

Responsibilities of the Executive Board and the Supervisory Board

The executive board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of Section 162 AktG. In addition, they are responsible for such internal control as they have determined necessary to enable the preparation of a remuneration report, including their related disclosures, that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

Auditor's Responsibilities

Our objective is to obtain reasonable assurance about whether the disclosures required under Section 162 (1) and (2) AktG have been made, in all material respects, in the remuneration report, and to express an opinion on this in a report on the audit.

We planned and conducted our audit in such a way to be able to determine whether the remuneration report is formally complete by comparing the disclosures made in the remuneration report with the disclosures required under Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we have neither audited the correctness of the content of the disclosures, nor the completeness of the content of the individual disclosures, nor the adequate presentation of the remuneration report.

Dusseldorf/Germany, 11 March 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Rolf Künemann Wirtschaftsprüfer (German Public Auditor)	Signed: Nicole Meyer Wirtschaftsprüferin (German Public Auditor)

Assurance of legal representatives

To the best of our knowledge, we declare that the consolidated financial statements give a true and fair view of the results of operations, net assets and financial position of the Group in accordance with the applicable accounting principles and that the management report of the Group, which is combined with the Company's management report, includes a true and fair view of the development, performance and results of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Essen, 8 March 2024

The Management Board

Kruno Crepulja	David Dreyfus	Andreas Gräf

GRI content index

GRI content index

GRI standards	Disclosures	Page
1	Foundation	36
2-1	Organisational details	300
2-2	Entities included in the organisation's sustainability reporting	300
2-3	Reporting period, frequency and contact person	300
2-4	Restatements of information	207, 208, 209
2-5	External assurance	48
2-6	Activities, value chain and other business relationships	36
2-7	Employees	36, 37, 63, 137, 155
2-8	Workers who are not employees	137
2-9	Governance structure and composition	120, 183, 185
2-10	Nomination and selection of the highest governance body	189
2-11	Chair of the highest governance body	243
2-12	Role of the highest governance body in overseeing the management of impacts	184
2-13	Delegation of responsibility for managing impacts	184
2-14	Role of the highest governance body in sustainability reporting	182
2-15	Conflicts of interest	176, 241, 243
2-16	Communicating critical concerns	189, 194
2-17	Collective knowledge of the highest governance body	24
2-18	Evaluation of the performance of the highest governance body	27
2-19	Remuneration policies	193, 267
2-20	Process to determine remuneration	193, 267
2-21	Annual total compensation ratio	267, 270, 277, 283

GRI content index

GRI standards	Disclosures	Page
2-22	Statement on sustainable development strategy	42, 44, 156, 163, 167
2-23	Policy commitments	128
2-24	Embedding policy commitments	128
2-25	Processes to remediate negative impacts	184, 241
2-26	Processes to remediate negative impacts	184
2-27	Compliance with laws and regulations	193
2-28	Membership associations	128
2-29	Approach to stakeholder engagement	53
2-30	Collective bargaining agreements	105, 184
201	Economic performance	200
201-1	Direct economic value generated and distributed	200, 201, 204, 219, 220
201-2	Financial implications and other risks and opportunities due to climate change	77
201-3	Defined benefit plan obligations and other retirement plans	141, 220, 221, 232, 276
201-4	Financial assistance received from government	141
202	Market presence	162
202-2	Proportion of senior management hired from the local community	107

GRI content index

GRI standards	Disclosures	Page
203	Indirect economic impacts	115, 116
203-1	Infrastructure investments and services supported	115, 116
203-2	Significant indirect economic impacts	116
204	Procurement practices	111
204-1	Proportion of spending on local suppliers	111
205	Anti-corruption	128, 194
205-1	Operations assessed for risks related to corruption	159
205-2	Communication and training about anti-corruption policies and procedures	194
205-3	Confirmed incidents of corruption and actions taken	128
206	Anti-competitive behaviour	166
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	166
207-1	Approach to tax	138, 167
207-2	Tax administration, control and risk management	167
3	Material topics	52
3-1	Process to determine material topics	52
3-2	List of material topics	54
3-3	Management of material topics	52
301	Materials	93
301-1	Materials used by weight or volume	93
301-2	Recycled input materials used	93
301-3	Reclaimed products and their packaging materials	93
302	Energy	58, 59, 60
302-1	Energy consumption within the organisation	58, 59,60
302-2	Energy consumption outside of the organisation	58, 59, 60
302-3	Energy intensity	58, 59, 60
302-4	Reduction of energy consumption	58, 59, 60
302-5	Reductions in energy requirements of products and services	58, 59, 60
303	Water and effluents	84
303-1	Interactions with water as a shared resource	84
303-2	Management of water discharge-related impacts	84
303-3	Water withdrawal	84
304	Biodiversity	87

GRI content index

GRI standards	Disclosures	Page
304-2	Significant impacts of activities, products, and services on biodiversity	87
304-3	Habitats protected or restored	87
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	87
305	Emissions	71
305-1	Direct (Scope 1) GHG emissions	71
305-2	Energy indirect (Scope 2) GHG emissions	71
305-3	Other indirect (Scope 3) GHG emissions	71
305-4	GHG emissions intensity	71
305-5	Reduction of GHG emissions	71
306	Waste	93, 96
306-1	Waste generation and significant waste-related impacts	93, 96
306-2	Management of significant waste-related impacts	93, 96
306-3	Waste generated	93, 96
306-4	Waste diverted from disposal	93, 96
308	Supplier environmental assessment	110
308-1	New suppliers that were screened using environmental criteria	110
308-2	Negative environmental impacts in the supply chain and actions taken	110
401	Employment	105
401-1	New employee hires and employee turnover	108
401-3	Parental leave	65
402	Labour/management relations	105
402-1	Minimum notice periods regarding operational changes	105

GRI content index

GRI standards	Disclosures	Page
403	Occupational health and safety	64, 109
403-1	Occupational health and safety management system	64, 109
403-2	Hazard identification, risk assessment and incident investigation	64, 109
403-3	Occupational health services	64, 109
403-4	Worker participation, consultation and communication on occupational health and safety	64, 109
403-5	Worker training on occupational health and safety	64, 109
403-6	Promotion of worker health	64, 109
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	64, 109
403-8	Employees covered by an occupational health and safety management system	64, 109
403-9	Work-related injuries	64
403-10	Work-related ill health	64
404	Training and education	64
404-1	Average hours of training per year per employee	64
404-2	Programmes for upgrading employee skills and transition assistance programmes	64
405	Diversity and equal opportunity	62, 63, 65, 107, 191
405-1	Diversity of governance bodies and employees	62, 63
405-2	Ratio of basic salary and remuneration of women to men	65
406	Non-discrimination	66
406-1	Incidents of discrimination and corrective actions taken	66
407	Freedom of association and collective bargaining	105
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	105
408	Child labour	111
408-1	Operations and suppliers at significant risk for incidents of child labour	111
409	Forced or compulsory labour	105. 111

GRI content index

GRI standards	Disclosures	Page
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	105. 111
410	Security practices	194
410-1	Security personnel trained in human rights policies or procedures	194
413	Local communities	114
413-1	Operations with local community engagement, impact assessments and development programmes	114
414	Supplier social assessment	110
414-1	New suppliers that were screened using social criteria	110
415	Public policy	128
415-1	Political contributions	128
416	Customer health and safety	109
416-1	Assessment of the health and safety impacts of product and service categories	109
417	Marketing and labelling	170
417-2	Incidents of non-compliance concerning product and service information and labelling	170
417-3	Incidents of non-compliance concerning marketing and communications	170
418	Customer privacy	166
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	166

TCFD reporting index

TCFD reporting index

Dimension	Recommended information	Reference	Page
Governance			
Disclose the organisation's governance around climate-related risks and opportunities	A. Describe the board's oversight of climate-related risks and opportunities	1. Letter to shareholders	21
	B. Describe management's role in assessing and managing climate-related risks and opportunities	1. Climate risk management and climate scenario analysis	50, 77 et seqq.
		2. Governance in sustainability activities	120 et seqq.
Strategy			
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	A. Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term	1. Environment	70, 77, 82, 84, 93
		2. Climate risk management and climate scenario analysis	77 et seqq.
		3. Foundations of the Group	44
	B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	1. Environment	70, 77, 82, 84, 93
		2. Climate risk management and climate scenario analysis	77 et seqq.
		3. Equity story	31
	C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	1. Environment	70, 77, 82, 84, 93
		2. Climate risk management and climate scenario analysis	77 et seqq.
Risk management			
Disclose how the organisation identifies, assesses and manages climate-related risks	A. Describe the organisation's processes for identifying and assessing climate-related risks	1. Business model and strategy/materiality analysis	50
		2. Greenhouse gas emissions under scope 1, 2 and 3	70 et seqq.
		3. Risk management system	51, 70, 77, 156, 160, 163
	B. Describe the organisation's processes for managing climate-related risks	1. Materiality analysis	51
		2. Greenhouse gas emissions under scope 1, 2 and 3	70 et seqq.
		3. Climate risk management and climate scenario analysis	77 et seqq.
	C. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	1. Climate risk management and climate scenario analysis	77. et seqq.
		2. Risk management and compliance	156, 160, 163 et seqq.
		3. General business risks	156 et seqq.

TCFD reporting index

Dimension	Recommended information	Reference	Page
Metrics and targets			
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	1. Table of targets	58 et seqq.
		2. Environment	70, 77, 82, 84, 93
		3. Climate risk management and climate scenario analysis	77 et seqq.
	B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	1. table 004 in the sustainability report	58 et seqq.
		2. Greenhouse gas emissions under scope 1, 2 and 3	70 et seqq.
	C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	1. Material action areas	51 et seqq.
		2. Greenhouse gas emissions under scope 1, 2 and 3	70 et seqq.
		3. Climate risk management and climate scenario analysis	77 et seqq.

Our company
To our shareholders
Combined management report
Consolidated financial statements
Independent auditor's report
Remuneration report
Other information

Action areas matrix for Instone Group and UN Sustainable Development Goals

Action areas matrix for the Instone Group and UN Sustainable Development Goals FIGURE 030

Material action areas of the Instone Group		UN Sustainable Development Goals
Environmental issues	E1 Consumption of natural ressources/recycling E2 Biodiversity E3 CO_2 emissions from building operations E4 CO_2 emissions from building manufacture E6 Choice of building materials (use of environmentally friendly materials) E9 Brownfield developments E10 Water consumption and management E12 Environmental pollution (air, water, soil) E13 Energy consumption and intensity	
Employee issues	S1 Employee diversity S2 Work-life balance S4 Occupational health and safety S10 Fair pay S13 Employee satisfaction	
Social issues	S5 Proportion of affordable housing S6 Development of neighbourhoods (for different sociodemographic groups and social infrastructure, such as schools and nurseries) S7 Social commitment S12 Social dialogue/good working conditions G1 Economic development of the company G6 Client satisfaction G7 Fair competition G8 Payment behaviour (towards contractors)	
Respect for human rights **Combating corruption and bribery**	S11 Respect for human rights G2 Business ethics – compliance with social and ethical criteria (Instone Code of Conduct) G4 Compliance/anti-corruption measures	

Glossary

A/core cities

A cities: Refers to the metropolitan cities of Berlin, Hamburg, Munich, Cologne, Stuttgart, Frankfurt am Main and Dusseldorf which are considered in the real estate industry to be the seven most desirable locations in Germany.

Core cities: The Instone Group also ranks Leipzig as an A city; all these A cities together are referred to as core cities. The Instone Group site at Erlangen is also classed as a core city (Nuremberg) as a result of its size and proximity to Nuremberg.

Anticipated items

Deferred items in the balance sheet that reflect that expenses or income incurred during the year under review do not result in income or expenditure until the following year.

Realignment of boundaries (boundary areas)

When realigning boundaries, scattered plots are grouped into a larger plot and surrounding plots are assigned to a central plot to increase the usability of the land.

Asset deal

In an asset deal, the assets held in a company or just a single asset are purchased and the individual assets are transferred.

B and C cities/add cities

B cities: Major cities of national and regional importance.

C cities: key German cities of regional and, to a limited extent, national importance that significantly impact the surrounding regions.

The Instone Group uses the generic term "add cities" for these attractive cities.

Brownfield developments

Project developments on former industrial sites and conversion areas that have been reclassified for residential utilisation and therefore do not require additional sealed surfaces. On the contrary, existing areas are upgraded or improved.

Contractual trust arrangement (CTA)

Pension trust company

Deferred compensation

Deferred compensation; pension commitment within the company pension scheme – financed by a waiver of the employee's remuneration.

Divestment

Release of restricted capital in longer-term assets by selling them.

Duration

Term of commitment of the capital invested in fixed-income securities.

EBIT

Earnings before interest and taxes.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

Individual sale
In an individual sale, an owner-occupied apartment only changes owners once after completion, when it is sold by the Instone Group directly to the client. Individual sales are managed either by commissioned sales agents or by the Instone Group.

Equity method
Accounting method for the long-term investments of a company that participates in the voting capital of another company (the investment book value is constantly adjusted to the development of the equity of the company in which the investment has been made).

EURIBOR
Abbreviation for the reference interest rate Euro Interbank Offered Rate.

Family offices
Companies or departments of banks managing large private assets.

Zoning and development planning processes
According to Section 1 (2) of the German Building Code (BauGB), a zoning plan is a preparatory urban land-use plan for part of a city, and is governed by Sections 5 et seq. BauGB. It regulates the available and probable space requirements for the individual utilisation options, such as housing, work, leisure and traffic. A development plan is a binding urban land-use plan. A development plan regulates how and what may be built on plots of land and the resulting utilisation of the areas to be left free of buildings.

FTE
Full-time equivalent (FTE) is a key indicator used in staff planning. One FTE is equivalent to the time worked by one full-time employee. The standard used to convert an FTE into working hours is the average number of working hours per work day.

Subsidised residential space
Homes for rent that have been created or modernised with the provision of subsidies from state budgets or development banks and whose occupancy and rent levels have been regulated for a certain period of time (social commitment).

Greenfield developments
Project development on a previously undeveloped, non-built-up area, in other words on a "green field".

GRI
GRI standards constitute global best practice for public disclosures about various economic, environmental and social impacts. The modular, interlinked GRI standards are intended to be primarily used as a template for compiling a sustainability report focusing on material topics. The three universal standards are used by any organisation that publishes a sustainability report.

IFRS 15
International Financial Reporting Standard (IFRS) 15 "Revenue from Contracts with Customers".

IFRS 15 regulates when and the extent to which a company reporting in accordance with IFRS must recognise revenue. Companies preparing the financial statements are also required to provide users of financial statements with more informative, relevant disclosures. The standard offers a single, principle-based, five-step model that can be applied to all contracts with customers.

IFRS 16
International Financial Reporting Standard (IFRS) 16 „Leases".

IFRS 16 governs the recognition, measurement, presentation and disclosure requirements for leases in financial statements for companies reporting in line with IFRS. The lessee uses a single accounting model according to which all assets and liabilities arising from leases (with a few exceptions) are reported in the statement of financial position. The lessor continues to distinguish between finance and operating leases for accounting purposes.

ICS
The internal control system (ICS) is a system of technical and organisational rules for methodological management and controls in the company and is designed to ensure compliance with regulations and prevent losses.

Investor development
Project developments for the stock owned by an investor or developments at the risk and on behalf of third parties.

Investor sales
Projects are sold to investors by Instone Group key account holders.

Capital market sales
Form of selling characterised by a multi-level agency organisation. The agent sells Instone Group developments to capital investors.

Purchasing power index
Regional purchasing power level per inhabitant or household compared to the national average (with a standard value of 100).

Conversion (conversion areas)
Conversion or change of use.

Life cycle analysis software
Software designed to optimise the energy, economic and environmental aspects of a building. The analyses are based on several elements, including the calculation rules in the context of buildings under DIN 15978 as also applied or to be applied by the DGNB and QNG. The choice of the life cycle models under DIN 15978 includes the manufacturing phase (A1-3), exchange during use (B4), energy consumption during use (B6) and waste management and disposal (C3 and C4).

MaBV
The German Broker and Property Developer Regulation (Makler- und Bauträgerverordnung, MaBV) is a legal regulation derived from the German Trade Regulation Act (Gewerbeordnung) which, in German trade law, primarily provides specifications for the protection of the real estate purchaser when drafting and concluding a property development contract.

Mezzanine financing
Financing with hybrid capital, which includes both equity and debt financing.

New work
New work today means roughly the same as the work of the future. The term new work covers all developments that are significant in terms of a modern, employee-oriented working environment in the 21st century.

Prosperous medium-sized cities
These cities include the following for the Instone Group: Darmstadt, Dresden, Freiburg im Breisgau, Hanover, Heidelberg, Heilbronn, Karlsruhe, Mainz, Mannheim, Potsdam, Ulm and Wiesbaden.

PoC method
Percentage-of-completion method.

Purpose
Purpose is an important term in the corporate world. It refers to the raison d'etre of a company. It is the motivation that is deeply embedded in the company and has long-term relevance.

Neighbourhood development
The neighbourhood is defined by infrastructure, such as public spaces; residential, service, local amenity and transport buildings; educational, sport, cultural and medical facilities; and green spaces, roads, railways and paths.

The neighbourhood influences and determines emotional factors such as identification, communities, participation processes, sense of security, pedestrian access, building culture and membership of clubs.

The neighbourhood can both create and impair quality of life, opportunities, prospects and engagement, as well as social and economic participation and variety of tenants in terms of income and background – in an urban environment at least.

ROCE

Return on Capital Employed (ROCE) is an indicator which measures how efficiently and profitably a company employs the capital it uses. The Instone Group calculates ROCE as follows:

ROCE = EBIT/(two-year average equity + net debt)

Scope 1 emissions

Scope 1 covers direct emissions from company assets, the company car fleet and internal production.

Scope 2 emissions

Scope 2 covers indirect emissions from purchased energy for internal use.

Scope 3 emissions

Scope 3 covers all other (not scope 2) indirect emissions, such as emissions from purchased products and services, but also emissions from employees commuting, business travel, the transportation of products and recycling.

Share deal

In a share deal, purchasers acquire a company by buying all or almost all of the shares of a partnership or corporation.

Instone Group social impact

Creation of positive (social) added value in our building and neighbourhood developments.

Rate per thousand people

Reportable accidents at work per 1000 full-time workers.

Trading development

The project development process takes place at the own expense of the project developer. The marketing risk is borne by the project developer itself.

WACC

Weighted average cost of capital. The average is calculated from the cost of equity and the cost of debt and weighted with their share of total capital.

Target areas

In addition to the core cities, the Instone Group's target areas also include prosperous medium-sized cities such as: Aachen, Augsburg, Baden-Baden, Erfurt, Ingolstadt, Halle, Kiel, Nuremberg, Regensburg and the Rhine-Main region.

Quarterly comparison

TABLE 120

In millions of euros		Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Real estate business key performance indicators									
Volume of sales contracts		120.1	20.2	18.4	52.7	41.9	104.6	58.0	87.6
Volume of sales contracts	In units	195	37	28	110	44	199	96	191
Project portfolio (existing projects)		6,972.0	7,015.5	7,182.6	7,600.4	7,668.8	7,827.4	7,727.4	7,567.7
of which already sold		2,693.4	2,822.7	2,868.8	2,958.7	2,980.5	2,945.4	2,891.4	3,070.1
Project portfolio (existing projects)	In units	14,252	14,269	15,148	16,107	16,209	16,580	16,644	16,607
of which already sold	In units	6,217	6,588	7,017	7,198	7,309	7,265	7,179	7,404
Volume of new approvals[1]		0.0	0.0	0.0	0.0	0.0	51.4	185.5	99.8
Volume of new approvals	In units	0	0	0	0	0	114	461	174
Cash flow from operations		89.0	59.1	34.3	-74.7	96.9	-46.2	32.1	-12.7
Adjusted results of operations									
Revenues adjusted		182.7	153.8	156.0	123.5	179.1	173.9	149.5	118.5
Project costs adjusted		-138.9	-115.3	-117.6	-89.7	-135.6	-129.0	-115.9	-83.3
Gross profit adjusted		**43.8**	**38.5**	**38.4**	**33.8**	**43.4**	**45.0**	**33.6**	**35.2**
Gross profit margin adjusted	In %	**24.0**	**25.0**	**24.6**	**27.4**	**24.2**	**25.9**	**22.5**	**29.7**
Platform costs adjusted		-25.6	-17.9	-13.7	-19.3	-17.4	-20.7	-15.7	-18.7
Share of results of joint ventures adjusted		2.1	1.9	2.8	1.3	1.7	0.7	0.9	0.6
Earnings before interest and tax (EBIT) adjusted		**20.3**	**22.5**	**27.5**	**15.8**	**27.7**	**25.0**	**18.9**	**17.0**
EBIT margin adjusted	In %	**11.1**	**14.6**	**17.6**	**12.8**	**15.5**	**14.4**	**12.6**	**14.3**
Results from investments adjusted		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial result adjusted		-2.3	-2.6	-6.6	-3.4	-4.3	-4.1	-3.8	-3.7
Earnings before tax (EBT) adjusted		**18.0**	**19.9**	**20.9**	**12.4**	**23.4**	**20.8**	**15.1**	**13.4**
EBT margin adjusted	In %	**9.9**	**12.9**	**13.4**	**10.0**	**13.1**	**12.0**	**10.1**	**11.3**
Income taxes adjusted		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings after tax (EAT) adjusted		**11.1**	**13.2**	**15.4**	**8.5**	**16.0**	**14.4**	**10.3**	**9.3**
EAT margin adjusted	In %	**6.1**	**8.6**	**9.9**	**6.9**	**8.9**	**8.3**	**6.9**	**7.8**
Earnings per share (adjusted)	In euros	0.28	0.30	0.36	0.20	0.35	0.32	0.24	0.20

[1] Excluding volume of approvals from joint ventures consolidated at equity.

Multi-year overview

TABLE 121

In millions of euros

		2023	2022	2021	2020	2019
Key liquidity figures						
Cash flow from operations		107.7	70.2	43.9	119.9	-205.1
Cash flow from operations without new investments		118.1	187.2	256.3	225.0	115.0
Free cash flow		119.2	79.6	167.4	-64.2	-237.5
Cash and cash equivalents and term deposits[1]		267.7	255.6	151.0	232.0	117.1
Key balance sheet figures						
Total assets		1,839.6	1,780.3	1,520.8	1,283.1	1,123.4
Inventories		1,085.8	967.3	843.7	777.8	732.1
Contract assets		177.1	333.6	358.0	194.2	219.0
Equity		576.0	573.0	590.9	521.0	310.2
Financial liabilities		532.6	520.6	390.5	481.7	595.5
of wich corporate finance		176.8	179.7	199.1	207.2	180.8
of wich project financing		355.8	341.0	191.4	274.5	414.7
Net financial debt[2]		186.8	265.1	239.5	249.7	478.4
Leverage		2.1	2.8	1.5	2.8	3.6
Loan-to-cost[3]	In %	15.1	20.8	20.1	25.7	50.3
ROCE adjusted[4]	In %	10.3	10.2	22.0	10.3	22.8
Employees						
Number		468	486	457	413	375
FTE[5]		382.5	409.4	387.6	342.5	307.7

In millions of euros

		2023	2022	2021	2020	2019
Real estate business key performance indicators						
Volume of sales contracts		211.4	292.1	1,140.1	464.4	1,403.1
Volume of sales contracts	In units	370	530	2,915	1,292	2,733
Project portfolio (existing projects)		6,972.0	7,668.8	7,500.0	6,053.6	5,845.7
of which already sold		2,693.4	2,980.5	3,038.9	2,328.8	2,174.0
Project portfolio (existing projects)	In units	14,252	16,209	16,418	13,561	13,715
of which already sold	In units	6,217	7,309	7,215	5,381	4,814
Volume of new approvals[6]		0.0	336.7	1,587.4	489.9	1,284.2
Volume of new approvals	In units	0	749	3,245	1,171	3,857
Adjusted results of operations						
Revenues adjusted		616.0	621.0	783.6	480.1	736.7
Project costs adjusted		-461.5	-463.8	-562.1	-333.5	-548.8
Gross profit adjusted		**154.5**	**157.2**	**221.5**	**146.6**	**187.8**
Gross profit margin adjusted	**In %**	**2,508.1**	**25.3**	**28.3**	**30.5**	**25.5**
Platform costs adjusted		-76.5	-72.5	-80.5	-65.5	-59.0
Share of results of joint ventures adjusted		8.1	3.9	14.6	2.7	0.7
Earnings before interest and tax (EBIT) adjusted		**86.1**	**88.6**	**155.7**	**83.8**	**129.6**
EBIT margin adjusted	**In %**	**1,397.7**	**14.3**	**19.9**	**17.5**	**17.6**
Results from investments adjusted		0.0	0.0	0.1	-1.2	-5.7
Financial result adjusted		-14.9	-15.9	-19.3	-23.2	-16.1
Earnings before tax (EBT) adjusted		**71.2**	**72.7**	**136.5**	**59.4**	**107.8**
EBT margin adjusted	**In %**	**1,155.8**	**11.7**	**17.4**	**12.4**	**14.6**
Income taxes adjusted		-23.1	-22.6	-39.6	-18.3	-2.2

TABLE 121

In millions of euros

		2023	2022	2021	2020	2019
Earnings after tax (EAT) adjusted		**48.2**	**50.0**	**96.9**	**41.1**	**105.6**
EAT margin adjusted	In %	**782.5**	**8.1**	**12.4**	**8.6**	**14.3**
Earnings per share (adjusted)	In euros	1.14	1.11	2.10	0.99	2.69
Dividend per share	In euros	0.33	0.35	0.62	0.26	
Distribution amount		14.3	15.2	28.7	12.2	

[1] Term deposits comprise cash investments of more than three months. Excluding restricted cash and cash equivalents of €115.9 million from the "Westville" subsidised loan.

[2] Net financial debt = financial liabilities less cash and cash equivalents and term deposits. Excluding the €78.1 million subsidised loan.

[3] Loan-to-cost = net financial debt/(inventories + contract assets).

[4] Return on capital employed = LTM EBIT adjusted/(four-quarter average equity + net financial debt).

[5] Full-time equivalent.

[6] Excluding volume of approvals from joint ventures consolidated at equity.

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David Dreyfus
Andreas Gräf

Chairman of the Supervisory Board

Stefan Brendgen

Commercial Register

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

VAT ID number
DE 300512686

Photography

Eric Kemnitz (title, pages 3, 15, 17)
Markus Bachmann Photography (page 10)

Concept, design und implementation

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Financial calendar

19/03/2024	Publication of financial report for year ended 31 December 2023
08/05/2024	Publication of quarterly statement as at 31 March 2024
08/08/2024	Publication of half-year report as at 30 June 2024
07/11/2024	Publication of quarterly statement as at 30 September 2024

GRI 2-3

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